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Official Business

Alaska State Legislature

Senate

P.O. BOX V
State Capitol
Juneau, Alaska 99811

STATEMENT OF SENATOR JAY KERTTULA:
SENATE BILL #1, REORGANIZATION OF DOTPF

MARCH 15, 1989

I have recently introduced Senate Bill #1, which will split the Department of Transportation and Public facilities. Instead of a single department, there will be two: a Department of Highways and Aviation with responsibility for roads and airports, and a Department of Public Works and Marine Transportation, with responsibility for the ferry system and for buildings.

For more than a decade, DOTPF has struggled in its effort to comply with laws that impose a range of responsibilities broader in scope than those of any other transportation department in the United States. It is true that Alaska is unique in its size and geography and in its lack of infrastructure, and that these features have made the tasks of the department unusually difficult. In part, however, the department's problems have been imposed from without, the result of an experiment in combining and centralizing administrative functions that is not working.

Since 1977, DOTPF has been required to assume sole responsibility for planning, designing, constructing, maintaining and operating the state's road and bridge system, its airports, its public buildings, and its ferry fleet, docks and other tidewater facilities. It also has responsibility for virtually all state vehicles and related equipment. It is the largest department in state government, with more than 1900 employees (almost one fourth of the state total); its annual expenditures have at times exceeded \$500 million.

The 1977 reorganization permitted the department to structure itself around regional centers with a high degree of local control, each region retaining authority over a broad spectrum of responsibilities. More recently the department has modified its management structure to provide more centralized supervision. Notwithstanding these reorganizations, and notwithstanding the fact that the department has had a dedicated staff and capable directors and commissioners (including those now in office), something has gone seriously wrong.

In recent years the legislative auditors have been frustrated continually in their efforts to account for expenditures made by the department, to balance appropriations of state and federal dollars against outlays for projects authorized, to calculate the magnitude of cost overruns on projects which have gone overbudget and the magnitude of savings on projects which have been completed for less than originally predicted.

Too often the auditors, after months of effort, have been forced to the conclusion that the financial condition of the department in one or more respects simply could not be determined. Too often the administration and the legislature have been placed in the position of having to authorize or encumber appropriated monies without precise knowledge of the amounts actually needed to complete projects and of what was likely to be accomplished for the dollars expended.

I do not believe that these problems are the result of incompetence on the part of administrators or staff. On the contrary, I have known department personnel at all levels and invariably found them to be of superior competence. Moreover, the department has been quick to admit its problems, agreeing in most instances with the conclusions of our auditors and expressing equal frustration. After all, when a department is unable to monitor project costs and to analyze overhead, its own planning and budgeting efforts become almost impossible.

The last two administrations have made substantial and repeated efforts to gain control, and appear to have succeeded in converting many department projects to the new state accounting system and in cleaning up most if not all department capital accounts. These gains have required years, and consumed thousands of hours of valuable staff time that has had to be directed away from the core of maintenance, operation and construction work that the department is supposed to provide.

We must learn from a history that we cannot afford to repeat. I am convinced that DOTPF as it currently exists is simply too unwieldy in scope, too unmanageable in size to be run efficiently. Unless we split the department, narrow the scope of responsibilities, reduce the numbers of staff and projects and capital allocations headed by a single commissioner, we will never achieve the kind of accountability that we must have if we are to cope with leaner state budgets and the simple fact that our road and airport and marine transport systems, the heart of the state's infrastructure, will desintegrate without a first rate maintenance and construction program.

I expect that there will be other benefits than accountability resulting from reduced size and narrowed responsibility. It may be easier in future administrations to find commissioners and other appointed managers with technical expertise appropriate to their department. It may be easier for these managers to prioritize their projects, to work with the planners, engineers and other technicians whose skills determine the success and efficiency of capital improvements, and to complement their experience with the valuable insights of the maintenance and operations staff who know first-hand where problems lie.

Last but not least, splitting the department will provide an additional voice in the governor's cabinet. In view of the unique dependence of Alaskan communities on ferries and air travel in addition to conventional road corridors, and the multiplicity of problems associated with developing and maintaining these different modes of transport, this additional voice is appropriate and should help us in our effort to maintain and expand Alaska's infrastructure as a base for future economic development.

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I look forward to working with other legislators and with the department to improve on the concepts presented in SB41 and to effect a smooth transition.

Senator Jay Kerttula

STATE OF ALASKA
THE LEGISLATURE

FOUCH Y STATE CAPITOL
UNEAU ALASKA 99511
707 465 3600

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 13, 1989

SUBJECT: Sectional Analysis
SSSB 41

TO: Senator Jalmar Kerttula

FROM: Terri Lauterbach *TLW*
Legislative Counsel

Following is a sectional analysis of SSSB 41, a bill that would split the Department of Transportation and Public Facilities into two departments: the Department of Highways and Aviation and the Department of Public Works and Marine Transportation.

Section 1 states the legislative findings and purpose of the Act.

Section 2 amends the list of departments set out in AS 44.-17.005 to delete DOTPF and add the two new departments.

Section 3 establishes the Department of Highways and Aviation.

Sec. 44.43.011 directs the commissioner of highways and aviation to establish regions in the state with regional offices to oversee regional functions.

Sec. 44.43.021 sets out the general duties of the Department of Highways and Aviation and provides that they must be performed consistent with priorities established by the commissioner of highways and aviation.

Sec. 44.43.031 requires the commissioner of highways and aviation to develop an annual state transportation plan in consultation with the commissioner of public works and marine transportation.

Sec. 44.43.041 requires that the annual state transportation plan include project priority lists. The department

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may not undertake preconstruction or construction work on projects that include federal funding if the work reflects a change in priority from a priority list previously submitted to the legislature until 30 days after submitting a new priority list to the legislature for review and comment.

Sec. 44.43.990 sets out routine definitions.

Section 4 establishes the Department of Public Works and Marine Transportation.

Sec. 44.44.011 provides for a commissioner.

Sec. 44.44.021 sets out the general powers and duties of the Department of Public Works and Marine Transportation.

Sec. 44.44.031 directs the commissioner of public works and marine transportation to develop an annual statewide comprehensive facility procurement plan for public facilities of the state and its municipalities.

Sec. 44.44.990 sets out routine definitions.

Section 5 describes the functions of DOTPF that are transferred to the Department of Highways and Aviation.

Section 6 describes the DOTPF functions that are transferred to the Department of Public Works and Marine Transportation.

Section 7 provides that the commissioner of highways and aviation will take positions on boards that are held currently by the commissioner of transportation and public utilities.

Section 8 provides that the two new departments will each exercise the type of powers currently held by DOTPF with respect to procurements.

Section 9 repeals the chapter of laws that established DOTPF.

Section 10 directs the Legislative Affairs Agency to prepare for next session a bill that would implement the splitting of DOTPF into two new departments.

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Section 11 gives a July 1, 1990, effective date to most of the bill, delaying the formation of the new departments for one year.

Section 12 gives an immediate effective date to the bill section that requires LAA to prepare a bill to implement the Act.

TL:lmb
L7/034



Department of Transportation & Public Facilities

POSITION PAPER

BILL NO: 88 SB 41

APPROVED: *M. K. S. H. J.*

TITLE: Two Departments/Transportation DATE: March 16, 1989

Although the department understands the broad intent of this legislation, it is unclear to us what the concerns or problems are that require this major adjustment. At a minimum, we have some concern about the duplication of administrative functions that would result from creating two separate agencies to administer transportation programs. Furthermore, we would expect a sizeable one-time, added expense to implement this proposal, as well as higher, ongoing costs. However, the department needs to examine closer the program impacts that also may result.

As you are aware, the unified department was formed by Executive Order in 1977. By all accounts large organizational changes, such as the unification of the department and the division contemplated by this legislation, result in organizational trauma which can be expected to require many years to reach an equilibrium point. In addition, during the intervening years state government as a whole has undergone tremendous changes because of expanding responsibilities. This is especially true for the Department of Transportation and Public Facilities where the desire to expand the state's infrastructure lead to considerable growth in many department responsibilities.

As you may be aware, the Governor's Task Force on Transportation Facilities has cited this expansion in the department's responsibility, especially in the department's responsibility for local facilities, as reasons for the department's inability to respond to some statutory responsibilities efficiently. It is the department's position that a less traumatic, and in our estimation more effective, method of addressing the department's efficiency, if that is the intent of this legislation, would be to continue an examination of what responsibilities should rightly be those of the department versus those that should rightly be the responsibility of local governmental entities. This is a positive course that has been charted by the Governor's Task Force on Transportation Facilities after many hours of thoughtful debate which seems to be ignored by this legislation.

The department would prefer not to offer more of a position on this legislation at this time. Any change of this magnitude is a significant undertaking which deserves careful and complete analysis before proceeding. However, if the sponsor desires a formal position for the record at this time, the department is opposed to this proposal.



Alaska R.O.A.D. Association

P.O. Box 535, Cordova, Alaska 99574-0535
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TO THE SENATE TRANSPORTATION COMMITTEE

MARCH 16, 1989

RE: SENATE BILL 41

THE ALASKA ROAD ASSOCIATION IS IN COMPLETE AGREEMENT WITH THE INTENTIONS OF SENATOR KERTULLA'S SENATE BILL 41. WE BELIEVE THAT A LACK OF TRANSPORTATION INFRASTRUCTURE HAS SERIOUSLY HAMPERED THE DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES' ABILITIES TO COPE WITH THE AFFAIRS OF THE DEPARTMENT AND THE DESIRES OF THE PUBLIC TO SEE EXPANSION OF THE TRANSPORTATION DELIVERY SYSTEMS.

WE BELIEVE THE TIME FOR DEVELOPMENT OF THE OVERLAND TRANSPORTATION NETWORK IS LONG PAST DUE; AND WOULD LIKE TO VOICE THE FOLLOWING RESERVATIONS WITH SENATE BILL 41:

WILL IT INCREASE THE AMOUNT OF THE ROAD-BUILDING TIME-FRAME BY CAUSING FURTHER DELAY WHILE THE DEPARTMENT IS RE-ORGANIZED?

WILL IT CREATE ADDITIONAL BOTTLE-NECKS IN PLANNING IN THOSE SITUATIONS WHERE THE HARD-LINK AND WATER-LINK INTERFACE?

WILL EVERY STUDY DONE IN ONE "DEPARTMENT" HAVE TO BE INTER-LOCKED AND RE-STUDIED BY THE OTHER?

WE APPLAUD SENATOR KERTULLA'S ATTENTION TO THE BUILDING OF ROADS, AND HOPE THIS LEGISLATION WILL ALLOW CONSTRUCTION TO BEGIN NOW ON ALL ROADS WHICH THE PUBLIC HAS IDENTIFIED AS SERIOUSLY NEEDED, THROUGH-OUT THE STATE.

LET US BEGIN BY HANDLING THE OLDEST PROJECT FIRST; CONNECT CORDOVA. OPEN THE COPPER RIVER ROAD NOW.

RESPECTFULLY,

LARRY HOGAN
VICE-PRESIDENT
THE ALASKA ROAD ASSOCIATION

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: * See below. BRU: Centralized Administrative Services
 Sponsor: Kerttula and Rodey Components: Finance
 Requestor: _____

* An Act dividing the Department of Transportation and Public Facilities into two principal departments.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		48.0				
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	48.0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND		48.0				
FEDERAL FUNDS						
OTHER	0	48.0	0	0	0	0
TOTAL						

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	2	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See Attached.

Prepared By: Keith Busch, Director *Keith Busch* Phone: 465-2240
 Division: Finance Date: 4/4/89

Approved by Commissioner: John M. Andrews *JM Andrews* Date: 4/4/89
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SSSB 41

Assumptions

New accounting entities will be created for the Department of Public Works and Marine Transportation, leaving the Department of Highways and Aviation with the existing accounting entities.

Program Summary

The separation of the Department of Transportation and Public Facilities (DOT&PF) into two principal departments will have a definite fiscal impact on the Division of Finance. Given the current staffing level and the effort being expended to bring up a new payroll system, there is little time available in the normal workday to assume additional projects. It will be necessary to hire nonpermanent personnel for up to 180 days to replace experienced staff that will be relieved of their normal duties to work on this project. Additionally, an estimated 200 hours of overtime will be required to be paid to those employees that cannot be spared from their normal duties during the regular workday.

Due to the inflexibility of the current payroll system, significant hard code revisions will be required to be made to the various files and tables. Essentially, the same number of employees will be served by the Payroll System, however, new personnel actions and payroll routing codes will be created for all employees in the new Department of Public Works and Marine Transportation.

New collocation codes, ledger codes, RD codes and six reporting structures will be created and Alaska Statewide Accounting System (AKSAS) system management tables will be revised for the new Department of Public Works and Marine Transportation. Continuing appropriations for public works and marine transportation projects will be identified and transferred to the new appropriation structure for the Department of Public Works and Marine Transportation.

Costs

2	Accounting Technician II @ 100 hours of overtime	\$ 4,344
2	Analyst/Programmer III @ 100 hours of overtime	6,160
2	Accountant III (nonperm) for up to 180 days	<u>\$37,476</u>
	Total	\$47,980