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STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST 4-2-87

Bill Version: SB 228
Publish Date: _____

Revision Date: _____
Title: An act relating to the allocation of federal-aid highway funds.
Sponsor: Sen. Binkley et al
Requestor: Sen. Jone

Agency Affected: DOT&PF
BRU: Various
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL		<50,200.0>	<74,600.0>	-	-	-
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS		<50,200.0>	<74,600.0>	-	-	-
OTHER (IARF)						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS:

Please note there are many variables to assessing fiscal impact from this bill. This estimate should be viewed as a "worse-case" estimate for first three years.

The amounts shown above are based on federal fiscal years and represent the amounts we would be unable to obligate as a result of this bill. Application of this bill to FFY87 would have resulted in the "loss" of \$56 million, however since the bill is not effective until 7/1/87 it is impossible to project the actual impact for the projects and amounts that will remain in federal fiscal year 1987.

Prepared by: Ron B. Lind, Director Phone: 465-4070
Division: Plans, Programs, and Budget Date: 04/22/87

Approved by Commissioner: *R. B. Lind* Date: 4/22/87
Agency: Department of Transportation and Public Facilities

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Because of time constraints only three years of calculations were prepared, and it is expected that by 1990 we should be able to have additional projects ready to obligate in the Secondary and Primary categories.

These amounts are based on the FHWA project listings in our Capital Improvement Program 1987 - 1993. The attached table shows the impact by federal system by year and attached lists identify specific projects by region.

Even though the loss of ability to obligate funds in the early years would not mean the loss of federal apportionments it has the same impact. The federal program does not have a mechanism which would allow a state to obligate the losses in early years in the later years.

We have not included cost estimates for increased maintenance that would be required on our existing system if reconstruction projects were not completed because we did not have time to quantify these items. But we know there would be a cost.

Federal Obligation and Project Activity Loss

(In Millions of Dollars)

	FFY 1987*		Anticipated Loss		FFY 1988		Anticipated Loss		FFY 1989		Anticipated Loss	
	Available	Expected	Federal Dollars	Project Activity	Available	Expected	Federal Dollars	Project Activity	Available	Expected	Federal Dollars	Project Activity
Interstate	34.7	41.4	-0-	6.7	34.7	43.2	-0-	8.5	34.7	37.3	-0-	2.6
Primary	73.5	32.5	41.0	-0-	73.5	29.9	43.6	-0-	73.5	7.2	66.3	-0-
Secondary	31.8	16.8	15.0	-0-	31.8	25.2	6.6	-0-	31.8	23.5	8.3	-0-
Urban	3.6	44.2	-0-	40.6	3.6	52.3	-0-	48.7	3.6	80.4	-0-	76.8
			56.0	47.3			50.2	57.2			74.6	79.4

* Applied to activity for the entire fiscal year, including some obligations that have already occurred.



Dept. of Transportation & Public Facilities

Position Paper

BILL NO: SB228

APPROVED:

Mark S. H. H.

TITLE: "An Act relating to allocation of federal-aid highway funds; and providing for an effective date."

DATE: April 21, 1987

The Department of Transportation and Public Facilities is opposed to SB228. This bill would seriously restrict the ability of the department to meet transportation needs in many parts of Alaska. Some of the major problems we see with this legislation are -

- (1) It would severely reduce and almost eliminate federal funding available for urban system improvements. Most federal-aid routes in Anchorage, Fairbanks, Juneau, Ketchikan and Sitka are on the federal-aid urban system. Only \$3.6 annually in federal funding would be available for highway improvements on these routes.
- (2) The bill nullifies the special flexibility in federal highway law available only to Alaska and Puerto Rico under Subsection 118(f) of Title 23. Shortly after statehood, Alaskans successfully sought the addition of Subsection 118(f) to federal highway law to enable our new state to fully participate in the federal highway program. We believe it is poor public policy to limit the options available to us under federal highway law.
- (3) The bill makes no specific provision for the federal funding needs of the Alaska Marine Highway System, and the formula factors recognized by the bill do not allocate funds specifically for Marine Highway needs. We currently conduct an ongoing program to improve transfer facilities and rebuild our vessels using primary and secondary funds.
- (4) The bill would discourage Alaska from full-fledged participation in the national effort to rebuild the Interstate System. We understand it is the intent of the sponsors to prevent transfers of primary system funds to Interstate improvements. Therefore, our expenditures on our almost 1100 miles of Interstate would be limited to the \$34.7 million available annually and directed specifically at Interstate needs.

(CONTINUED)

For further informat

- Position Paper -

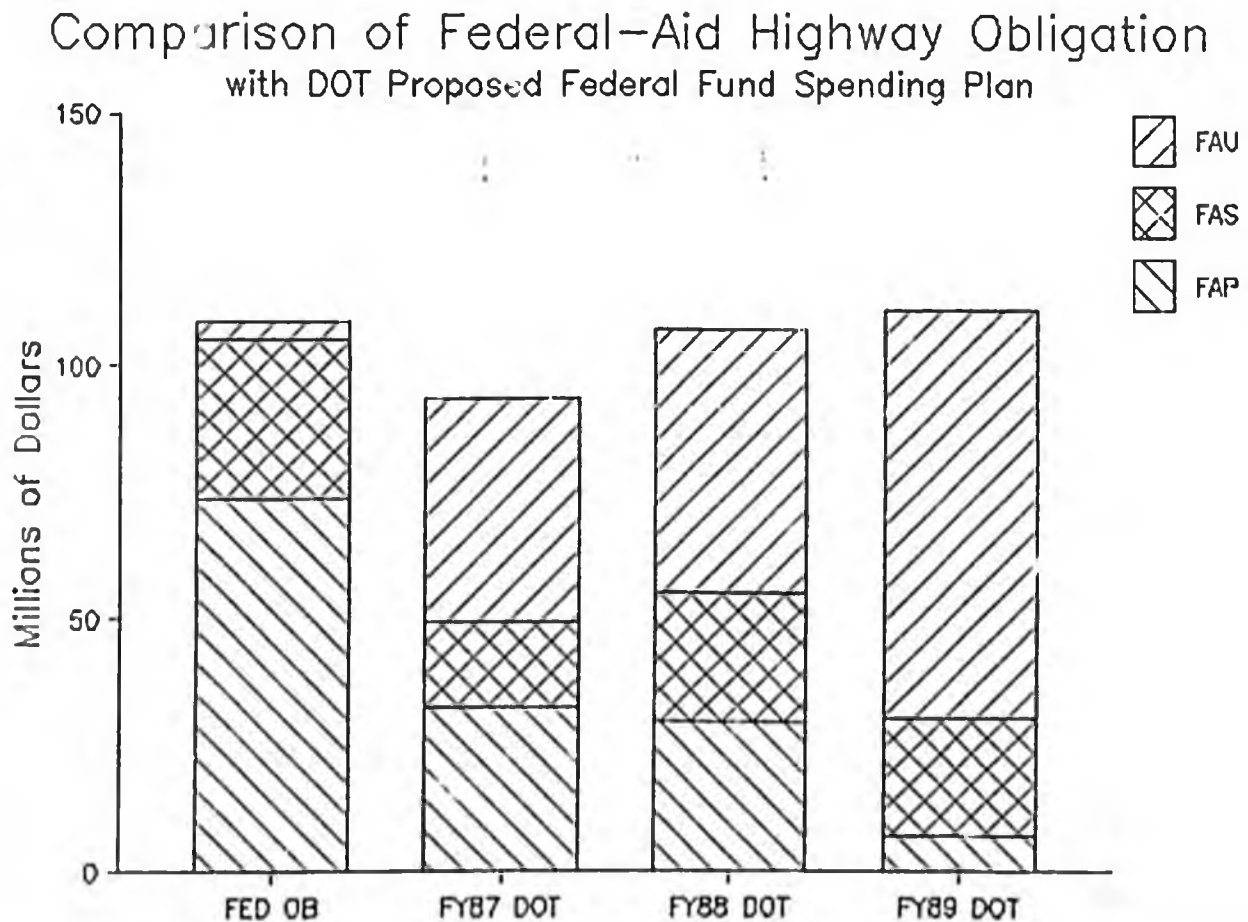
- (5) Implementation of this bill will likely cause the department to embark upon the construction of new collector and potentially arterial links. These new miles of federal-aid highways will require a new commitment of general fund resources to meet federal requirements for road maintenance.
- (6) The bill assumes that factors that work well at the national level for allocating funds will work well for distributing funds within Alaska. We question whether postal route miles, for example, has any relevance to the diverse funding needs of each region of Alaska.
- (7) The bill provides for almost an immediate effective date (July 1, 1987). We will not have enough bid-ready projects in the primary and secondary categories to spend all of federal funding in the three months remaining before the close of the federal fiscal year (September 30, 1987). We do not see this problem being resolved until FY90 at the earliest because of the long time spans involved in developing federal-aid projects.

In the months ahead the Department will pursue reviewing and refining the way we select and rank projects in our capital improvement program. We recognize that we have not made a full transition to a capital improvement program that relies almost exclusively on federal funds to meet transportation needs, even in our most remote areas. We believe this effort is the best approach to meeting the improvement needs of our highway system, and urge the Legislature to give us time to allow it to proceed.

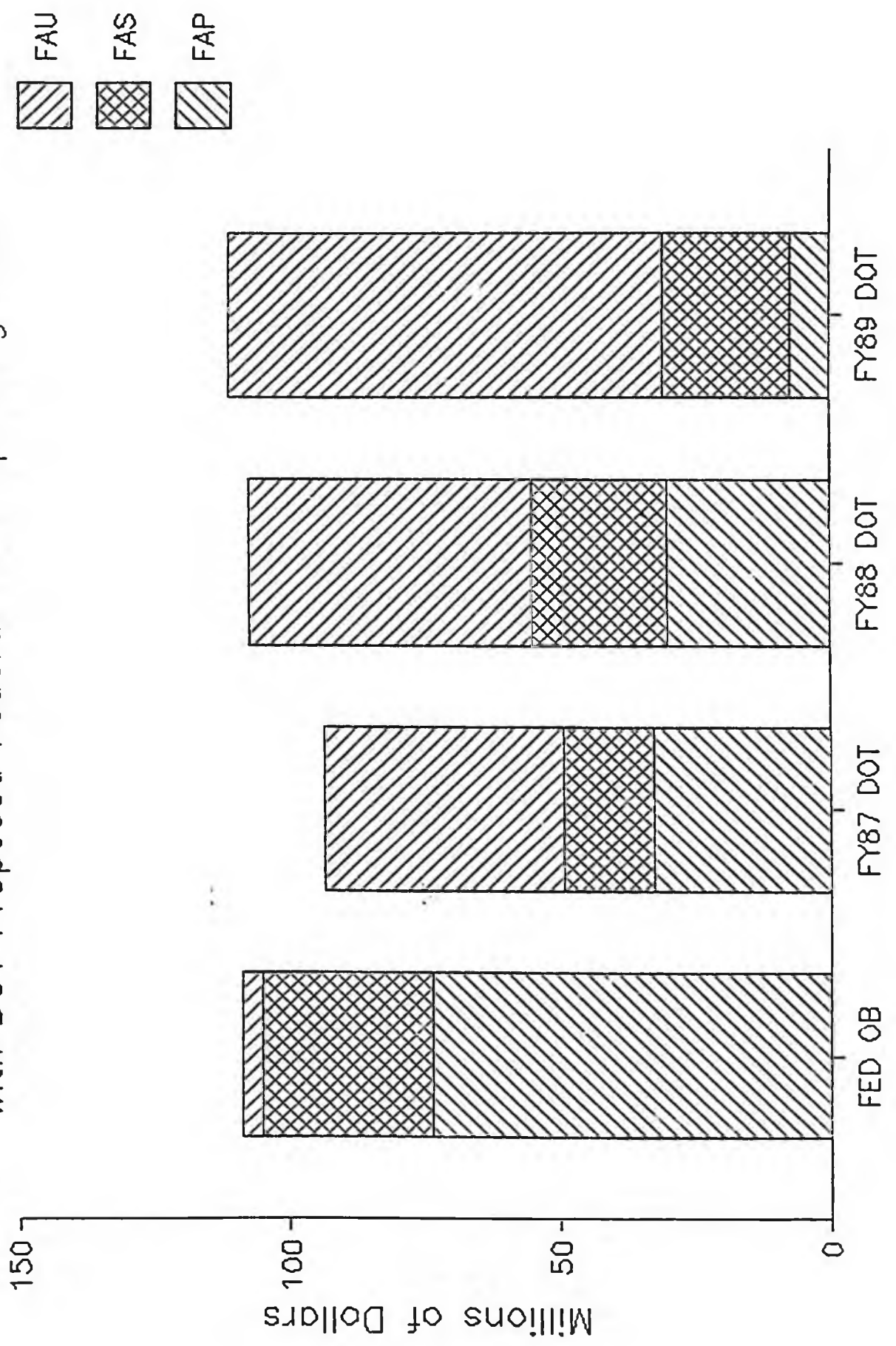
Comparison of Federal-Aid Highway Obligation with
DOT/PF Proposed Federal Fund Spending Plan, FY 1987-89
(Millions of Dollars)

Category a/	Annual Federal Obligation	FY 87 DOT/PF	FY 88 DOT/PF	FY 89 DOT/PF
FAU	3.6	44.2	52.3	80.4
FAS	31.8	16.8	25.2	23.5
FAP	73.5	32.5	29.9	7.2
Total	108.9	93.5	107.4	111.1

a/ FAU - Federal Aid Urban
FAS - Federal Aid Secondary
FAP - Federal Aid Primary



Comparison of Federal-Aid Highway Obligation with DOT Proposed Federal Fund Spending Plan



Original sponsors: Binkley, Eliason,
Coghill, et al.

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 228 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to allocation of federal-aid highway
7 funds; and providing for an effective date."

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

9 * Section 1. AS 19.15 is amended by adding a new section to read:

10 Sec. 19.15.050. ALLOCATION OF FEDERAL AID. (a) The department
11 shall allocate and expend nine percent of federal-aid highway funds
12 received for federal-aid highway programs on qualified projects in the
13 marine highway system. The department shall allocate and expend the
14 balance of federal-aid highway funds received for federal-aid highway
15 programs among the administrative regions of the department for qual-
16 ified projects in the same proportion as the eligibility of each
17 region bears to the total eligibility of the state to receive the
18 funds. However, in determining the allocation of the balance of the
19 funds utilizing the federal allocation formulas for the federal-aid
20 primary system and the federal-aid secondary system, the department
21 shall use designated federal primary system route mileage or desig-
22 nated federal secondary system route mileage, as appropriate, instead
23 of rural delivery route mileage.

24 (b) Subject to (c) of this section, the department may transfer
25 surplus federal-aid highway funds allocated to a region under (a) of
26 this section to qualified projects in another region if all qualified
27 projects within the region to which the funds were allocated are
28 funded.

29 (c) The department may not transfer federal-aid highway funds

1 among federal-aid highway programs unless a surplus of funds exists
2 after all qualified projects within a federal-aid highway program are
3 funded. The department shall allocate surplus funds within a fed-
4 eral-aid highway program first to qualified projects within the feder-
5 al-aid secondary system, then the federal-aid primary system, and then
6 the federal-aid urban system. If all qualified projects eligible for
7 funding under a federal-aid highway program are funded, the department
8 may transfer surplus funds to qualified projects eligible for funding
9 under the federal-aid interstate system.

10 (d) In this section

11 (1) "federal-aid highway program" means the federal-aid
12 primary system, the federal-aid secondary system, or the federal-aid
13 urban system;

14 (2) "qualified project" means a highway project eligible
15 for federal-aid highway funds that receives points under the state
16 ranking criteria for federal-aid highway projects.

17 * Sec. 2. This Act takes effect July 1, 1987.
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STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSSB 228

Publish Date: _____

REQUEST _____

Revision Date: _____
 Title: "An Act relating to allocation of federal-aid highway funds"
 Sponsor: Binkley et al
 Requestor: Senate Transportation

Agency Affected: DOT&PF
 BRU: Statewide Plans, Programs and Budget
 Components: Plans, Programs and Budget

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (IARF)						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (SEE ATTACHED)

Prepared by: Ron B. Lind
 Division: Plans, Programs and Budget

Phone: 465-2171
 Date: May 6, 1987

Approved by Commissioner: M. L. S. H.
 Agency: Department of Transportation and Public Facilities

Date: May 6, 1987

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

FISCAL NOTE

Page 2

Bill Version: CSSB 228

Title: "An Act relating to allocation of federal-aid highway funds"

ANALYSIS: The Committee Substitute for Senate Bill 228 provides the department with enough flexibility to prevent the loss of federal obligation authority outlined in our previous fiscal note.

We assume that "qualified projects" are those projects which have all federally required documentation and are in the headquarters FHWA programming unit awaiting submission to FHWA. We would review the funding status within the federal category and region when a project is submitted for obligation. If there were not sufficient funding available we would review the status of other regions and federal categories compared to the projects that are pending. If there were not "qualified projects" pending at headquarters we would proceed with the programming action. The record keeping for these activities would be a slight increase in effort, however it would not be significant. If a more complicated review process is desired, we would require additional funding in the operating budget to carry it out.

Senator Johne Binkley

Alaska State Senate

P.O. Box V • Juneau, Alaska 99811 • (907) 465-4985




Finance Committee
Co-Chairman

M E M O R A N D U M

April 15, 1987

TO: SENATOR LLOYD JONES, CHAIRMAN
Senate Transportation Committee

FROM: SENATOR JOHN E BINKLEY, CO-CHAIRMAN
Senate Finance Committee 

SUBJ: SB 228 "An Act relating to allocation of federal-aid
highway funds."

Senate Bill 288 provides for a fair and equitable solution to the allocation and expenditure of federal-aid highway program funds throughout the state.

The "Federal-aid Highway Program" includes several distinct highway classifications. Federal-aid highway funds are allocated to states by the federal government based on such factors as area, population, road miles. The State Department of Transportation and Public Facilities currently transfers a major portion of certain federal-aid highway funds among different highway type classifications.

Federal law permits transfers to be made among certain funds. Funds apportioned to the federal-aid primary system, for example, may be transferred for use on the federal-aid secondary system and vice-versa. Primary system and urban system apportionments may be transferred from one category to the other in the same manner. However, the amount transferred may not increase or decrease the original apportionment for such systems by more than 50 percent. The law does not provide for direct transfer from the urban system fund to the secondary system fund or vice-versa and also prevents any indirect transfer between the two funds during a year.

Title 23 Section 8 paragraph (f) of the United States Codes specifically addresses Alaska's transferability of funds. The paragraph states, "Funds made available to the State of Alaska under this title may be expended for construction of access and development roads on a federal-aid system that will serve resource development, recreational, residential,

commercial, industrial, or other like purposes." The DOT&PF has interpreted this paragraph to mean that the state has greater flexibility in the transferability of federal-aid system funds than is allowed under federal guidelines. The DOT&PF has allowed transfers between primary and secondary system funds and primary and urban system funds that have decreased the original apportionment to the primary system fund by more than 50 percent.

The federal-aid highway program began in 1916, and distributed funds on essentially the same basis as today; that is, one-third based on area, one-third based on population, and one-third based on road miles. The intent of the legislation was to develop a system of roads radiating from the towns and railway stations out among the farms.

In 1944, the Congress allocated funds for the first time for urban areas. These funds were apportioned in the ratio that the state's urban populations (cities of over 5,000 population) had to the national urban population centers.

For Fiscal Year 1986, \$32.1 million was authorized for work on the urban system in Alaska. The Federal Highway Administration FY 86 apportionment for the urban system was \$3.7 million.

Under the provisions of SB 228, the DOT&PF would be required to allocate obligated federal-aid highway program funds within regions of the state according to the formulas that the federal government uses to allocate funds among the states. The DOT&PF would be required to fund each designated road classification (e.g., federal-aid primary, secondary, urban, etc.) according to the proportion identified under the federal-aid highway obligation. For example, federal-aid highway funds derived from federal-aid primary roads could not be transferred from primary to urban roads. However, the DOT&PF would be allowed to transfer up to 50 percent of the funds designated for one region into another region, thereby providing the Department the flexibility to construct major projects in certain areas of the state that require several years of funding.

SECTIONAL ANALYSIS:

Section 1. Section 1 of the bill adds a new section to AS 19.15 providing for the allocation and expenditure of federal funds received for certain federal-aid highway programs.

Subsection (a) requires the DOT&PF to allocate and expend federal funds received for certain federal-aid highway programs within each of the administrative regions of the Department in the proportion that the region contributes to the total eligibility of the state for federal funds. Federal funds are allocated to the states based on such factors as area, rural population, urban population, road miles, etc. This provision requires the department to allocate and expend the federal funds among the regions established by the Department according to the same formulas that the federal government uses to allocate funds among the states (see attachment 1).

Subsection (b) allows the Department to reallocate funds from one region of the state to another up to a maximum of 50 percent. Funds reallocated to another region may not be transferred to fund a different kind of highway program in the other region.

Subsection (c) prohibits the Department from transferring federal-aid funds from one kind of federal-aid highway program to another.

Subsection (d) defines the term "federal-aid highway program" to mean either the federal-aid primary system, the federal-aid secondary system, or the federal-aid urban system. This section does not apply to other federal-aid highway programs including the federal-aid interstate system, hazard elimination program, and highway safety program.

Section 2. Section 2 of this bill establishes July 1, 1987 as the effective date of this Act.

APPENDIX C-1

Apportionment Formulas

Formulas for apportioning authorized sums for certain classes of Federal-aid highways are specified by statute. These are shown below.

<u>Fund</u>	<u>Factors</u>	<u>Weight</u>	<u>Statute*</u>	<u>Minimum Apportionment</u>	
Interstate System (for completion only)	Relative Federal Share of Cost to Complete the System**	1	104(b)(5)(A)	1/2 percent (including Alaska)	
Interstate Resurfacing, Restoration, Rehabilitation, and Reconstruction	Interstate System Lane Miles	55%	104(b)(5)(B)	1/2 percent	
	Vehicle Miles Traveled on Interstate System	45%			
Interstate Highway Substitution (3/4 apportioned, 1/4 discretionary allocation)	Relative Federal Share of Cost to Complete Substitute Projects	1	103(e)(4)	-----	
Primary System	<u>Formula A</u>		104(b)(1)		
	Area	2/9			
	Rural Population	2/9			
	Rural Delivery Route Mileage and Intercity Mail Route Mileage	2/9			
	Urban Population*** (1/2 percent minimum (except D.C.))	1/3			
	<u>Formula B</u>		Sec. 108, P.L. 97-424		
	Rural Population	1/2			
	Urban Population***	1/2			
	For each State, determine greater of A or B, then: Each State's apportionment equals: $A \text{ or } B \times \frac{\text{Total Primary Authorization}}{\text{Sum of all States' A or B}}$				1/2 percent (including territories as a whole)
	Except that: the apportionment is not less than smaller of A or B				
Secondary System	Area	1/3	104(b)(2)	1/2 percent (except for D.C.)	
	Rural Population	1/3			
	Rural Delivery Route Mileage and Intercity Mail Route Mileage	1/3			
	Urban Area***	1			
Urban System	Population	1	104(b)(6)	1/2 percent	
Urban Transportation Planning	Urbanized Area**** Population	1	104(f)(2)	1/2 percent	
Bridge Replacement & Rehabilitation	Relative share of total cost of deficient bridges	1	144(e)	1/4 percent (10 percent maximum)	

<u>Fund</u>	<u>Factors</u>	<u>Weight</u>	<u>Statute #</u>	<u>Minimum Apportionment</u>
Hazard Elimination	Total Population	3/4	152(e)	1/2 percent
	Public Road Mileage	1/4		
Highway Safety Programs	Total Population	3/4	402(c)	1/2 percent
	Public Road Mileage	1/4		
Rail-Highway Crossing	Area	1/12	Sec. 203(d) of the 1973 Highway Act as amended	1/2 percent
	Rural Population	1/12		
	Rural Delivery Route Mileage and Intercity Mail Route Mileage	1/12		
	Urban Population	1/4		
	Number of Rail-Highway Crossings	1/2		

Minimum Allocation

For fiscal years 1983-86, each State is guaranteed an amount so that its percentage of total apportionments in each fiscal year of Interstate, Interstate 4R, Interstate highway substitutes, primary, secondary, urban, bridge replacement and rehabilitation, hazard elimination and rail-highway crossings shall not be less than 85 percent of the percentage of estimated contributions to the Highway Trust Fund, not including the Mass Transit Account (23 U.S.C. 157).

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- * Denotes appropriate section in Title 23, U.S.C., unless otherwise indicated.
 - ** Apportionment factors are contained in the periodic reports, "A Revised Estimate of the Cost of Completing the National System of Interstate and Defense Highways," submitted to Congress as required in 23 U.S.C. 104(b)(5)(A).
 - *** Places of 5,000 or more persons.
 - **** Usually places of 50,000 or more persons--definition contained in 23 U.S.C. 101(a).