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March 13, 1991

The Honorable Richard Foster, Chair
House Transportation
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Foster:

My staff has prepared the attached overview of the highway bill recently released by the administration. Less than seven months remain before the U.S. Congress must pass legislation if we are to receive new apportionments of federal highway funds. As introduced, the administration's highway bill is favorable to Alaska. Our analysis suggests that unfavorable changes are likely to be made as the bill moves through Congress. In fact, our worst case scenario shows a drop in the funding level from \$151 million to only \$28 million! Luckily, no such proposal has so far been introduced into the Congress.

As the overview indicates, House committee action is likely in May. We will continue our active monitoring of the legislative situation in Washington, D.C. and provide further information when warranted.

Sincerely,



Frank G. Turpin
Commissioner

H.R. 1351¹
The Administration Highway Bill

The proposals in this bill provide a framework that the U.S. Congress may use as it tackles re-authorization of the federal highway program. This program is the state's largest single source of programmatic assistance from the federal budget. No new funds are available after September 30 of this year, unless Congress re-authorizes the program. Last year the state's obligations for highway planning and construction exceeded \$150 million; this year they are expected to exceed \$175 million. These federal funds pay for all phases of constructing road improvements in urban and rural Alaska. With the exception of safety funds, they must be spent on the federal-aid system. These federal funds can not be used for maintenance purposes.

The Administration's Highway Bill proposes a new way of doing business. It would make four major changes:

- (1) **Elimination of the current program structure.** Most current features would be discontinued if this bill is enacted.
- (2) **Establishment of a new, "simplified" program structure.** The bill proposes a new set of federal requirements that replaces the current requirements the state must meet.
- (3) **Definition of a single system of nationally-significant, federal-aid highways.** This system would be somewhat more comprehensive than the existing system of Interstate highways.
- (4) **Some integration of transit assistance programs into the highway program.** Many members of Congress believe that any bill must address both transit and the environment. The administration's bill does not speak to these concerns.

NEW PROGRAM FEATURES

Almost half of all funding in the overall program goes to the National Highway Program (NHP). In general, this funding is destined for a nationwide system of about 150,000 miles spread through-out the fifty states. Other major components include the urban/rural and bridge programs. The urban/rural program replaces many of the most familiar features of the current program - for example, the secondary and urban systems. Funding will be distributed based on each state's contributions to the Highway Trust Fund. Alaska's share of funds under both the urban/rural and bridge programs is small.

National Highway System (NHS) in Alaska - The administration's bill contains specific directions to be followed to determine the composition of the NHS in each state. In Alaska's case we will be starting from scratch, in

¹ The administration bill is not yet introduced in the U.S. Senate.

The Administration's Highway Bill

that Interstate routes in Alaska are not automatically part of the NHS. In exercises to date on this topic, Alaska has come away with the impression that the federal government is advocating a route selection process that is too restrictive. We continue to believe that at a minimum the NHS in Alaska must serve the state's larger coastal communities and the interior.

Marine Highway Improvements - Our past efforts were successful in getting the administration to recognize that ferry system improvements must be an eligible use of funding from the National Highway Program. The administration's bill distinguishes between transfer facilities and vessels. Any type of federal funding can potentially be used to improve transfer facilities and approaches, even if the ferry is privately operated. On the other hand, vessel construction can be funded only if the vessel operates on a route on the NHS.

Transferability - Current highway law enables Alaska to direct different types of funds to the most needed highway improvements without regard to most program restrictions. Similar language is included in the administration highway bill. Alaska would continue to enjoy the benefits of this flexibility. In particular, National Highway Program funds would not have to be spent on NHS routes in Alaska. The current restrictions about spending funds off the federal-aid system would continue in a modified form, however.

State and/or Local Match - One of the more contentious elements of the administration's highway bill is the requirement for more matching funds from state and local governments. Lower matching rates lead to a bigger program, but require that non-federal sources contribute the extra dollars. For example, in Alaska urban/rural funds would match at a rate no higher than seventy-five percent, compared to the current 88.71. Additional state match dollars would be required for any improvement not on the NHS. At the national level this increase is of major concern; final legislation will likely require less match than the administration bill.

Transit - Alaska would continue to receive its relatively small amount of federal funding for transit in the same manner. At the national level the source of these funds would shift from the U.S. Treasury to the Mass Transit Account of the Highway Trust Fund. Transit interests believe federal funding for transit must increase, and believe this shift in funding source is misdirected. Similar to the highway program, more match dollars would be required from non-federal sources. Transit would be an eligible use of funds from the urban/rural program if a state elected to use these highway funds for transit purposes.

Funding levels for Alaska under different program scenarios

--- Caution advised: the many proposals made by the administration could prove favorable to Alaska, but the most favorable features are likely to be altered by Congress before final passage.

The Administration's Highway Bill

- A single formula factor, land area, would generate about seventy-five percent of Alaska's overall funding. This reliance on a single factor carries over from formulas that are currently used for distributing funds to the states.
- The way the land area factor is used is so favorable that Alaska might receive more than ever before from the Highway Trust Fund.

Funding Projections from the Administration's Bill

	FFY'91 ¹	FFY'92 ²	FFY'94	FFY'96 ³
Overall funding	\$151 million	\$241 million	\$251 million	\$354 million
National Highway Program	N/A	\$216 million	\$225 million	\$307 million

- The U.S. House, in particular, is expected to substitute other formula factors for the land area factor so beneficial to Alaska. We are still in the dark about how much funding we will actually get.

Worst Case Scenario

	FFY'91 ¹	FFY'92 ²	FFY'94	FFY'96 ³
Overall funding	\$151 million	\$28 million	\$30 million	\$42 million
National Highway Program	N/A	\$17 million	\$18 million	\$25 million

FURTHER ACTION

Further action by the Alaska Department of Transportation and Public Facilities will key on committee action in the U.S. House of Representatives. The authorizing committee in the U.S. House is dominated by representatives from states with large urban areas, such as California, New Jersey and Pennsylvania. Only one member out of fifty represents a rural Western state with viewpoints similar to Alaska. This committee plans to report a bill to the House floor by the end of May. The results of their deliberations are likely to determine how wide-ranging this year's debate will be. If their bill calls for a new program framework, but does not retain funding provisions favorable to Alaska, our work will be cut out for us in the U.S. Senate. While we await committee action in the U.S. House we will continue our active monitoring of all re-authorization related materials coming out of Washington, D.C.

¹ Baseline amount: these apportionments were received last October.

² First year covered by the administration bill.

³ FFY'96 is the first year that spending is not constrained by last year's budget agreement.

FISCAL NOTE

REQUEST:

Revision Date: 3/14/91
 Title: Relating to federal highway trust fund
 Sponsor: House Transportation Committee
 Requestor: House Transportation Committee
 Agency Affected: DOT
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Wendy Mulder Phone: _____
 Division: House Transportation Committee Date: 3/14/91

Approved by Commissioner: *Richard...* Date: _____
 Agency: _____

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