

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE JUNEAU 99801

M E M O R A N D U M

DATE: March 18, 1982

TO: Representative Russ Meekins
Subcommittee Chairman on HB 650
House Finance Committee

FROM: J. H. Hogan, Director
Legislative Finance Division

SUBJ: CSHB 650 (Finance)

The proposed Finance CS for HB 650 is in effect a complete redraft, but the redraft only makes five changes:

1. Language is changed throughout the committee substitute to make the conditions apply to all capital improvement projects, whether introduced by the governor or the legislature.
2. The governor is designated to determine those projects which can by-pass the two-phase planning/program construction approach.
3. Clearly excluded from the two-phase approach are major maintenance and repairs to existing airports, highways, roads and trails, and other existing public facilities.
4. The requirement to appropriate by region or election district and allocate with the appropriation is deleted.
5. Rather than reference a form, "documentation" is required and calls for the information requested in the original bill.

When drafted in final, perhaps LAA should place text in the Executive Budget Act rather than in the Fiscal Procedures Act.

attachment

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1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HB 650 (FINANCE)

3
4 For an Act entitled: "An Act relating to capital improvement projects."

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

6 * Section 1. AS 37.05 is amended by adding a new section to read:

7 Sec. 37.05.312. CAPITAL IMPROVEMENT PROJECTS. (a) Except as
8 provided in (b) of this section, when appropriations are made for a
9 capital improvement project, the legislature shall appropriate the
10 money in two phases:

11 (1) phase one shall provide funding to determine the feasi-
12 bility of the project, prepare accurate cost estimates, identify
13 potential legal problems, and conduct surveys and other necessary
14 planning and pre-design work;

15 (2) phase two shall provide project construction funding and
16 shall be based on the results of the estimates produced in phase one.

17 (b) An appropriation for a capital improvement project that is
18 determined by the governor to be a project required to alleviate an
19 emergency situation or a capital improvement project that does not
20 require detailed planning as set out in (a) of this section, including
21 but not limited to major maintenance and repairs to existing airports,
22 highways, roads and trails, and other public facilities, need not
23 conform to the requirements of (a) of this section.

24 (c) Before an appropriation is made for a capital improvement
25 project, the legislature shall require preparation and submission of
26 project documentation to include:

27 (1) the project title to be used in all references to the
28 proposed project;

29 (2) the location of the proposed project and the word

1 "statewide" for a project that has statewide impact;

2 (3) the house election district in which the proposed project
3 is to be located;

4 (4) the proposed funding source and the amount to be appro-
5 priated;

6 (5) the month and year that the first major expenditure on
7 the proposed project should be made;

8 (6) the date the activities associated with the appropriation
9 for the proposed project should be completed;

10 (7) the first year that the proposed project will have an
11 effect on the operating budget and the amount of the anticipated increase
12 or decrease;

13 (8) the first year that the proposed project will become fully
14 operational and the amount of the anticipated annual effect on the oper-
15 ating budget;

16 (9) a description of the proposed project including its
17 physical characteristics, desired site features, general planning guide-
18 lines, the operational activities related to the project, and such
19 other items as may be appropriate.

20 (d) If the capital improvement project is one phase of a multi-
21 phase project, the documentation must state the present status of the
22 project, any substantial modifications made to the original project
23 design or purpose, the appropriation history of the project, and the
24 manner in which the proposed project relates to other phases of the
25 project.
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COMMITTEE REPORT

HOUSE

FURTHER:

(11)

2/24/82

Date: 3-31-82

Mr. Speaker:

The Committee on FINANCE has had HB 650

"An Act relating to legislative additions to capital improvement projects proposed by the governor."

under consideration and ~~(a majority of the committee)~~ ~~(the committee)~~ reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for Amended Finance same title
 new title
- and recommends DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

Original sponsor: Transportation
Committee

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 650 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to capital improvement projects."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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9 Sec. 37.05.312. CAPITAL IMPROVEMENT PROJECTS. (a) Except as
10 provided in (b) of this section, when an appropriation is made for a
11 capital improvement project, the legislature shall appropriate the money
12 in two phases:

13 (1) phase one shall provide funding to determine the feasi-
14 bility of the project, prepare accurate cost estimates, identify poten-
15 tial legal problems, and conduct surveys and other necessary planning,
16 design and preliminary engineering work;

17 (2) phase two shall provide project construction funding and
18 shall be based on the results of the estimates produced in phase one.

19 (b) If the legislature determines that a capital improvement
20 project is a project required to alleviate an emergency situation or a
21 project that does not require detailed planning or engineering, includ-
22 ing but not limited to major maintenance and repairs to existing air-
23 ports, highways, roads, and trails, and other public facilities, the
24 requirements of (a) of this section do not apply.

25 (c) Before an appropriation is made for a capital improvement
26 project the legislature shall require the Department of Transportation
27 and Public Facilities to prepare and submit project documentation that
28 includes

29 (1) the project title to be used in all references to the

1 proposed project;

2 (2) the location of the proposed project or the word "state-
3 wide" for a project that has statewide impact;

4 (3) the house election district in which the proposed project
5 is to be located;

6 (4) the proposed funding source and the amount to be approp-
7 riated;

8 (5) the month and year that the first major expenditure on
9 the proposed project should be made;

10 (6) the date the activities associated with the appropriation
11 for the proposed project should be completed;

12 (7) the first year that the proposed project will have an
13 effect on the operating budget and the amount of the anticipated in-
14 crease or decrease;

15 (8) the first year that the proposed project will become
16 fully operational and the amount of the anticipated annual effect on the
17 operating budget;

18 (9) a description of the proposed project including its
19 physical characteristics, desired site features, general planning guide-
20 lines, the operational activities related to the project, and any other
21 item that may be appropriate.

22 (d) If the capital improvement project is one phase of a multi-
23 phase project, the documentation must state the present status of the
24 project, any substantial modifications made to the original project
25 design or purpose, the appropriation history of the project, and the
26 manner in which the proposed project relates to other phases of the
27 project.
28
29

I. REQUEST
 Bill/Resolution No. HB 650 Relating to legislative additions to
 Title capital improvement projects proposed by the governor.
 Requested by House Transportation Date _____

II. FISCAL DETAIL Department of Transportation & Public Facilities
 Agency Affected _____
 Program Category Affected Transportation
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

This bill would not have a direct fiscal impact on DOT/PF. Certain projects may be modified as a result of better information prior to appropriation of construction funds. This savings is not calculable.

IV. DATE _____ PREPARED BY RTJ
 AGENCY DOT/PF
 Original: Legislative Finance PHONE 465-3900
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

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10 money in two phases:

11 (1) phase one shall provide funding to determine the feasi-
12 bility of the project, prepare accurate cost estimates, identify
13 potential legal problems, and conduct surveys and other necessary
14 planning, design, and preliminary engineering.

15 (2) phase two shall provide project construction funding and
16 shall be based on the results of the estimates produced in phase one.

17 (b) An appropriation for a capital improvement project that is
18 determined to be a project required to alleviate an emergency
19 situation or a capital improvement project that does not require
20 detailed planning or engineering as set out in (a) of this section,
21 including but not limited to major maintenance and repairs to existing
22 airports, highways, roads and trails, and other public facilities, need
23 not conform to the requirements of (a) of this section.

24 (c) Before an appropriation is made for a capital improvement
25 project, the legislature shall require preparation and submission of
26 project documentation to include:

27 (1) the project title to be used in all references to the
28 proposed project;

29 (2) the location of the proposed project and the word

1 "statewide" for a project that has statewide impact;

2 (3) the house election district in which the proposed project
3 is to be located;

4 (4) the proposed funding source and the amount to be appro-
5 priated;

6 (5) the month and year that the first major expenditure on
7 the proposed project should be made;

8 (6) the date the activities associated with the appropriation
9 for the proposed project should be completed;

10 (7) the first year that the proposed project will have an
11 effect on the operating budget and the amount of the anticipated increase
12 or decrease;

13 (8) the first year that the proposed project will become fully
14 operational and the amount of the anticipated annual effect on the oper-
15 ating budget;

16 (9) a description of the proposed project including its
17 physical characteristics, desired site features, general planning guide-
18 lines, the operational activities related to the project, and such
19 other items as may be appropriate.

20 (d) If the capital improvement project is one phase of a multi-
21 phase project, the documentation must state the present status of the
22 project, any substantial modifications made to the original project
23 design or purpose, the appropriation history of the project, and the
24 manner in which the proposed project relates to other phases of the
25 project.
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Introduced: 1/11/82
Referred: Transportation and
Finance

1 IN THE HOUSE

BY THE TRANSPORTATION COMMITTEE

2

HOUSE BILL NO. 650

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

TWELFTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to legislative additions to capital
7 improvement projects proposed by the governor."

7

8

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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* Section 1. AS 37.05 is amended by adding a new section to read:

10

Sec. 37.05.312. CAPITAL IMPROVEMENT PROJECTS PROPOSED BY THE

11

LEGISLATURE. (a) Except as provided in (b) of this section, when the
12 legislature appropriates money for a capital improvement project that
13 was not proposed by the governor under AS 37.07.020, the legislature
14 shall appropriate the money in two phases:

14

15

(1) the first phase is a two-year budget cycle to provide
16 funding to determine the feasibility of the project, prepare accurate
17 cost estimates, identify potential legal problems, and conduct surveys
18 and other necessary planning and pre-design work;

18

19

(2) the second phase is the project construction funding
20 phase and shall be based on the results of the estimates produced by the
21 first phase.

21

22

(b) An appropriation for a capital improvement project that is
23 intended to alleviate an emergency situation or that does not require
24 detailed planning as set out in (a) of this section, including but not
25 limited to roads and trails, need not conform to the requirements of (a)
26 of this section.

26

27

(c) When the legislature appropriates money for a capital improve-
28 ment project that was not proposed by the governor under AS 37.07.020,
29 the legislature shall

29

1 (1) appropriate by region, election district, or other
2 expedient appropriation level and allocate within the level to provide
3 controlled flexibility for minor funding adjustments between projects
4 necessitated by under-estimated or unpredictable project costs and other
5 external factors; and

6 (2) use a proposed capital improvement project budget form
7 stating

8 (A) the project title to be used in all references to
9 the proposed project;

10 (B) the name of the location of the proposed project or
11 the word "statewide" for a project that has statewide impact;

12 (C) the number of the election district in which the
13 proposed project is to be located;

14 (D) the month and year that the first major expenditure
15 on the proposed project should be made;

16 (E) the date the activities associated with the appropri-
17 ation for the proposed project should be completed;

18 (F) whether the proposed project should be a single
19 appropriation or a two-phase appropriation;

20 (G) the funding source;

21 (H) the amount to be appropriated; for a two-phase
22 project the amount to be appropriated for the first phase must be
23 stated as well as the amount necessary to construct the project
24 adjusted for inflation to reflect the cost at the time of con-
25 struction;

26 (I) the first year that the proposed project will have
27 an effect on the operating budget and the amount of the anticipated
28 increase or decrease;

29 (J) the first year that the effect of the proposed

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project on the operating budget will become constant and the amount of the anticipated constant effect;

(K) the description of the proposed project in terms of the physical characteristics, the desired site features, and general planning guidelines of the proposed project and the operational activities related to the project;

(L) the category, agency, and program name.

(d) If the capital improvement project is one phase of a multi-phase project, the form required under AS 37.05.312(c)(2) must state the present status of the project, any substantial modifications made to the original project design or purpose, the appropriation history of the project, and the manner in which the proposed project relates to other phases of the overall plan.

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 Bill/Resolution No. HB 650 Relating to legislative additions to
 Title capital improvement projects proposed by the governor
 Requested by House Transportation Date _____

II. FISCAL DETAIL Department of Transportation & Public Facilities
 Agency Affected _____
 Program Category Affected Transportation
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

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500 EQUIPMENT						
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700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

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FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

This bill would not have a direct fiscal impact on DOT/PF. Certain projects may be modified as a result of better information prior to appropriation of construction funds. This savings is not calculable.

IV. DATE _____ PREPARED BY RZ
 AGENCY DOT/PF
 Original: Legislative Finance PHONE 465-3900
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

Alaska State Legislature

House of Representatives



Rep. Bette Cato, Chairman

Committee on Transportation

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4858

MEMORANDUM

TO : Rep. Al Adams, Chairman
House Finance Committee

FROM : Rep. Bette Cato, Chairman
House Transportation Committee

RE : HB 650; relating to legislative additions to capital
improvement projects proposed by the governor.

DATE : February 24, 1982

Attached to this memo, are backup materials for HB650 for the Finance Committee's consideration.

In short, this bill provides for "two-phase funding". Through the interim study and looking at Legislative Budget and Audits recommendations in the five-phase audit of the Department of Transportation and public Facilities the committee received much input and support for this concept.

Appropriations for capital projects that "is intended to alleviate an emergency situation or that does not require detailed planning...need not conform to ..." two phase funding. The committee discussed this section at length and intended to amend line 24, page 1, after "planning" to insert "or Engineering". A vote to move the bill came and this language was not amended. In as much as planning is important, the limiting factor is the engineering, to provide the necessary data to construct a project.

I would hope that the Finance Committee could amend this bill with this change. It would simplify the requirement and provide for more complete project information that could speed the process.

Thank you for your consideration and if there are questions about this please contact my office. I will be available to testify on the committee bills when the come before the Finance Committee for hearing.

FEB 17 1982

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

POUCH Z
JUNEAU, ALASKA 99811
(TELEX 45-328)

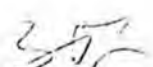
February 17, 1982

Honorable Bette Cato
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Cato:

I would like to take this opportunity to express the Department of Transportation and Public Facilities support of the concept of phase funding of capital improvement projects proposed by the Legislature as introduced by your House Transportation Committee in H.B. 650. The Department uses the concept of funding capital projects by phases and has found it helpful in determining the optimum scope of projects and in the preparation of reliable cost estimates. Phase funding also allows appropriations for funding of construction of capital projects to be made just prior to the construction season. This eliminates the problem of appropriations being made but unspent for several years. Any possible negative impacts derived from phase funding would be more than off set by the advantages.

Sincerely,


Robert W. Ward
Commissioner

JAN 27 1982



STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

JUNEAU, ALASKA 99811

January 26, 1982

The Honorable Bette M. Cato
Chairman
House Transportation Committee
State Capitol
Pouch V
Juneau, Alaska 99811

Dear Ms. Cato:

We have reviewed proposed legislation introduced by your committee making certain changes to the Department of Transportation and Public Facilities.

Our review was made in consideration of recommendations contained in our performance review of the Department's Capital Improvement Program. The following comments are provided on only those bills that relate to issues raised in our series of five reports.

House Bill No. 650

HB 650 proposes amending Title 37 to require a two-year budget cycle for legislative additions to capital improvements proposed by the Governor and, in addition, requires the use of allocations within appropriations and the use of the capital project budget form.

This bill exactly addresses the recommendations we made for expediting the expenditure of capital project appropriations.

House Bill No. 649

Sections one and two of HB 649 require the establishment of five specific regions of the Department's organization. Section three details the duties of the five regional transportation and public facilities directors.

The Honorable Bette M. Cato
January 26, 1982
Page 2

As you know, we recommended the Department increase regional authority and responsibility to provide for more efficient and effective operations of the capital project program. One area we did not review was the number of regions the Department needed. Therefore, we are not sure if there is a need for five regions for all functions of the Department.

One aspect of this bill that causes us some concern is the degree of authority given to the regional directors, or more specifically, the reduced authority of the Commissioner prescribed in AS 44.42.045(b).

We agree that increased regional planning and program authority is desirable, however, there is also a need for a central office function to provide a coordinated statewide program. We feel the Commissioner should be vested with all necessary authority to ensure regional consistency and coordination.

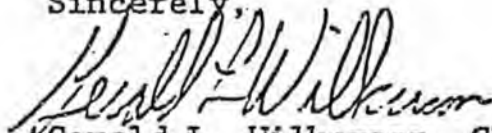
House Bill No. 653

HB 653 proposes changing the Department's fiscal year end to September 30. Although we did not address this issue in our reports, we did closely review the Department's accounting and control of their project system.

The Department could benefit from such a change primarily due to the construction season and the federal fiscal year. However, significant accounting problems would result in the Department of Administration relating to the State's accounting system. Administration's Division of Finance would be in the best position to describe the difficulties of accounting for only one State Department on a different fiscal year.

If you have any questions or would like to discuss the contents of this letter, please feel free to contact me at 465-3830.

Sincerely,



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

CURRENT FINDINGS AND RECOMMENDATIONS

Recommendation No. 8

A two-year budget cycle should be considered for projects appropriated by the Legislature as additions to the Department's proposed budget.

A two-year budget cycle would be based on a two-stage funding process. The first stage should provide funding for the planning and pre-design work of specified projects. This funding would provide DOTPF adequate resources and time to determine the feasibility of projects and prepare accurate cost estimates, identify potential legal problems, conduct survey work and other necessary tasks.

The following year the Department would be in a position to provide the Governor and the Legislature with this information. This would enable the Legislature to make a more informed funding decision. The second stage of the appropriation process would then provide funds for the construction related costs.

A two-year appropriation process would improve the accuracy of capital appropriations and expedite the expenditure of construction related funds. This two-year system should be implemented for all medium- to large-scale projects. Projects of small scope or emergency situations could remain in a one time appropriation system, since these projects, if well defined, require much less planning and pre-design work. To ensure adequate information is provided on these projects as well as the larger scope projects, we recommend the use of the capital project budget submittal form proposed by the Legislative Finance Division (see Appendix B).

Implementation of this recommendation should improve coordination between the Legislature and DOTPF and provide the interaction necessary for an improved Capital Improvement Program.

Recommendation No. 9

The Legislature should consider means of expediting the expenditure of capital project appropriations.

Since Fiscal Year 1975 (SLA 74), the Legislature has appropriated approximately \$3.8 billion for capital improvements Statewide. However, capital expenditures from FY 75 to FY 80 average

less than \$300 million per year. As of June 30, 1980, approximately \$825 million of FY 75-80 appropriations remained unexpended. Although it is anticipated that in FY 81 and future years expenditures will increase, at the FY 80 level of Statewide expenditure, these remaining funds and the FY 81 capital appropriations, totalling approximately \$1,655 billion, would not be totally expended until 1986.

The majority of capital appropriations have been made on a project-by-project basis. The progress of projects is directly related to the priorities assigned by the various State agencies, the Governor, and the Legislature. Therefore, many projects of lesser priority included in the above remaining funds will not be constructed for several years. Considering the effects of inflation and other external factors, it is unlikely that these projects can be constructed at the scope originally intended for the funding amount appropriated several years earlier. As a result, many projects will be reduced in scope, require additional funding, or simply not be constructed.

In our opinion, legislative concern should be centered around means of expediting the expenditure of capital appropriations. Methods of accomplishing this goal include:

- A. Implementation of a two-year budget cycle to provide funding for planning and pre-design work prior to the appropriation of construction related funds (see Recommendation No. 8 of this report).
- B. Implementing the use of the capital project budget form proposed by the Legislative Finance Division for all legislative capital project additions to the budget. This form would provide the responsible agencies with improved scope definitions and other information, and improve the efficiency of project progress (see Appendix B).
- C. Allowing a certain degree of controlled flexibility in capital project appropriations, especially those funded through the General Fund. Capital projects in Chapter 50, SLA 80 (HB 60), for example, were virtually all funded at an appropriation level. This prohibits the flexibility sometimes needed to make minor funding adjustments between projects caused by higher than estimated bids, unusual and/or unpredictable costs, and other external factors. As a result, appropriation level projects are often delayed until supplemental funding can be obtained. The use of allocations

within appropriations by region, election district, or other desired levels would provide flexibility between projects, yet control funding.

Recommendation No. 10

A Statewide CIP project accounting system should be established within the State accounting system.

Presently, it is necessary for virtually all departments involved in the State's Capital Improvement Program to maintain separate project accounting systems. These systems range from sophisticated in-house computers to hand prepared records. In DOTPF, for example, it will be necessary for financial data to be entered into three computerized systems:

- A. State Accounting System: All appropriations and expenditures must be entered in the accounting system maintained by the Department of Administration. However, this system does not presently meet DOTPF's needs to account for thousands of projects which span several years and have several funding sources.
- B. Financial Management System: This in-house system provides for DOTPF's individual project accounting. However, it does not provide adequate appropriation controls and has yet to be reconciled to the State accounting system.
- C. Management Information System: This proposed new system is presently in the development stage and will provide summary information by project, but the financial data generated will not necessarily reconcile to either the State accounting system or the Financial Management System and will, therefore, be of limited reliable use.

The Legislature, through the passage of Chapter 168, SLA 78, intended to provide for changes in the accounting and reporting of CIP projects within DOTPF, among other issues. However, the accounting and reporting aspects of this act have not been implemented due to non-standard accounting requirements and an Attorney General's Opinion questioning the legality and contents of the act. In our opinion, both Chapter 168 and the Attorney General's opinion contain accounting and reporting theory weaknesses.

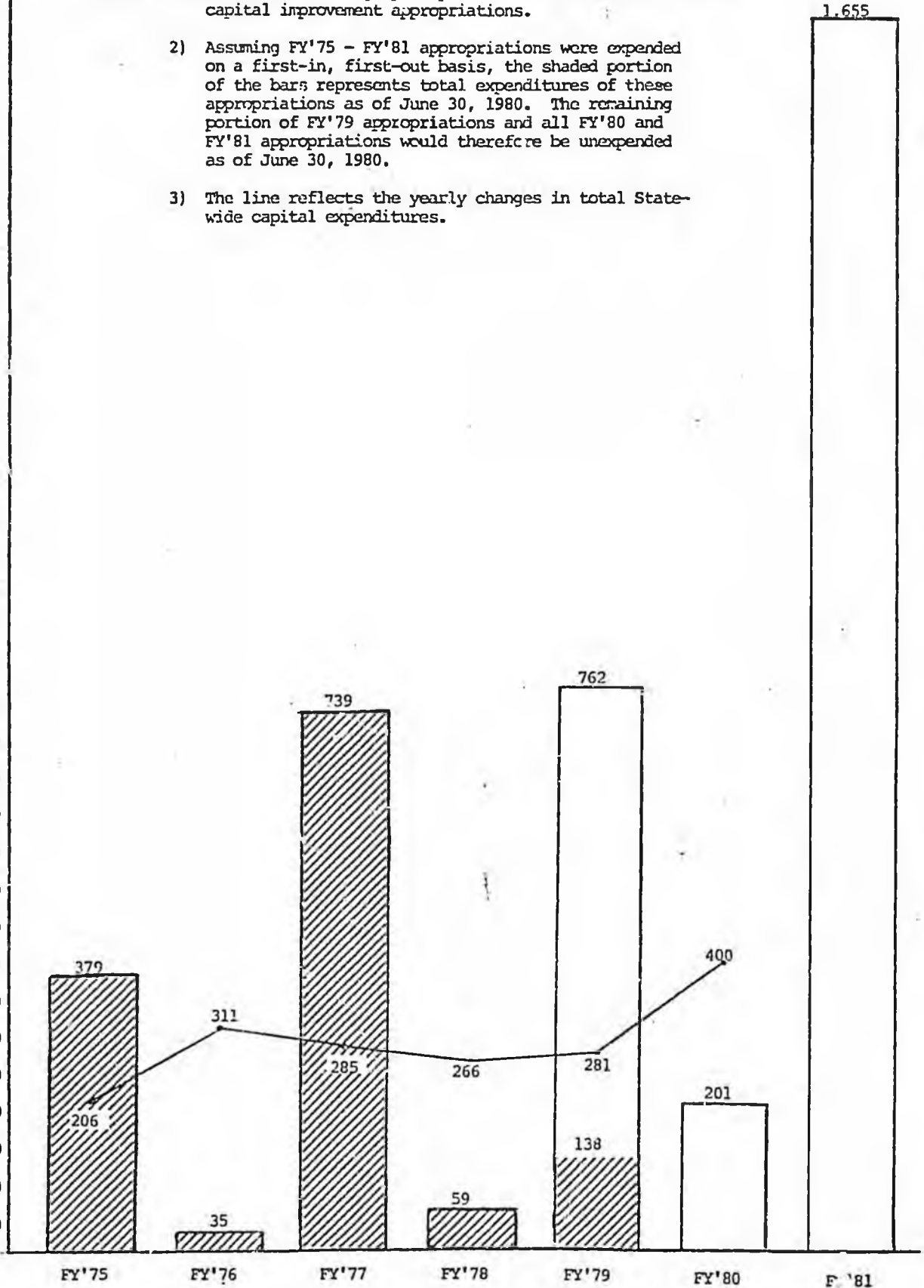
APPENDIX A

STATEWIDE CAPITAL PROJECT
APPROPRIATIONS AND EXPENDITURES

In Millions

\$1700
1650
1600
1550
1500
1450
1400
1350
1300
1250
1200
1150
1100
1050
1000
950
900
850
800
750
700
650
600
550
500
450
400
350
300
250
200
150
100
50

- Notes: 1) The bars in this graph represent the FY'75 - FY'81 capital improvement appropriations.
- 2) Assuming FY'75 - FY'81 appropriations were expended on a first-in, first-out basis, the shaded portion of the bars represents total expenditures of these appropriations as of June 30, 1980. The remaining portion of FY'79 appropriations and all FY'80 and FY'81 appropriations would therefore be unexpended as of June 30, 1980.
- 3) The line reflects the yearly changes in total State-wide capital expenditures.



APPENDIX C-2

JAY S. HAMMOND, GOVERNOR
(907) 465-3900

Department of Transportation and Public Facilities
OFFICE OF THE COMMISSIONER

Pouch Z
Juneau, Alaska, 99811
(Telex 45-328)

December 30, 1980

000H

RECEIVED

Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

DEC 30 1980

Dear Mr. Wilkerson:

LEGISLATIVE
AUDIT

In reference to your letter of December 10, 1980 concerning the appropriation process for capital projects, I offer the following information and suggestions.

The Executive Branch is in the process of implementing the facility planning process for project development as established in Chapter 168, SLA 78. This process will be enhanced to the extent possible by the use of Public Facility Planning Funds to develop project plans, specification estimates and land status prior to the request for project funding for construction.

We believe that once the process is fully implemented, the accuracy of the estimates and time schedules for facilities will improve greatly.

This Department has experienced considerable difficulty with some of the legislative "add on" capital projects. These problems relate to funding, scope, and schedule as follows.

Funding: Many Legislators contact this Department to provide estimates of cost for their special project. If this project is selected from an early year in our six year plan, we have had the opportunity to already review the land status and construction costs of the project and feel more confident with the estimates we provide. If the project is new and if the request is received during the winter months, it is difficult to adequately assess the conditions which may be encountered during development and construction of the project. As a consequence, these estimates may not be realistic. Some Legislators provide their own estimates based on information from consultants or other "knowledgeable" persons. Such estimates often prove to be inadequate.

Secondly, most all legislative "add on" projects are line item appropriations. This leaves no flexibility to accommodate minor funding shifts between projects even in the same area or region. The Executive Branch requests appropriations by region and allocation by mode. By this process, if one project is delayed or a higher priority project requires additional funds, the adjustments can be made and a contract awarded for construction. We strongly recommend that the legislative "add on" projects be grouped as regional allocations and not made as specific project appropriations or establish an adequate contingency for each region.

We also recommend revision of the fiscal note forms to better reflect the costs in terms of project phases i.e. design, land, utilities, construction, etc.

Scope: Some projects in Chapter 50, SLA 80 are excellent examples of ~~this~~ Department finding that it has an appropriation for a capital project with no idea of the project scope. Considerable time is lost in identifying the author of the project and securing a definition of what the appropriation should accomplish. In some cases, the desired end result is not consistent with the legislative language and time is again lost in resolving the conflict. We recommend that any legislative "add on" project be required to provide the same project information as the Executive Branch. We recently received a proposed budget submittal form from Legislative Finance that, if utilized, would greatly reduce the question of project scope.

Schedule: Projects of a complex nature should not be anticipated for construction in the same calendar year as the authorizations. Complex projects are defined as projects requiring major design, land acquisition or federal and state use permits. In many cases, even simple projects are precluded from going to contract in the same year as the appropriation when the authorization is not effective until late June or July 1 of each year. Also, projects funded with G.O. bonds require an additional six months delay awaiting voter approval.

As a possible cure for some of these problems, I would recommend that the "add on" projects be funded through design development during one legislative session and the construction phase be funded after this Department has completed project development and is confident of the actual land and construction costs.

Consideration of passing an appropriation for capital projects early in the session for projects that have completed project development or have minimal development requirements would enhance this Department's ability to construct the project in the same calendar year.

We appreciate the opportunity to provide our perspective on this process and welcome any discussion on the content of this letter.

Sincerely,


Robert W. Ward
Commissioner

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. HB 650 Relating to legislative additions to
 Title capital improvement projects proposed by the governor.
 Requested by House Transportation Date _____

II. FISCAL DETAIL Department of Transportation & Public Facilities
 Agency Affected _____
 Program Category Affected Transportation
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

This bill would not have a direct fiscal impact on DOT/PF. Certain projects may be modified as a result of better information prior to appropriation of construction funds. This savings is not calculable.

IV. DATE _____ PREPARED BY RTJ
 AGENCY DOT/PF
 Original: Legislative Finance PHONE 465-3900
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

MAR 9 1982

Woodrow Johansen
P.O. Box 80422
College, AK. 99708

March 3, 1982

Subject: House Bills/DOT&PF

Steve Soenksen
Administrative Assistant
House Transportation Committee
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Mr. Soenken:

I want to thank you for the opportunity of reviewing the seven pieces of legislation recently introduced to the House of Representatives concerning reorganization of the Department of Transportation and Public Facilities.

I found the proposals interesting and it is heartening to know that there are concerns in Juneau for the efficient administration of the transportation segment of the state government.

I cannot agree with all proposed changes but they definitely are a starting point for discussion.

There are attached my comments on the bills submitted in numerical sequence.

Sincerely,



Woodrow Johansen

Attachments

House Bill 650

This bill relates to Capital Improvement Projects proposed by the Legislature. The idea of funding these projects in two phases could be very helpful because it has been my experience that without the detailed analysis of costs and the schedules contained in the Governor's Capital Improvement Program, it is very difficult to come up with a realistic cost estimate and construction schedule. The two phase funding approach would give everyone an opportunity to make these detailed estimates. This bill will, for all practical purposes, eliminate the public criticism directed at the Legislature and the Department resulting from inaccurate scheduling and poor funding estimates.