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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.

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.						
<b>TOTAL</b>						

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
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

PHONE 465-3900

Original: Legislative Finance  
 cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

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

CATO NEWS CONFERENCE

THANK YOU VERY MUCH FOR BEING HERE TODAY. THE REASON I HAVE CALLED THIS PRESS CONFERENCE IS TO RELEASE AN AUDIT BY THE INSPECTOR GENERAL IN THE *United States* OFFICE OF THE SECRETARY OF TRANSPORTATION. *The Audit* ~~WHAT THIS AUDIT BASICALLY SAID~~ *was* THAT THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES RECORD *Keeping System* IS IN *such* DEPLORABLE CONDITION *that* ~~AND~~ UNTIL IT'S CHANGED, ALASKA IS NOT AUTHORIZED TO RECEIVE ONE DOLLAR OF FEDERAL MONEY. *Aid - Airport* THAT'S AN IMMEDIATE LOSS OF \$12.7 MILLION FEDERAL DOLLARS.

THE AUDIT ALSO SAID THAT THE RECORD KEEPING AT DOT/PF WAS SO BAD THAT MONEYS COULDN'T BE TRACKED, ~~AT ALL~~. FOR EXAMPLE, THEY WERE UNABLE TO EXPRESS AN AUDIT OPINION FOR OVER \$35 MILLION OF CONSTRUCTION PROJECTS FOR 41 AIRPORT PROJECTS. THIS MEANS THAT MANY ALASKAN COMMUNITIES WHO WERE CONFIDENT THAT THEIR AIRPORTS WOULD BE EXPANDED ARE NO LONGER SURE THERE WILL BE ANY WORK DONE AT ALL.

WHEN I WAS BACK IN WASHINGTON D.C. LAST OCTOBER I WAS TOLD BY THE FEDERAL HIGHWAY ADMINISTRATOR *Ray Barnhart* THAT "ALASKA WAS HANDLED DIFFERENTLY IN THE VIEW OF THE FEDERAL DEPARTMENT OF TRANSPORTATION." WE WEREN'T TOLD HOW OR WHY ~~AND~~ *it's obvious* ~~NOW WE~~. THIS AUDIT CLEARLY SHOWS THAT WE ARE HANDLED DIFFERENTLY BECAUSE DOT/PF'S RECORDS ARE IN SUCH BAD SHAPE THAT EVEN THE FEDERAL GOVERNMENT DIDN'T KNOW HOW TO FOLLOW THE ACCOUNTING PROCEDURES. *But now*

THE INTERIM TRANSPORTATION COMMITTEE WHICH I CHAIR LOOKED AT THE DOT/PF PROBLEMS AND WE HAD ~~NO~~ *an* IDEA WE ~~WOULD~~ *Could* FIND PROBLEMS OF THIS MAGNITUDE INASMUCH AS THIS IS THE FIRST INTERIM FOR A STANDING COMMITTEE ON TRANSPORTATION IN THE ALASKA STATE LEGISLATURE.

RATHER THAN BORE YOU WITH MORE RHETORIC, I AM PASSING OUT SELECTED PASSAGES OF THE AUDIT FOR YOU. ~~THE COMPLETE AUDIT WILL BE AVAILABLE IN MY OFFICE.~~ ARE THERE ANY QUESTIONS?

Cato--2

and that could mean a loss of hard dollars into the millions and millions of dollars. This audit only covers about 20 to 30 percent of the total Federal involvement in DOT/PF. Now we are going to have to hold our breath before we find out about over \$100 million in cash revenues. If we lose that money we aren't going to have any new roads or paving for a long time to come."

Other parts of the Federal audit noted that the "number and character of deficiencies found far exceeded the range of acceptability to be considered isolated and we cannot, therefore, provide any audit assurances as to the fair presentation of contract construction costs incurred and claimed through September, 1980." Furthermore the report stated that there were "numerous and widespread payment and procedural deficiencies" in all of DOT/PF's Division of Aviation Design and Construction districts.

This report does not come as a complete surprise to me. After reviewing the state audits, I realized that there were immediate changes needed in the department to make it ~~more~~ accountable. The seven bill package (HB 648-654) was introduced as an attempt to correct the deficiencies and raise the issues before the entire legislature and the state of Alaska. I am confident that both houses of the legislature, and the Governor, now realize the seriousness of the situation.

FOR IMMEDIATE RELEASE

FOR MORE INFORMATION: Bette Cato  
465-4858

"Bordering on criminal neglect" were the words Representative Bette Cato (D) Valdez used to describe the most recent audit of the State of Alaska, Department of Transportation and Public Facilities (DOT/PF). At a news conference today Cato released portions of a Federal audit which informed the State of Alaska that \$12.7 million will immediately be discontinued until the DOT/PF comes into compliance with Federal standards for fund control.

"That's not the worst news," Bette Cato stated. "According to the Federal auditors for airport funding, DOT/PF has 'misused' over \$35 million for airport funding across the state. And by misused I mean they can't find the money. In other words there are 41 airport projects that can't be funded even though the funds were appropriated and given. Those projects won't happen because DOT/PF lost the money. This includes the Anchorage International Airport, the Fairbanks Airport and airports in Ketchikan, Wrangell, Petersburg, Nome, Bethel and many more. [Complete list attached.]"

Over the past three years there have been two other audits of DOT/PF, both of which stated that DOT/PF was in violation of Federal and State auditing practices and that if their budget and auditing procedures were not changed moneys would be withheld. "They have been told for three years to clean up their records," Cato noted. "Now we will have to face the music. We're already short because of the oil revenue decline and now we've lost \$12.7 million Federal dollars. This borders on criminal neglect. Where did that money go? \$35 million dollars doesn't just disappear?"

The audit by the Office of the Inspector General under the Secretary of Transportation stated that DOT/PF currently has "improper computer programming for accounting system changes, lack of systems discipline in processing financial data, lack of written procedures, an inadequate planning in the consolidation of a financial management system with an archaic project ledger within the State Department of Administration's accounting system caused by merger of two State departments into the DOT/PF." In essence, the Federal auditors said that DOT/PF's records had been in turmoil since the merger of the old Department of Highways and the Division of Public Works in 1977. The report continued, "As a result the financial management cannot be relied upon to produce current, accurate, or complete disclosure of project expenditures to serve as a basis for preparing claims, for financial reimbursements from the FAA."

In spite of the fact that there had been several audits, DOT/PF Commissioner Bob Ward had stated that the Federal government "did not point up major errors or weaknesses which would require them to undertake an emergency revamping of the financial management system."

"What this means to me," Cato said, "was that DOT/PF basically told the Federal auditors that they didn't really care what the auditor said. They were going to do it their own way. Well they sure did. And because they did we lost \$12.7 million Federal dollars. If this audit is any indication of things to come we are going to have a complete Federal audit of all money

# Alaska State Legislature

## House of Representatives



Rep. Bette Cato, Chairman

Committee on Transportation

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

TESTIMONY BEFORE THE HOUSE FINANCE COMMITTEE

HB 650 LEGISLATIVE ADDITIONS TO CAPITAL IMPROVEMENT PROJECTS

BY THE HOUSE TRANSPORTATION COMMITTEE

House Bill 650 is a bill that is in the House Transportation Committee bill package that addresses situations in the Department of Transportation/Public Facilities. Historically, the public, contractors, and legislators have been dismayed with the capital project delays. There has been blame placed on various sources for these problems. Studies have been conducted, recommendations made, although little action has been taken.

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.

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.

In your packet of back up,

there is a letter of support from the Commissioner of the Department of Transportation, and I understand that there is somebody from the Department to testify,

A letter from Woody Johansen, and a copy of his thoughts on HB 650,

A letter from Legislative Budget and Audit on this bill, and a

A fiscal note of zero from the department.

Steve Soenksen, Administrative Assistant for the Committee has a brief presentation and a chart that shows the time line of the two phase funding process...



The analysis that follows gives general content and highlights in the bills for your information. This will give an overview of the seven bill package introduced by the House Transportation Committee, House Bills 648-654.

HB 648 "An Act relating to the Department of Transportation and Public Facilities to the Department of Administration; establishing the Department of Transportation; and providing for an effective date."

This bill separates the Public Facilities function to the Department of Administration, and establishes the Department of Transportation. (There is a detailed analysis from Leg. Affairs Legal Services attached)

This bill also serves as a house keeping function as there are numerous references to the Department of Highways and the Department of Public Works.

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)

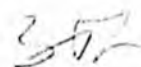
February 17, 1982

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

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

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.

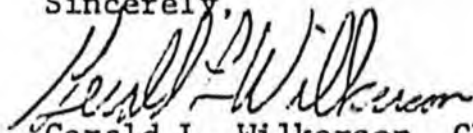
House Bill No. 653

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

*Speak to Jay*

Further analysis of the CSHB 650 Finance does not differ substantially from the CSHB 650 Transportation. The wording and order of provisions have been changed and Legislative Legal Services should draft the Finance CS.

As the CS is written the following amendments should be made to continue in the original intent of HB 650.

Sec. 37.05.312 CAPITAL IMPROVEMENT PROJECTS (a) has included the governors proposed projects. This provision is good although legal services made some comment on this provision in the transportation committee. They should be consulted further for the draft CS.

Line 14 should be amended to read: planning, [and pre-] design [work] and preliminary engineering.

Line 18 should be amended to read "determined by the governor or the legislature in consultation with the Department of Transportation and Public Facilities to be a project..." This amendment should be included so that the legislature in consultation with DOT/PF makes the determination whether they will fund a project in two phases or one.

Line 20 should read; "require detailed planning or engineering, as set out...", as per finance committee amendment .

Sec. 37.05.312 (c) (1) as in the Transportation Committee CS, should be left in the bill. Through the interim study by the House Transportation Committee, it was determined that if appropriations were made by region or by election district, they could not be transferred out of that election district. This is not so much a problem in urban districts as it is in the rural or bush districts. Money appropriated by election district could not be used outside that election district and this would be a guarantee to a legislator that once money is approved for a specific project in a certain election district, that it could not be transferred outside that election district.

Other important information is that in the followup of the five phase audit of DOT/PF by the Legislative Audit division, this recommendation is still valid and necessary.

# 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.

# Alaska State Legislature

## House of Representatives



Rep. Bette Cato, Chairman

Committee on Transportation

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

HB 650 LEGISLATIVE ADDITIONS TO CAPITAL IMPROVEMENT PROJECTS  
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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.

# Alaska State Legislature

## House of Representatives



Rep. Bette Cato, Chairman

Committee on Transportation

MEMORANDUM

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

TO : Rep. Russ Meekins, Subcommittee Chairman  
for HB 650, House Finance Committee

FROM : Rep. Bette Cato, Chairman  
House Transportation Committee

RE : Proposed CSHB 650 (Finance)

DATE : March 23, 1982

To adopt the proposed CSHB 650 (Finance) is to completely change the intent by which this legislation was drafted. I strenuously object to this draft. I would like to respond to the letter to you from Jay Hogan to you dated March 18, 1982.

I must ask if this draft CS was written by Jay Hogan, or by Legislative Affairs, Legal Services, or someone else? Legal Services has told my office that they have not worked on such a draft. There were issues that were discussed with the attorneys, at length that legal services felt were necessary that are eliminated in this draft.

Provision 2 is exactly opposite to what this legislation was intended. Perhaps you want the governor to decide if your Capital Improvement Projects need phased funding, but I and other legislators that I have talked to surely do not. The decision should be made by the legislator in consultation with the Department of Transportation. DOT/PF is in a better technical position to assist the legislator in making that determination.

Provision 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." It was never intended to include major maintenance. The original bill speaks to capital improvement projects. Major maintenance to be phased would have to be a reconstruction and if the state allows public facilities to deteriorate to that stage, we are all in trouble. I don't feel such a provision is needed.

The requirement to appropriate by region is one of the most important parts of this legislation. This should be left in the bill. In the interim, the House Transportation committee was advised that if appropriations were made by region or election district, monies could

not be reallocated outside of that region. Perhaps this is not a problem to you in your district, but for rural or bush legislators, such transfers of funds are frequent. Even bond issues for specific projects have had monies transferred to similar projects in different regions with no money reallocated to bonded projects. This is a very serious problem that the legislature should deal with, not delete a provision that does address the issue.

As to item 5, I don't object to this change.

I also was surprised to see that the only amendment that I and DOT/PF agreed upon and the Finance Committee adopted was not included in this draft. This was to include on line 24 after "planning", the words, "or engineering". This should be included.

I would hope that you take these concerns to heart make appropriate changes in the Finance Committee CS. This bill as originally written is an important piece of legislation that I feel is completely diluted by the proposed changes. Please contact my office if you have any questions.

JAN 27 1982

# STATE OF ALASKA

AUDIT DIVISION  
POUCH W—ALASKA OFFICE BUILDING

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

JUNEAU, ALASKA 99811

January 26, 1982

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

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

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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.

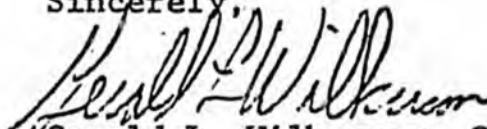
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If you have any questions or would like to discuss the contents of this letter, please feel free to contact me at 465-3830.

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.

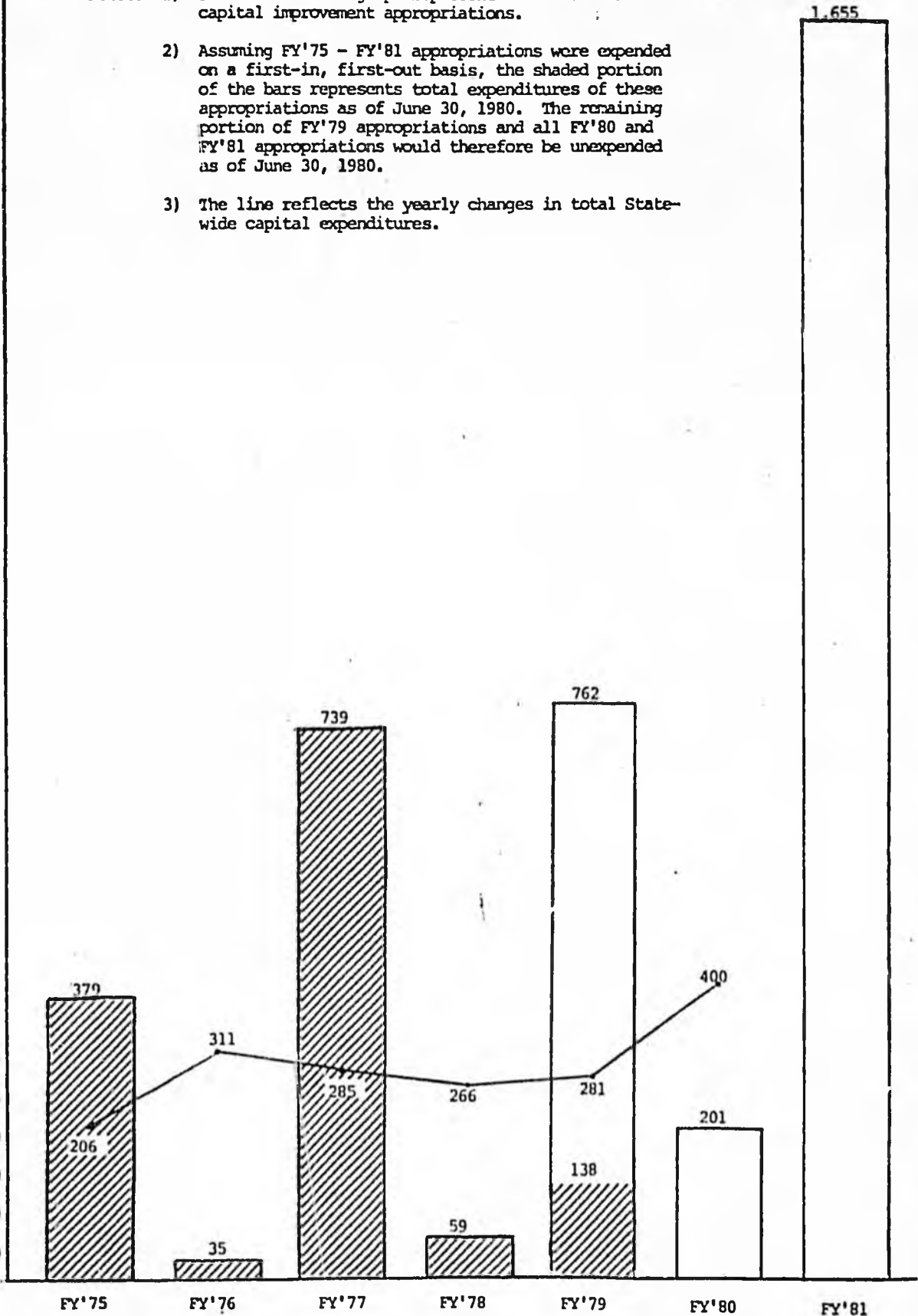
APPENDIX A

STATEWIDE CAPITAL PROJECT  
APPROPRIATIONS AND EXPENDITURES

In Millions

\$1700  
1650  
1600  
1550  
1500  
1450  
1400  
1350  
1300  
1250  
1200  
1150  
1100  
1050  
1000  
950  
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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.



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,

 acting for  
Robert W. Ward  
Commissioner