

**HB**

**473**

22-LS1568\C  
Utermohle  
3/5/02

**CS FOR HOUSE BILL NO. 473(TRA)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SECOND LEGISLATURE - SECOND SESSION**

**BY THE HOUSE TRANSPORTATION COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVE GREEN**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to transportation; and providing for an effective date."**

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

3 **\* Section 1.** AS 44.42.050(a) is amended to read:

4 (a) The commissioner shall develop annually a comprehensive, intermodal,  
5 long-range transportation plan for the state. In developing and revising the state plan,  
6 the commissioner shall consider means and costs of improving existing modes and  
7 facilities, state and federal subsidies, and the costs and benefits of new transportation  
8 modes and facilities. The commissioner shall also consider the recommendation of the  
9 Alaska Transportation Planning Council. The plan shall be submitted to the governor  
10 for review and approval and submitted by the governor to the legislature by  
11 December 15 of each year.

12 **\* Sec. 2.** AS 44.42.050 is amended by adding new subsections to read:

13 (e) The commissioner shall update each analysis of the costs and benefits of  
14 new transportation projects, including trail and transportation enhancement projects,  
15 prepared under (a) of this section to reflect increased preconstruction, construction,

1 and maintenance costs of the project identified during preconstruction planning for the  
2 project. If (1) the initial costs of preconstruction planning, including preliminary  
3 engineering and design and environmental assessment or impact analysis, for a new  
4 surface transportation project have increased by more than 50 percent since the initial  
5 project agreement to pay those costs for the project was entered into with the Federal  
6 Highway Administration, or (2) more than three years have elapsed without  
7 commencing construction of the project since the initial approval of the project by the  
8 legislature, then the commissioner may neither submit a preliminary design or  
9 environmental document to the Federal Highway Administration for approval nor  
10 contract for additional preliminary engineering and design of the project, for the  
11 purchase of right-of-way for the project, or for construction of the project until the  
12 commissioner has included an updated analysis of the costs and benefits of the project  
13 in the next annual update of the state transportation plan submitted to the legislature  
14 under (a) of this section and the legislature has had the opportunity to review changes  
15 in the costs and benefits of the project and approve, or rescind prior approval of, the  
16 project during its consideration of the capital projects budget after the updated state  
17 transportation plan is received by the legislature.

18 (f) Transportation projects that have a benefit-to-cost ratio greater than one are  
19 presumed efficient and projects that have a benefit-to-cost ratio of less than one are  
20 presumed inefficient. The governor may not include an inefficient transportation  
21 project in a capital budget bill under AS 37.07.062 unless the bill is accompanied by a  
22 written analysis of the costs and benefits of the project and a detailed justification for  
23 the project. The governor shall provide the analysis and justification for the project to  
24 the legislature in order to aid the legislature in assessing the merits of the project.

25 \* **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HB 473  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DOT&PF  
 Title "An act relating to transportation" BRU Design & Engineering Services  
 Component Statewide Design & Engineering Svcs  
 Sponsor Green  
 Requester House Transportation Component No. 2357

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES	***	***	***	***	***	***

CHANGE IN REVENUES ( )						

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
 \*\*\*The department cannot determine the fiscal effect of this bill at this time. For those projects this bill affects, there will likely be an increase in cost.

Prepared by: Dennis R. Poshard, Assistant to Commissioner Phone 465-3904  
 Division Commissioner's Office Date/Time 3/5/02 11:32 AM  
 Approved by: Joseph L. Perkins, Commissioner Date 3/5/2002  
 Agency Alaska Department of Transportation and Public Facilities

# Alaska State Legislature

ALASKA STATE LEGISLATURE  
CLERK OF COURSE  
OFFICE OF THE CLERK  
1000 EAST BROADWAY  
ANCHORAGE, ALASKA 99501  
PHONE: 273-3000  
FAX: 273-3001  
WWW.AKLEGIS.GOV



ALASKA STATE LEGISLATURE  
OFFICE OF THE CLERK  
1000 EAST BROADWAY  
ANCHORAGE, ALASKA 99501  
PHONE: 273-3000  
FAX: 273-3001  
WWW.AKLEGIS.GOV

Representative Joe Green  
District 10

## Sponsor Statement for House Bill 473 "An Act relating to transportation"

While efficient spending has long been a governing principle of state and federal highway law, it is not easy to apply this concept to existing projects. Without updated information, it is difficult for the Legislature to oversee planning costs and determine whether projects deserve continued appropriations.

The statute changes proposed in House Bill 473 will allow the Legislature to re-assess projects before they are built, to assure that Alaska gets the most benefit out of its federal and state transportation spending and to minimize the likelihood that the State will be committed to a project with significant construction and maintenance cost over-runs.

House Bill 473 addresses this problem by creating a mechanism that will trigger review when the projected costs for a project have increased by more than 50 percent since initial approval. When this occurs, the Department of Transportation and Public Facilities will provide additional information on the project in the annual state transportation plan update, including why the costs have significantly increased, if further increases are anticipated and an updated analysis of the project's costs-benefits ratio.

Since efficiency is a subjective term, this bill also provides a concrete definition for transportation projects. A project that creates more benefits than costs is efficient, while one that creates fewer benefits than costs is inefficient. This will help focus funds on transportation projects that are most worthy.

THE LAW OFFICE OF  
**GEOFFREY Y. PARKER**

Phone: (907) 222-6859  
Fax: (907) 258-7304

E-mail: gparker@gci.net

730 I Street, Suite 226  
Anchorage, Alaska 99501

Outline of Jeff Parker's Testimony on HB 473  
March 5, 2002

**PURPOSES OF HB 473:**

- Promote efficient transportation planning and expenditures by reducing waste on inefficient projects.
- Enhance Legislature's and public's ability to examine costs and benefits of new projects.

**MAIN POINTS:**

- ADOT does not prepare an annual state transportation plan required by AS 44.42.050.  
**Missing ingredient:** cost-benefit analysis of any new transportation facility.  
**Results:** (1) deprives the legislature of an ability to compare the cost-effectiveness of projects; (2) deprives legislature of an ability to prevent waste on ineffective projects; (3) diminishes ability to fund effective projects; (4) inhibits ability to fund proper maintenance.
- HB 473 would improve the situation by compelling an updated cost-benefit analysis whenever costs of preliminary engineering and design skyrocket on a new facility.
- HB 473 should be amended to improve it further by providing that an updated cost-benefit analysis would also be required if no construction has occurred and significant time, such as three years, has elapsed since the legislature initially allocated funds to the project.
- Updating cost-benefit analysis is appropriate in such circumstances. Dramatically increased costs for preliminary design and engineering indicate that the project is not evolving as originally anticipated and may cost substantially more to construct. Significant passage of time without construction may mean that other projects are more deserving.

**SUMMARY:**

The issue is how to achieve efficient expenditure of transportation dollars and avoid waste, without interfering with federally required planning requirements. The Coastal Trail, the Iliamna-Nondalton project, and the proposed Southwest Alaska Transportation Plan reveal two problems: (1) when preliminary engineering and design costs skyrocket, then the project is not evolving as originally anticipated, and the costs and benefits are likely to be very different than originally anticipated; (2) ADOT proposes to waste nearly a billion dollars on projects it admits are not cost-effective.

HB 473 addresses the first by requiring an updated cost benefit analysis. HB 473 should be amended to address the second by requiring an updated analysis in the second situation, too, because years may elapse between the plan and the funding request.

## ATTACHMENTS

### Attachment A (ADOT-FHWA Project Agreements re: Extension of Coastal Trail):

- Costs of preliminary engineering and design, including environmental analysis, have skyrocketed from \$300,000 to \$ 2.2 million, and there is still no proposed route or environmental document.
- This indicates that costs of construction and maintenance are likely to be very different from original estimates, and updated cost-benefit analysis would help Legislature decide whether to fund a substantially-changed project.

### Attachment B (Excerpt of ADOT contract re: Extension of Coastal Trail):

- Contract for preliminary engineering, design and environmental is a "time and expense" contract – a form of public contract that is highly disfavored because it contains no incentive to control costs.

### Attachment C (ADOT approval in 1986 of benefit-cost analysis re: Iliamna-Nondalton Road):

- Benefit-cost ratio in 1986 for proposed Iliamna-Nondalton Road was 0.26, and therefore project was cancelled as not economically justified after \$4 million wasted.

### Attachment D (Excerpt of ADOT's current Statewide Transportation Improvement Program re: Iliamna-Nondalton project):

- Iliamna-Nondalton is revived without any new cost-benefit analysis.

### Attachment E (Excerpts of 1995 and 1996 capital budget acts re Iliamna-Nondalton project):

- Why does ADOT seek \$10 million for a project it claims will cost \$5 million?

### Attachment F (Excerpt of February 2002 Draft Southwest Alaska Transportation Plan):

- Concedes (p. vi) that "some" recommended projects are not cost-beneficial.
- Table 11 -- Cook Inlet to Bristol Bay corridor estimated cost is \$363 MILLION.
- Table 12 -- Cook Inlet-Bristol Bay corridor costs far more than it saves:

$$\text{BENEFIT-COST RATIO} = \frac{\$6 \text{ million annual savings}}{\$37 \text{ million annual cost (capital + O\&M)}} = \underline{0.16}$$

- Table 15 -- Alaska Peninsula corridor estimated cost is \$556 MILLION.
- Table 16 -- Alaska Peninsula corridor costs far more than it saves:

$$\text{BENEFIT-COST RATIO} = \frac{\$3 \text{ million annual savings}}{\$57 \text{ million annual cost (capital + O\&M)}} = \underline{0.05}$$

### Conclusion

ADOT proposes wasting nearly a BILLION DOLLARS on projects that are not cost-beneficial.

HB 473

TESTIMONY OF  
GEOFFREY PARKER

ATTACHMENT A

TO BE COMPLETED BY FHWA MONTHLY TRANSACTION NUMBER <p style="text-align: center; font-size: 1.2em;">9-40</p>		<b>FEDERAL-AID PROJECT AGREEMENT AND APPROVAL/AUTHORIZATION</b>  U.S. Department of Transportation Federal Highway Administration		State <p style="text-align: center; font-size: 1.2em;">Alaska</p> Federal Project No. <p style="text-align: center; font-size: 1.2em;">TEA-0001(126)</p> State Project No. <p style="text-align: center; font-size: 1.2em;">52514</p>	
Place Code <p style="text-align: center; font-size: 1.2em;">03000C</p>					
County <p style="text-align: center; font-size: 1.2em;">020</p>	FHWA Area <p style="text-align: center; font-size: 1.2em;">X-1</p>				
<p style="font-size: 0.8em;">The State, through its Highway Agency, having considered, or hereby agreeing to comply, with the applicable terms and conditions set forth in (1) Title 23, U.S. Code, Highways, (2) the Regulations issued pursuant thereto and, (3) the policies and procedures promulgated by the Federal Highway Administration relative to the above designated project, and the Federal Highway Administration having authorized certain work to proceed as evidenced by the date entered opposite the specific item of work, Federal funds are obligated for the project not to exceed the amount shown herein, the balance of the estimated total cost, being an obligation of the State. Such obligation of Federal funds extends only to project costs incurred by the State after the Federal Highway Administration authorization to proceed with the project involving such costs.</p>					
<b>PROJECT TERMINI:</b> Kincaid Park to the Potter Welch Station on Seward Highway.					
<b>Project Scope: (Below)</b>					
				<b>Length: (Miles)</b>	12.0
Extend the Coastal Trail from its existing southern terminus at Kincaid Park to the Potter Welch Station on the Seward Highway. This project will complete missing segments and improve trail and pedestrian safety throughout the Municipality of Anchorage.					
Request funding and authority for PE through Environmental Document Approval.					
<b>REQUEST AUTHORITY TO PROCEED FOR FUNDING UNDER CERTIFICATION ACCEPTANCE</b> (1) EXEMPT					<b>EFFECTIVE DATE</b>
<b>PRELIMINARY ENGINEERING</b>		<input type="checkbox"/> Reconnaissance Study		<input type="checkbox"/> Final PS&E	
		<input checked="" type="checkbox"/> Environmental Document Approval		SEP 11 1996	
<b>RIGHTS-OF-WAY</b>		<input type="checkbox"/> Appraisals and Acquisitions		<input type="checkbox"/> Utility Relocation	
<b>CONSTRUCTION</b>		<input type="checkbox"/>			
<b>HIGHWAY PLANNING &amp; RESEARCH (HP&amp;R)</b>		<input type="checkbox"/>			
<b>ATTACHMENTS:</b>					
REMARKS: (FHWA use only)		<input checked="" type="checkbox"/> COST ESTIMATE		<input checked="" type="checkbox"/> MAP	
		<input checked="" type="checkbox"/> SUPPORTING DATA		<input type="checkbox"/> CERTIFICATION CHECKLIST	
		Environmental Document Approval		STIP ( )	
		Date			
<b>ESTIMATED TOTAL COST OF PROJECT</b>		<b>FEDERAL FUNDS</b>		<b>APPN CODE</b>	<b>PROJECT TYPE</b>
305,000		272,910		33B	12
		RECOMMENDED BY <i>Carol Winkler</i>		9-10-96 OPERATIONS ENGINEER	
<p style="font-size: 0.8em;">The State further stipulates that as a condition of payment of the Federal funds obligated, it accepts and will comply with the applicable provisions set forth in 23 CFR Part 630, Subpart C, Appendix A which is incorporated therein by reference.</p>					
State of Alaska, Department of Transportation and Public Facilities <small>(Official name of Highway Agency)</small>			U.S. DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION		
By <u>Carol Winkler</u>			By <u>[Signature]</u> <small>(Division Administrator)</small>		
DOT&PF/Authorized Agent			Date Executed <u>SEP 11 1996</u>		
<p style="font-size: 0.8em;">Any real property acquired for this project determined to be in excess to the present or future program needs will be disposed of in accordance with OMB's Common Rule and governing FHWA requirements.</p>					
ATP-PD-2 11/94					

Attachment B; p 1 of 7

STATE OF ALASKA PROJECT ESTIMATE					
Department of Transportation and Public Facilities					September 5, 1998
Federal project no: TEA-0001(126)		State project no: 52514			
Project Name: Coastal Trail Southern Extension					
ITEM	WORKTYPE	TOTAL EST'D COST	MATCHING RATIO	FEDERAL FUNDS	MILES
1) 10	Requested Program and Agreement PENG	305,000	90.97%	272,910	12.0
TOTALS		305,000		272,910	

1) Includes \$5,000 non-participating.

*Attachment A  
p. 2 of 7*

TO BE COMPLETED BY FHWA MONTHLY TRANSACTION NUMBER <b>9-31</b>		<b>MODIFICATION OF FEDERAL-AID                  PROJECT AGREEMENT                  AND                  APPROVAL/AUTHORIZATION</b>  U.S. Department of Transportation Federal Highway Administration	State
Place Code 03000C			Alaska
County 020	FHWA Area X-1		Federal Project No. CM-TEA-0001(126)
			State Project No. 52514

**PROJECT TERMINI:**  
Kincaid Park to the Potter Weigh Station on Seward Highway.

**A. Project Scope B. Reason for Modification** Length: (Miles) 12.0

A. Extend the Coastal Trail from its existing southern terminus at Kincaid Park to the Potter Weigh Station on the Seward Highway. This project will complete missing segments and improve trail and pedestrian safety throughout the Municipality of Anchorage.

B. Additional design funding requested for increased costs and environmental analysis.

The Project Agreement for the above-referenced project entered into between the undersigned parties and executed by the Division Administrator on September 11, 1998 is hereby modified as follows:

Appn Code	Federal Funds	Total Estimated Cost
33B	\$272,910	\$305,000
Q22	\$636,790	\$700,000
320	\$195,586	\$215,000
Estimated total cost of project	\$1,105,286	\$1,220,000

REQUEST AUTHORITY TO PROCEED FOR FUNDING UNDER CERTIFICATION ACCEPTANCE		<input type="checkbox"/> EXEMPT	EFFECTIVE DATE
PRELIMINARY ENGINEERING	<input type="checkbox"/> Reconnaissance Study	<input type="checkbox"/> Final PS&E	
	<input type="checkbox"/> Environmental Document Approval		
RIGHTS-OF-WAY	<input type="checkbox"/> Appraisals and Acquisitions	<input type="checkbox"/> Utility Relocation	
CONSTRUCTION	<input type="checkbox"/>		
HIGHWAY PLANNING & RESEARCH (HP&R)	<input type="checkbox"/>		
ATTACHMENTS:	<input checked="" type="checkbox"/> COST ESTIMATE	<input type="checkbox"/> MAP	<input checked="" type="checkbox"/> SUPPORTING DATA <input type="checkbox"/> CERTIFICATION CHECKLIST
REMARKS: (FHWA use only)	Environmental Document Approval	Date	STIP ( )

STIP 227B	SECTION: Enhancements PAGE NO. 08-00 AMATS TIP Rank #5	RECOMMENDED BY	OPERATIONS ENGINEER:
NAME: AMATS Coastal Trail Southern Extension.			

ALL OTHER TERMS AND CONDITIONS OF THE PROJECT AGREEMENT WILL REMAIN IN FULL FORCE AND EFFECT.

State of Alaska, Department of Transportation  
and Public Facilities  
(Official name of Highway Agency)

U.S. DEPARTMENT OF TRANSPORTATION  
FEDERAL HIGHWAY ADMINISTRATION

By *Carol Taylor*  
DOT&PF/Authorized Agent

By *[Signature]*  
(Division Administrator)  
Date Executed SEP 15 1998

*Attachment A  
p. 3 of 7*

<p>TO BE COMPLETED BY FHWA MONTHLY TRANSACTION NUMBER <b>9-94</b></p> <p>Place Code <b>03000C</b></p> <table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:50%;">Jnty <b>020</b></td> <td style="width:50%;">FHWA Area <b>X-1</b></td> </tr> </table>	Jnty <b>020</b>	FHWA Area <b>X-1</b>	<p><b>MODIFICATION OF FEDERAL-AID PROJECT AGREEMENT AND APPROVAL/AUTHORIZATION</b></p> <p>U.S. Department of Transportation Federal Highway Administration</p>	<p>State <b>Alaska</b></p> <p>Federal Project No. <b>CM-TEA-0001(126)</b></p> <p>State Project No. <b>52514</b></p>														
Jnty <b>020</b>	FHWA Area <b>X-1</b>																	
<p><b>PROJECT TERMINI:</b> Kincaid Park to the Potter Weigh Station on Seward Highway.</p>																		
<p><b>A. Project Scope B. Reason for Modification</b></p>		<p>Length: (Miles) <b>12.0</b></p>																
<p>A. Extend the Coastal Trail from its existing southern terminus at Kincaid Park to the Potter Weigh Station on the Seward Highway. This project will complete missing segments and improve trail and pedestrian safety throughout the Municipality of Anchorage.</p> <p>B. Additional design funding requested: 1) reimburse ADF&amp;G for expenses that will be incurred in developing habitat studies for the Anch Coastal Wildlife Refuge, and review of study results (\$70,300); 2) fund a bird habitat study that would be conducted by USGS (\$122,800); 3) fund a vegetation classification of the Anchorage Coastal Wildlife Refuge to be conducted by USGS (\$68,500); 4) fund department's design administration expenses (\$38,400).</p>																		
<p>The Project Agreement for the above-referenced project entered into between the undersigned parties and executed by the Division Administrator on <u>September 11, 1998</u> is hereby modified as follows:</p>																		
	<p>Appl Code</p> <p><u>33B</u></p> <p><u>022</u></p> <p><u>320</u></p> <p><u>040</u></p> <p>_____</p> <p>_____</p> <p>_____</p>	<table border="1" style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Federal Funds</th> <th style="text-align: left;">Total Estimated Cost</th> </tr> </thead> <tbody> <tr> <td><u>\$272,910</u></td> <td><u>\$305,000</u></td> </tr> <tr> <td><u>\$638,790</u></td> <td><u>\$700,000</u></td> </tr> <tr> <td><u>\$195,586</u></td> <td><u>\$215,000</u></td> </tr> <tr> <td><u>\$272,910</u></td> <td><u>\$300,000</u></td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> </tr> <tr> <td><b>\$1,378,196</b></td> <td><b>\$1,520,000</b></td> </tr> </tbody> </table>	Federal Funds	Total Estimated Cost	<u>\$272,910</u>	<u>\$305,000</u>	<u>\$638,790</u>	<u>\$700,000</u>	<u>\$195,586</u>	<u>\$215,000</u>	<u>\$272,910</u>	<u>\$300,000</u>	_____	_____	_____	_____	<b>\$1,378,196</b>	<b>\$1,520,000</b>
Federal Funds	Total Estimated Cost																	
<u>\$272,910</u>	<u>\$305,000</u>																	
<u>\$638,790</u>	<u>\$700,000</u>																	
<u>\$195,586</u>	<u>\$215,000</u>																	
<u>\$272,910</u>	<u>\$300,000</u>																	
_____	_____																	
_____	_____																	
<b>\$1,378,196</b>	<b>\$1,520,000</b>																	
<p>Estimated total cost of project</p>																		
<p>REQUEST AUTHORITY TO PROCEED FOR FUNDING UNDER CERTIFICATION ACCEPTANCE <input type="checkbox"/> EXEMPT <input checked="" type="checkbox"/> EFFECTIVE DATE</p>																		
<p>PRELIMINARY ENGINEERING</p>	<p><input type="checkbox"/> Reconnaissance Study <input type="checkbox"/> Final PS&amp;E</p> <p><input type="checkbox"/> Environmental Document Approval</p>																	
<p>RIGHTS-OF-WAY</p>	<p><input type="checkbox"/> Appraisals and Acquisitions <input type="checkbox"/> Utility Relocation</p>																	
<p>CONSTRUCTION</p>	<p><input type="checkbox"/></p>																	
<p>HIGHWAY PLANNING &amp; RESEARCH (HP&amp;R)</p>	<p><input type="checkbox"/></p>																	
<p>ATTACHMENTS: <input checked="" type="checkbox"/> COST ESTIMATE <input type="checkbox"/> MAP <input checked="" type="checkbox"/> SUPPORTING DATA <input type="checkbox"/> CERTIFICATION CHECKLIST</p>																		
<p>REMARKS: (FHWA use only) Environmental Document Approval _____ Date _____ STIP [ ]</p>																		
<p>STIP 2278 SECTION: Enhancements PAGE NO. 98-00 AMATS TIP Rank #6</p>	<p>RECOMMENDED BY _____ OPERATIONS ENGINEER</p>																	
<p>NAME: AMATS Coastal Trail Southern Extension</p>																		
<p>ALL OTHER TERMS AND CONDITIONS OF THE PROJECT AGREEMENT WILL REMAIN IN FULL FORCE AND EFFECT.</p>																		
<p>State of Alaska, Department of Transportation and Public Facilities (Official name of Highway Agency)</p>	<p>U.S. DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION</p>																	
<p>By <u>Carol Taylor</u></p>	<p>By <u>John Lohrey</u> for (Division Administrator)</p>																	
<p>DOT&amp;FF/Authorized Agent</p>	<p>Date Executed <u>9/16/99</u></p>																	
<p><i>Attachment A p. 4 of 7</i></p>																		

## STATE OF ALASKA PROJECT ESTIMATE

Department of Transportation and Public Facilities

August 23, 1989

Federal project no: CM-TEA-0001(128)State project no: 52514Project Name: Coastal Trail Southern Extension.

ITEM	WORKTYPE	TOTAL ESTD COST	MATCHING RATIO	FEDERAL FUNDS	MILES
As Programmed and Agreement					
APPN: 33B					
1) 10	PENG	105,000	90.97%	90,970	12.0
11	PENG (L)	200,000	90.97%	181,940	
		305,000		272,910	
APPN: Q22					
2) 11	PENG (L)	700,000	90.97%	636,790	
APPN: 320					
10	PENG	50,000	90.97%	45,485	
11	PENG (L)	165,000	90.97%	150,101	
		215,000		195,586	
TOTALS		1,220,000		1,105,286	

1) Includes \$5,000 non-participating.

2) MOA to design.

Revised Program and Agreement					
APPN: 33B					
1) 10	PENG	105,000	90.97%	90,970	12.0
11	PENG (L)	200,000	90.97%	181,940	
		305,000		272,910	
APPN: Q22					
2) 11	PENG (L)	700,000	90.97%	636,790	
APPN: 320					
10	PENG	50,000	90.97%	45,485	
11	PENG (L)	165,000	90.97%	150,101	
		215,000		195,586	
APPN: Q40					
10	PENG	300,000	90.97%	272,910	
TOTALS		1,520,000		1,378,196	

1) Includes \$5,000 non-participating.

2) MOA to design.

Attachment A  
P. 577



## STATE OF ALASKA PROJECT ESTIMATE

Department of Transportation and Public Facilities

April 17, 2002

Federal project no: CM-TEA-0001(126) State project no: 52514

Project Name: Coastal Trail Southern Extension

ITEM	WORKTYPE	TOTAL ESTD COST	MATCHING RATIO	FEDERAL FUNDS	MILES
As Programmed and Agreement		APPN: 33B			
1) 10	PENG	105,000	90.97%	90,970	12.0
11	PENG (L)	200,000	90.97%	181,940	
		305,000		272,910	
		APPN: Q22			
2) 11	PENG (L)	700,000	90.97%	636,790	
		APPN: 320			
10	PENG	50,000	90.97%	45,485	
11	PENG (L)	165,000	90.97%	150,101	
		215,000		195,586	
		APPN: Q40			
10	PENG	300,000	90.97%	272,910	
<b>TOTALS</b>		<b>1,520,000</b>		<b>1,378,196</b>	

1) Includes \$5,000 non-participating.

2) MDA to design.

Revised Program and Agreement		APPN: 33B			
1) 10	PENG	105,000	90.97%	90,970	12.0
11	PENG (L)	200,000	90.97%	181,940	
		305,000		272,910	
		APPN: Q22			
2) 11	PENG (L)	700,000	90.97%	636,790	
		APPN: 320			
10	PENG	50,000	90.97%	45,485	
11	PENG (L)	165,000	90.97%	150,101	
		215,000		195,586	
		APPN: Q40			
10	PENG	400,000	90.97%	363,880	
11	PENG (L)	600,000	90.97%	545,820	
		1,000,000		909,700	
<b>TOTALS</b>		<b>2,220,000</b>		<b>2,014,986</b>	

1) Includes \$5,000 non-participating.

2) MOA to design.

Attendant A  
P. 7 of 7

**HB 473**

**TESTIMONY OF  
GEOFFREY PARKER**

**ATTACHMENT B**

# PROFESSIONAL SERVICES AGREEMENT

Agreement No: P22024  
Federal Project No: TEA-0001(126)  
AKSAS Project No: 52514

Project Title: Coastal Trail Southern Extension

To this Agreement between THE STATE OF ALASKA DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES, STATEWIDE DESIGN & ENGINEERING SERVICES

hereafter the CONTRACTING AGENCY, and HDR Alaska, Inc.

hereafter the CONTRACTOR, effective on the last date executed by its parties, in consideration of the terms, conditions and promises of Articles 1 through 7 in this document, the parties hereby agree.

### CONTRACTOR

Signature: [Signature]  
Name: Duane A. Hippe, P.E.  
Title: Senior Vice President

8.51.01  
Date

Signature: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

### CONTRACTING AGENCY

Contract Manager

Signature: [Signature]  
Name: Jim Childers, P.E.  
Title: Project Manager

8.31.01  
Date

Contracting Officer

Signature: [Signature]  
Name: Steven R. Horn, P.E.  
Title: PreConstruction Engineer

8/5/01  
Date

### ARTICLE 1 - PURPOSE

- 1.1 This contract incorporates the services performed under Municipal Contract No. 74679. See Appendix F. All work under Municipal Contract No. 74679, which entailed Preliminary Engineering and the Viable Alternatives Phases, has been completed, accepted, and paid for. These services are now referred to as Task A.
- 1.2 The Contractor shall conduct engineering and environmental analyses and studies; gather data from governmental agencies and the public; and make presentations at scoping meetings and at a public hearing; and prepare an Environmental Impact Statement (EIS).

### ARTICLE 2 - COMPENSATION

2.1 The maximum amount payable under this Agreement as set out in Appendix C, shall not exceed:

Already compensated under Municipal Agreement 74679, Nine hundred seven thousand, one hundred twenty nine dollars (\$907,129). This agreement adds Five Hundred Thirty Eight Thousand Three and No/100 Dollars (\$538,003) for the new services, for a total compensation of One Million Four Hundred Forty Five Thousand, One Hundred Thirty Two and No/100.

(\$1,445,132)

### ARTICLE 3 - PERIOD OF PERFORMANCE

3.1 CONTRACTOR shall commence services under this Agreement as authorized by written Notice(s) to Proceed and shall complete the services in accordance with any time schedule required by Appendices. This Agreement is of no force or effect until executed by the CONTRACTOR and the CONTRACTING AGENCY and no services shall be undertaken or performed until a Notice to Proceed is issued.

3.2 The Period of Performance under this Agreement shall end: December 31, 2002

# COMPENSATION

## APPENDIX C EXHIBIT C-1, METHOD(S) OF PAYMENT

AKSAS Project No: 52514  
 Federal Project No: TEA-0001(126)  
 Date Prepared: 8/31/01

1. Payments will be made in accordance with Article A7 (Basic Agreement), Articles C1 - C9 (Appendix C), the following, and the applicable discussions of Methods of Payment presented below.

CONTRACTOR & SUBCONTRACTORS	SUBCONTRACTOR TO: (FIRM)	METHOD OF PAYMENT	ESTIMATED COST	FEE	ESTIMATED PRICE
Task A Services (fully paid)					\$907,129
New Services, Task Group B:					
HDR Alaska, Inc.		T & E	\$369,440		\$369,440
LDN	HDR Alaska, Inc.	T & E	\$52,593		\$52,593
DOWL	HDR Alaska, Inc.	T & E	\$40,970		\$40,970
ABR	HDR Alaska, Inc.	T & E	\$45,000		\$45,000
CMJV	HDR Alaska, Inc.	T & E	\$22,000		\$22,000
CRC	HDR Alaska, Inc.	T & E	\$2,600		\$2,600
Arktos	HDR Alaska, Inc.	T & E	\$5,400		\$5,400
Total Agreement Amount:					\$1,445,132

Note: If a Method of Payment is "Fixed Price", then the amount listed under "Estimated Price" is the Fixed Price.

2. **TIME AND EXPENSES** payments will be made according to the following:

2.1 Payments for **TIME** will be equivalent to the number of hours expended by each job classification multiplied by the applicable Billing Rate. Work will be performed by personnel with the lowest reasonable skill levels and hourly rates. Further, when performing work for which they are over qualified, individuals will charge time at rates equivalent to skill levels commensurate with the work they perform.

2.1.1 **BILLING RATES** for persons who work on this contract shall be the sum of the person's actual Direct Labor Rate plus an allowance for Indirect Cost at the then current Agency approved Indirect Cost Rate for the person's employer (firm) plus a fee (profit) of ten percent; e.g.:  $\$25 + (1.50 \times \$25) + (.10 \times [\$25 + (1.50 \times \$25)]) = \$68.75$ .

2.1.1.1 Billing Rates for HDR Alaska, Inc. personnel were negotiated utilizing an IDCR of 158.6% and a 12.5% profit factor. The IDCR referenced in this agreement for HDR Alaska, Inc. is fixed at 158.6%, effective July 1, 2001 to June 30, 2002 based on audit 01-PA-16 dated June 19, 2001. Effective July 1, 2002 this rate would become a Provisional Rate until a new audit is performed and a new IDCR is negotiated and approved by the Contracting Agency. HDR Alaska, Inc. billing rates over \$140.00 per hour that are fixed as defined in paragraph 3, Special Considerations, are itemized below:

JOB CLASSIFICATION	PERSON'S NAME	BILLING RATE (\$/HR)
Contract Manager	Duane Hippe	\$140.66
Project Manager	Mark Dalton	\$142.55

2.1.1.2 Billing Rates for all subcontractors were negotiated using the general formula in paragraph 2.1.1. Subcontractor billing rates over \$140.00 per hour that are fixed as defined in paragraph 3, Special Considerations, are itemized below:

JOB CLASSIFICATION	PERSON'S NAME	BILLING RATE (\$/HR)
None		

2.1.2 **BILLING RATES** are negotiated hourly labor rates which include compensation for all Costs (Direct Cost of Direct Labor and all Indirect Costs) plus Fee, except for allowable direct Expenses.

HB 473

**TESTIMONY OF  
GEOFFREY PARKER**

ATTACHMENT C

CENTRAL REGION  
DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES  
**MEMORANDUM** State of Alaska

TO: R. J. Knapp  
Commissioner  
Department of Transportation  
Public Facilities

DATE: April 3, 1986

FILE NO:

266-1440

TELEPHONE NO:

FROM: William R. Snell  
Deputy Commissioner  
Central Region

APR 08 1986

SUBJECT:

Nondalton-Newhalen/  
Iliamna Pioneer Road  
Economic Feasibility  
Study

RECEIVED  
DOT/TF  
COMMISSIONER'S OFFICE

Transmitted for your review and approval is a copy of the Nondalton-Newhalen/Iliamna Pioneer Road Economic Feasibility Study. The analysis was undertaken at your request to determine the economic viability of continuing the Pioneer Road project.

A number of socioeconomic elements regarding the three communities was analyzed in the analysis in order to develop adequate background information and to identify future travel demands. The elements included: 1) an overview of the Triangle communities; 2) transportation and land use development; 3) general economy of the communities; 4) on-going activities and future outlook of the Triangle communities; 5) population trends; and, 6) future travel demand forecasts between the Triangle communities.

Material for the study was gathered from a number of sources including community leaders, government agencies, and private sector officials. In addition, a thorough review of all available documents was made and a site visit conducted to gather information about the communities.

The benefit/cost analysis evaluated a number of items in developing the final ratio. The benefits accruing to the project included:

1. The present worth of annual user savings with the proposed road (\$1,672,516);
2. The present worth of the annual savings in the cost of consumer goods (\$260,954); and
3. The present worth of local employment benefits (\$1,430,352).

The effect of completing the new road is to increase the opportunity for travel and create cost savings for travelers between Nondalton and Newhalen/Iliamna. Three persons would also directly benefit from local employment opportunities. The present worth of benefits of the project cited above are estimated to total \$3,363,822.

The cost of completing the new road means that a commitment of resources must be made to the project. The present worth of the total costs for the Nondalton/Newhalen project are estimated to total \$12,828,312. This includes:

EXHIBIT  
1  
33 42

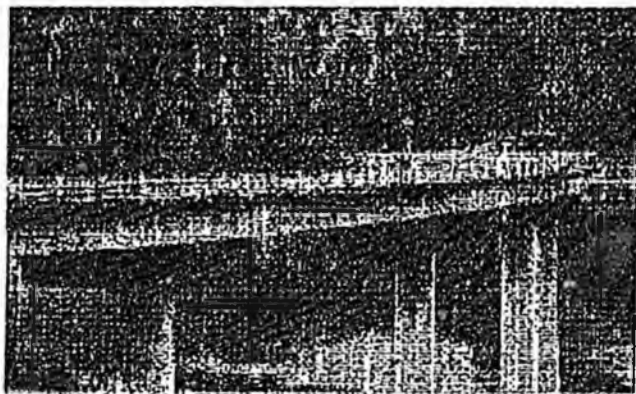
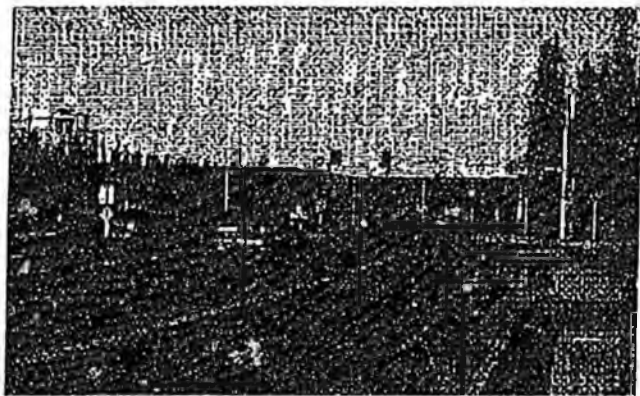
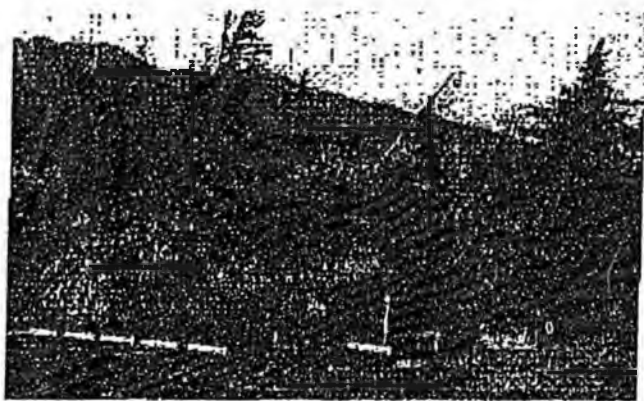
Approved C  
P. 172



HB 473

**TESTIMONY OF  
GEOFFREY PARKER**

ATTACHMENT D



AKUST  
P 1 8 2

# 2001 - 2003 Statewide Transportation Improvement Program

**AMENDMENT #6 FINAL**

Alaska Department of  
Transportation and  
Public Facilities  
November 2001

Final

Community Transportation Program

2001-2003 STIP Amendment #6

Need ID	Project Description/Funding Source	Phase	Applm	FFY 01	FFY 02	FFY 03	FFY 04	FFY 05	FFY 06	Req'd Funding by Year
3611	Install Landfill Road Upgrade the 1 mile road to the proposed landfill site	2			75,000		25,000			
		3						550,000		
		4								
			STIP	0.000	0.000	88,228	0.843	318,395	0.000	0.000
			State	0.000	0.000	8,773	-0.943	31,895	0.000	0.000
			Other				25,000			
	Project Total			0.000	0.000	97,001	25,000	350,000	0.000	0.000
12560	Hydrazin Salmon River Road and Treatise Rehabilitation	2			350,000		57,000			
		3								
		4								
			STIP	0.000	0.000	251,716	72,776	3,038,930	0.000	0.000
			State	0.000	0.000	58,000	16,000	600,000	0.000	0.000
			Other	0.000	0.000	30,284	11,224	561,208	0.000	0.000
	Project Total			0.000	0.000	340,000	100,000	4,200,138	0.000	0.000
2384	Bridge Rehabilitation	2		180,000						
		3								
		4								
			STIP	0.000	0.000					
			State	1,001,000						
			Other	1,001,000						
	Project Total			2,002,000						
2386	Traverse Dam Road Completion	2								
		3								
		4								
			STIP	0.000	181,840		0.000	0.000	0.000	0.000
			State	0.000	18,892		0.000	8,000	0.000	0.000
			Other	0.000						
	Project Total			0.000	200,732		0.000	8,000	0.000	0.000
13039	Implementation of the Intelligent Transportation System Strategic Deployment Plan	all		3,780,000						
			STIP	1,876,000	0.000	0.000	0.000	0.000	0.000	0.000
			State	1,750,000	0.000	0.000	0.000	0.000	0.000	0.000
			Other	750,000	0.000	0.000	0.000	0.000	0.000	0.000
	Project Total			4,376,000	0.000	0.000	0.000	0.000	0.000	0.000
10070	Juniper Capital Transit Bicycle Improvements	2								
		3								
		4								
			STIP	0.000	0.000	0.000	0.000	0.000	0.000	0.000
			State	0.000	0.000	0.000	0.000	0.000	0.000	0.000
			Other							
	Project Total			0.000	0.000	0.000	0.000	0.000	0.000	0.000
				0.000	0.000	0.000	0.000	0.000	0.000	0.000
	Project Total			0.000	0.000	0.000	0.000	0.000	0.000	0.000

Attachment D  
p. 2 of 2

**HB 473**

**TESTIMONY OF  
GEOFFREY PARKER**

**ATTACHMENT E**

MAR-18-00 THU 04:24 PM ANC LEGIS INFO OFC

FAX NO. 807 289 0229

P. 01



# LAWS OF ALASKA

## 1995

Source  
SCS CSHE 268(FIN) am. S (recompressed)

Chapter No.  
103

ration:  
y created under  
created under  
  
on and Public  
construction of  
transfer facilities  
  
Corporation:  
nt Board:  
Institute:

### AN ACT

Making and amending appropriations; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

Approved with Item Vetoes: June 30, 1995  
Actual Effective Date: Sections 54 and 71 take effect July 2, 1995; remainder of Act takes effect July 1, 1995

Post-it® Fax Note	7671	Date	3-16	# of pages	2
To	Jeff Barker	From	ANC LID		
Co./Dept.		Co.			
Phone #		Phone #			
Fax #	272-3317	Fax #			

Attachment  
P 1 of 4

MAR-18-00 THU 04:24 PM ANC LEGIS INFO OFC

FAX NO. 907 269 0229

P. 02

Department of Transportation/Public Facilities (cont.)					Department of Transportation				
	Appropriation	General	Other						
	Accounts	Fund	Fund						
4	Nome - Heding Street and	20,000			4	Alaska Marine High			
5	Rockar Gulch Park,				5	Compliance Mon			
6	Transportation Enhancements				6	Communications			
7	(ED 38)				7	Alaska Marine High			
8	Saint Mary's - Airport Road	200,000			8	Sanitary Seals			
9	Rehabilitation (ED 38)				9	(ED 37)			
10	Saint Michael - Sanitation	150,000			10	Alaska Marine High			
11	Road Construction (ED 38)				11	Pier Safety Co			
12	Seaplane Bay - Sanitation Road	2,400,000			12	Belton Highway: :			
13	Construction (ED 38)				13	Rehabilitation:			
14	Shaktolik - Landfill Road	250,000			14	Belton Highway: :			
15	Construction (ED 38)				15	Reconstruction:			
16	Toksook Bay - Sanitation Road	730,000			16	Elliot Highway:			
17	Construction (ED 38)				17	Rehabilitation:			
18	Unalakleet - Landfill Road	500,000			18	Glenn Highway: :			
19	Construction (ED 38)				19	(Regional Dev			
20	Bethel - Kidoorset Drive	1,300,000			20	Rehabilitation:			
21	Rehabilitation (ED 39)				21	Glenn Highway: :			
22	Billingham - Aleknagik Road:	1,350,000			22	(Kings River)			
23	Rehabilitation MP 7-23 (ED 39)				23	(ED 38)			
24	Kwigillingak - Airport Access	730,000			24	Glenn Highway: M			
25	Road Improvements (ED 38)				25	(Denochle Hill			
26	Mapakik - Sanitation Road	310,000			26	Rehabilitation:			
27	Construction (ED 39)				27	Northern Region			
28	Tuntutulik - Airport Sewage	1,250,000			28	Safety Improv			
29	Lagoon Boardwalk Construction				29	(ED 39)			
30	(ED 39)				30	Northern Region			
31	Igluigig Landfill Access Road	500,000			31	Management S:			
32	Construction (ED 40)				32	Implementation:			
33	Wondolton - Iliamna Road	5,300,000			33	Northern Region			
34	Reconstruction/Completion				34	Signage, Trar			
35	(ED 40)				35	Enhancement			
36	Sand Point - Main Street to	650,000			36	Payment Monayw			
37	Airport Road Rehabilitation				37	Skills Training			
38	(ED 40)								

ASH L & P  
P 274



LAWS OF ALASKA

1996

Source

HCS 2d CSSD (2001) and HCS 2d CSSD (2002)

Appendix E  
P 384

Chapter No.

123

AN ACT

Making, amending, and repealing appropriations.

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

THE ACT FOLLOWS ON PAGE 1

Approved with Item Veto: June 30, 1996

Actual Effective Date: July 1, 1996, per sec. 20, ch. 5, FSSLA 1996. Section 13(a) is retroactive to June 30, 1994; section 27(d) is retroactive to July 7, 1993; section 32(a) is retroactive to July 1, 1994; section 32(b) is retroactive to July 1, 1993

Chapter 123

1 Department of Transportation/Public Facilities (cont.)		Chapter 123		
	Appropriation	General	Other	
	Allocations	Fund	Funds	
4	Glenn Highway: MP 97 to 100	2,000,000		
5	Rehabilitation, Pinocchio Mill			
6	(ED 26-28)			
7	Homer East End Road 0.0-1.75	3,120,000		
8	Rehabilitation (ED 7)			
9	Homer Ferry Terminal Building	175,000		
10	Improvements (ED 8)			
11	Xonger Bay Sanitation Road	3,580,000		
12	Construction (ED 18)			
13	Illiana-Mondalton Road	5,880,000		
14	Construction (ED 40)			
15	<del>construction phases of the Illiana-Mondalton Road, the Department of Transportation and Public Facilities shall reconsider the level of environmental evaluation needed</del>			
16	<del>for the project.</del>			
18	Juneau - Capital Transit	1,040,000		
19	Busse Purchase (ED 3)			
21	Juneau - Glacier Highway:	6,370,000		
22	Indian Point to Point Louisa			
23	Reconstruction/Allocation			
24	(ED 4)			
25	Juneau - Thane Road Ferry	2,420,000		
26	Terminal to Rock Dump			
27	Reconstruction (ED 3)			
28	Juneau: Willoughby and	645,000		
29	Glacier Avenue Rehabilitation			
30	(ED 3)			
31	Kake Ferry Terminal Dolphin	1,100,000		
32	and Bridge Replacement (ED 5)			
33	Ketchikan Seaman Roads	690,000		
34	Improvements (ED 1)			
35	Ketchikan-Herring Cove &	470,000		
36	Ketchikan Creek Bridges			
37	Rehabilitation (ED 1)			

Chapter 123

1 Department of Transportation/Public Facilities (cont.)		Chapter 123		
	Appropriation	General	Other	
	Allocations	Fund	Funds	
4	Ketchikan: North Tongass	1,720,000		
5	Highway: Hard Cove to Whipple			
6	Creek Widening (ED 1)			
7	Ketchikan: Tongass/3rd Avenue	1,490,000		
8	Reconstruction/Extension			
9	(ED 1)			
10	Elgnuk Sanitation Road	100,000		
11	Construction (ED 19)			
13	Rodisk: Chiniah Highway:	800,000		
14	Melain Hill Hazard Removal			
14	(ED 4)			
15	Rodisk: Resound Drive 'V'	1,220,000		
16	Intersection Improvement			
17	(ED 4)			
18	H/V Hataniska Life Boats and	1,380,000		
19	Structural Renewal (ED 99)			
20	H/V Twatunasa Structural Fire	500,000		
21	Proofing (ED 99)			
22	Matanuska-Susitna: Vine Road	1,700,000		
23	(ED 26-28)			
24	Matanuska-Susitna: Edlund	480,000		
25	Road Rehabilitation (ED 26-28)			
26	Matanuska-Susitna: Hollywood	1,100,000		
27	Road Improvements (ED 26-28)			
28	Matanuska-Susitna: Houston -	480,000		
29	King Arthur Road Resurfacing			
30	(ED 26-28)			
31	Hatlekalia: Busse Purchase	200,000		
32	(ED 5)			
33	Hone City Field Structures	350,000		
34	(ED 18)			
35	Northern Region Pavement	1,120,000		
36	Creek Sealing & Bridge			
37	Rehabilitation (ED 19)			

Approved by  
R. J. B. 9

**HB 473**

**TESTIMONY OF  
GEOFFREY PARKER**

**ATTACHMENT F**

# SOUTHWEST ALASKA TRANSPORTATION PLAN

**An Element of the Alaska Statewide Transportation Plan**



Prepared for the

**Alaska Department of Transportation and Public Facilities**

Prepared by

**Parsons Brinckerhoff**

In association with

*HDR Alaska, Inc.*

*Northern Economics, Inc.*

*The Glosien Associates, Inc.*

*Christopher Beck & Associates*

*Ogden Beeman & Associates, Inc*

**February 2002**

**ON THE WEB!** <http://www.dot.state.ak.us> Public comment period ends March 25, 2002

*Attachment F  
P 186*



## Preface

---

This document presents the Southwest Alaska Transportation Plan, which culminates a four-year effort to define and select a blueprint for the region's transportation future in the coming decades. The Alaska Department of Transportation and Public Facilities (DOT&PF), as the State agency responsible for highways, ferries, airports and ports and harbors, undertook this effort to ensure that future investments in the region's transportation infrastructure are the most cost-effective and beneficial to the residents of the region.

This plan is one of a series of regional, multi-modal transportation plans being undertaken for Alaskan communities. It forms part of the Statewide Transportation Plan and presents the project recommendations for the Southwest Alaska region. This plan draws its authority from Alaska Statute 44.42.050, which requires DOT&PF to prepare plans for transportation facilities, and is also an element of the Federally-required Statewide Transportation Plan as defined in 23 CFR 450.214. The Federal requirement is important, as Federal transportation funds must be allocated consistent with transportation plans prepared following Federal guidelines.

The Southwest Alaska Transportation Plan is not about changing services and facilities for the sake of change. Rather, it reflects a broad-based public involvement effort that seeks to improve year-round mobility and access for residents and visitors, lower the costs of moving goods, and remove barriers to regional economic development and coordination.

Because of the remote and largely undeveloped character of the region, conventional methods for determining the value of system improvements used in typical urban and rural settings are not helpful. Rather, the plan examines the region's geographical, economic and socio-political characteristics and envisions the corridors that would link the communities together. The multi-modal analysis then proceeds to determine the most economical sequence for establishing infrastructure and the most suitable facilities to employ.

We concede that some infrastructure improvements recommended in these pages may not "pay for themselves" using typical methods used to assess costs and benefits over a 20-year timeframe. The question is much more basic: "What transportation infrastructure is needed to provide a stable economic climate in the region, and how is the best way to go about investing in it?" Transportation is intrinsic to the region's economic vitality, providing the necessary mobility to make the difference between self-sufficiency and dependency. The Southwest Alaska Transportation Plan begins the long process of infrastructure development in the region.

This infrastructure will lower the per-person costs of government services, enhance the region's economic outlook, and improve the quality of life and future of the region's families and businesses.

This document does not portray the sum total of the planning effort, but rather a summation of the findings and key processes. The supporting technical memoranda are numerous, each representing the findings up to the point when it was published. Due to the limited planning budget, the technical memoranda were not revised to bring them up-to-date, but new findings were incorporated into each subsequent product. The technical memoranda can be accessed and downloaded through DOT&PF's website (<http://www.dot.state.ak.us>) or can be sent in CD form upon written request.

Attachment F  
p. 2 of 6

**Table 11**  
**Recommended Priority Order for Road Construction**  
**Cook Inlet to Bristol Bay Corridor**

Segment	Estimated Capital Cost
Williamsport to Pile Bay	\$34,885,500
Naknek to South Naknek	\$59,805,500
Pile Bay to Pedro Bay to Iliamna	\$51,870,000
Iliamna to Igiugig	\$87,880,000
Igiugig to Naknek	\$127,675,000

Table 12 describes cost and effectiveness measures for each of the Cook Inlet to Bristol Bay Corridor roadway segments. The first recommended segment, Williamsport to Pile Bay, has the lowest net annualized cost of the group, while the second segment, Naknek to South Naknek has the lowest net annualized cost per person trip accommodated. The Naknek to South Naknek connection, by providing access for South Naknek residents to the communities on the north side of the Naknek River and to the regional airport at King Salmon, would shift the purpose of the South Naknek airport away from its current role as primary community access. With a bridge connection to South Naknek, the appropriate roles and ownership of all the airports in the Bristol Bay Borough, South Naknek, Naknek and King Salmon, should be re-examined. Projects for this area in the Statewide Transportation Improvement Program include:

Programmed Projects (FY 2001-2003)		
Location	Description	Estimated Capital Cost
Iliamna - Nondalton	Newhalen River Bridge and roadway improvements	\$5,300,000
Igiugig	Sanitation Road. Construct approximately 0.3 miles of new gravel surface roadway and widen/resurface another 0.3 miles of existing road.	\$1,200,000
Naknek / King Salmon	In Naknek construct approximately 3.5 miles of bike/ped trails from downtown to Donna G. Subdivision. In King Salmon construct approximately 2.5 miles of trail from downtown to Flat Nose Henry Road.	\$3,150,000
Proposed Projects		
Location	Description	Estimated Capital Cost
King Salmon	King Salmon/Naknek Road Improvements	\$12,593,000
King Salmon	Naknek Lake Access Road improvements	\$3,445,000
Naknek	Naknek Crossing road link and area aviation needs study	\$200,000
Naknek	2 <sup>nd</sup> Avenue reconstruction	\$837,000
Naknek	Pederson Point Road extension	\$1,750,000
Pedro Bay	Rushing Creek Bridge replacement	\$687,000

*Attachment F*  
*p. 376*

**Table 12**  
**Cost and Effectiveness Measures of Proposed Roadway Segments**  
**Cook Inlet to Bristol Bay Corridor**

Segment	Annual O&M Cost	Annualized Capital Cost @ 7% Interest	Annualized Capital Cost plus O&M Cost	Estimated Annual Freight Cost Savings <sup>10</sup>	Net Annualized Cost	Cook Inlet to Bristol Bay Roadway System Only		Full System	
						Estimated Annual 2020 Person Trips	Net Annualized Cost per Person Trip	Estimated Annual 2020 Person Trips	Net Annualized Cost per Person Trip
Williamsport to Pile Bay	\$208,250	\$3,292,940	\$3,502,200	\$3,554,600	\$0	1,800	\$0.00	5,000	\$0.00
Pile Bay to Pedro Bay to Ilfamna	\$513,000	\$4,898,160	\$5,409,200	\$754,100	\$4,655,100	22,900	\$203.28	33,300	\$139.79
Ilfamna to Iglugig	\$758,000	\$8,295,250	\$9,051,300	\$89,300	\$8,962,000	116,800	\$77.39	126,300	\$70.86
Iglugig to Naknek	\$1,012,500	\$12,051,620	\$13,064,100	\$2,076,800	\$10,987,500	127,500	\$86.18	214,460	\$51.24
Naknek to South Naknek	\$81,290	\$5,845,220	\$5,706,500	\$340,100	\$5,366,400	115,400	\$46.50	278,300	\$19.28

*Appendix F  
p. 4 of 6*

<sup>10</sup> The calculation of freight cost savings is described in Appendix B of this report.

**Table 15**  
**Recommended Priority Order for Road Construction**  
**Alaska Peninsula Corridor**

Segment	Estimated Capital Cost
Chignik Intervillage Road	\$28,146,000
Chignik to Port Heiden	\$84,630,000
Chignik to Perryville	\$56,166,500
Perryville to Ivanof Bay	\$13,650,000
Port Heiden to Ugashik	\$119,847,000
Ugashik to Pilot Point	\$53,067,000
Pilot Point to Egegik	\$74,802,000
Egegik to South Naknek	\$129,205,000

### Air Transportation System

A number of aviation improvement projects are currently programmed for airports in the Alaska Peninsula Corridor<sup>12</sup>:

Programmed Projects (FY 2001-2003)		
Location	Description	Estimated Capital Cost
Chignik Lagoon	ALP Update	\$60,000
Egegik	Runway Extension and Resurfacing and Crosswind Runway	\$5,500,000
Ivanof Bay	Airport Master Plan	\$350,000
Perryville	Airport Improvements Stage 1	\$250,000
Port Heiden	Runway Resurfacing and Safety Area Expansion	\$4,100,000
Proposed Projects		
Location	Description	Estimated Capital Cost
Chignik area	Tri-community Airport Master Plan <sup>1</sup>	\$400,000
Chignik	Airport Lighting Installation	\$350,000
Chignik Lagoon	Interim Improvements <sup>2</sup>	\$1,000,000
Chignik Lake	Airport Improvements <sup>2</sup>	\$2,800,000
Perryville	Airport Improvements Stage 2	\$2,500,000
Pilot Point	Runway Extension	\$3,000,000

<sup>1</sup> Southwest Transportation Plan recommendation. Not previously on Aviation Needs List

<sup>2</sup> Need documented on Aviation Needs List but project should be reevaluated pending completion of tri-community Airport Master Plan

ATTACHED  
P 576

<sup>12</sup> The projects included in this table are based upon a spreadsheet provided by Roger Maggard to Stephanie MacLachlan on March 20, 2001. Only those projects slated for funding by FY 2003 are included. In an effort to report only projects of regional significance, equipment purchases and other "operational" expenditures are not included.

**Table 16**  
**Cost and Effectiveness Measures of Proposed Roadway Segments**  
**Alaska Peninsula Corridor**

Segment	Annual O&M Cost	Annualized Capital Cost @ 7% Interest	Annualized Capital Cost plus O&M Cost	Estimated Annual Freight Cost Savings	Net Annualized Cost	Alaska Peninsula Roadway System Only		Full System	
						Estimated Annual 2020 Person Trips	Net Annualized Cost per Person Trip	Estimated Annual 2020 Person Trips	Net Annualized Cost per Person Trip
South Naknek to Egegik	\$877,500	\$12,196,040	\$13,073,500	\$0	\$13,073,500	-	NA	149,500	\$87.46
Egegik to Pilot Point	\$739,800	\$7,060,780	\$7,800,600	\$387,300	\$7,433,300	21,300	\$348.98	120,100	\$61.89
Pilot Point to Ugashik	\$159,300	\$5,009,150	\$5,168,500	\$468,000	\$4,699,500	31,800	\$147.78	95,200	\$49.36
Ugashik to Port Helden	\$1,185,300	\$11,312,710	\$12,498,000	\$35,700	\$12,462,300	32,400	\$384.64	93,300	\$133.57
Port Helden to Chignik	\$837,000	\$7,988,470	\$8,825,500	\$639,500	\$8,186,000	42,700	\$191.71	71,100	\$115.13
Chignik Intervillage Road	\$305,100	\$2,911,930	\$3,217,000	\$1,094,800	\$2,122,200	109,800	\$19.36	110,800	\$19.15
Chignik to Perryville	\$541,350	\$6,301,720	\$5,843,100	\$445,800	\$5,397,300	26,800	\$201.39	27,500	\$196.27
Perryville to Ivanof Bay	\$135,000	\$1,288,460	\$1,423,500	\$73,000	\$1,350,500	12,500	\$108.04	12,800	\$105.51

*AKA  
P. 676*

Attachment B (Excerpt of ADOT contract re: Extension of Coastal Trail):

- Contract for preliminary engineering, design and environmental is a "time and expense" contract – a form of public contract that is highly disfavored because it contains no incentive to control costs.

Attachment C (ADOT approval in 1986 of benefit-cost analysis re: Iliamna-Nondalton Road):

- Benefit-cost ratio in 1986 for proposed Iliamna-Nondalton Road was 0.26, and therefore project was cancelled as not economically justified after \$4 million wasted.

Attachment D (Excerpt of ADOT's current Statewide Transportation Improvement Program re: Iliamna-Nondalton project):

- Iliamna-Nondalton is revived without any new cost-benefit analysis.

Attachment E (Excerpts of 1995 and 1996 capital budget acts re Iliamna-Nondalton project):

- Why does ADOT seek \$10 million for a project it claims will cost \$5 million?

Attachment F (Excerpt of February 2002 Draft Southwest Alaska Transportation Plan):

- Concedes (p. vi) that "some" recommended projects are not cost-beneficial.
- Table 11 -- Cook Inlet to Bristol Bay corridor estimated cost is \$363 MILLION.
- Table 12 -- Cook Inlet-Bristol Bay corridor costs far more than it saves. Annualized Capital cost to State (capital + O&M): \$37 million/year. Net Annualized cost to Alaskans: \$30 million. Net Annualized Savings to Alaskans: \$6 million. Benefit-cost ratio: \$6 million/\$37 million equals 0.16.
- Table 15 -- Alaska Peninsula corridor estimated cost is \$556 MILLION.
- Table 16 -- Alaska Peninsula corridor costs far more than it save. Annualized Capital cost to State (capital + O&M): \$57 million/year. Net Annualized cost to Alaskans: \$54 million. Net Annualized Savings to Alaskans: \$3 million. Benefit-cost ratio: \$3 million/\$57 million equals 0.05.
- Conclusion: ADOT proposes wasting a BILLION DOLLARS on projects not cost-beneficial.

SUMMATION:

The issue is how to achieve efficient expenditure of transportation dollars and avoid waste, without interfering with federally required planning requirements. The Coastal Trail, the Iliamna-Nondalton project, and the Southwest Plan reveal two problems: (1) when preliminary design costs skyrocket, as in the case of the Coastal Trail, the project is not evolving as originally anticipated, and the costs and benefits are likely to be very different than originally anticipated; (2) ADOT proposes vast waste on projects it admits are not cost-effective.

HB 473 addresses the first by requiring an updated cost benefit analysis. HB 473 should be amended to address the second by requiring an updated analysis in the second situation, too, because years may elapse between the plan and the funding request.

THE LAW OFFICE OF  
**GEOFFREY Y. PARKER**

Phone: (907) 222-6859  
Fax: (907) 258-7304

E-mail: [gparker@gei.net](mailto:gparker@gei.net)

730 I Street, Suite 226  
Anchorage, Alaska 99501

Outline of Jeff Parker's Testimony on HB 473  
March 4, 2002

PURPOSES OF HB 473:

- Promote efficient transportation planning and expenditures by reducing waste on inefficient projects.
- Enhance legislature's and public's ability to examine costs and benefits of new projects.

MAIN POINTS:

- ADOT does not prepare an annual state transportation plan required by AS 44.42.050.

Missing ingredient: cost-benefit analysis of any new transportation facility.

Results: (1) deprives the legislature of an ability to compare the cost-effectiveness of projects; (2) deprives legislature of an ability to prevent waste on ineffective projects; (3) diminishes ability to fund effective projects; (4) inhibits ability to fund proper maintenance.

- HB 473 would improve the situation by compelling an updated cost-benefit analysis whenever costs of preliminary engineering and design skyrocket on a new facility.
- HB 473 could be amended to improve it further by providing that an updated cost-benefit analysis would also be required if no construction has occurred and significant time, such as three years, has elapsed since the legislature initially allocated funds to the project.
- Updating cost-benefit analysis is appropriate in such circumstances. Dramatically increased costs for preliminary design and engineering indicate that the project is not evolving as originally anticipated and may cost substantially more to construct. Significant passage of time without construction may mean that other projects are more deserving.

ATTACHMENTS

Attachment A (ADOT-FHWA Project Agreements re: Extension of Coastal Trail):

- Costs of preliminary engineering and design, including environmental analysis, have skyrocketed from \$300,000 to \$ 2.2 million, and there is still no proposed route or environmental document.
- This indicates that costs of construction and maintenance are likely to be very different from original estimates, and updated cost-benefit analysis would help Legislature decide whether to fund a substantially-changed project.

Deanna Essert  
6262 W. Dimond Blvd.  
Anchorage, Alaska 99502  
Phone: (907-243-1894)  
E-mail: [dessert@uci.net](mailto:dessert@uci.net)

Testimony on HB 473  
Submitted March 5, 2002

- **Background:** My name is Deanna Essert and I live at 6262 W. Dimond Blvd. I have served on the Citizen's Advisory Group for The South Coastal Trail Extension in 99 and 2000. Presently I serve as the Sand Lake Community Council representative to AMATS, (Anchorage Metropolitan Area Transportation Study) where I act as an observer of the AMATS Technical Advisory and Policy committees. My duties are to report on proposed projects and their costs. Originally I became interested in AMATS in 1996 when the request was made for the initial \$300,000 allocation for preliminary engineering to extend the existing Coastal Trail. According to the Areawide Trails Plan, this trail is supposed to improve the travel options in under-served South Anchorage. Sand Lake has had difficulty in securing funding to build any new links in the existing trail system. Studies that supported links were often shelved and new trails were proposed, each more grandiose than the other. My interest is in a cost effective trail that will benefit people of all ages and abilities and provide safe convenient access to link our parks, recreation facilities and schools.
- **History of Participation:** Over the years I have increased my attendance at AMATS meetings and have become increasingly concerned about the methods used for advancing projects and at the alarming increase in costs for some projects. I note that individual members of the AMATS Technical and Policy Committees have protested that they have difficulty in tracking individual projects. Supposedly, projects are selected for the TIP (Transportation Improvement Program) based on a set of ranking criteria. There is no cost benefit analysis that determines how individual projects are ranked. New projects are added and projects already on the TIP are often moved down in ranking or shifted to the Capital Improvement Program for bonding. Projects that cost the most often migrate to the top of the list.
- **Example #1:** One example of a project that is out of control on the TIP is the extension of the South Coastal Trail. Preliminary Engineering costs for the Coastal Trail extension have expanded from the initial \$300,000 in 1996 to the present \$2,200,000. In January of 2002 the Policy Committee requested an additional \$250,000 for design of the Coastal Trail. At the time of this latest request, Frank Dillon, from the Policy Committee asked ADOT what was the intended use of the \$200,000 since he was not aware something had been designed or that a route had been chosen for the Coastal Trail Extension. Ms. Rigg from DOT explained that additional funding was requested for preliminary engineering. While the dollars are being allocated for preliminary engineering for the Coastal Trail extension, other projects that are more cost effective are being delayed or moved off the TIP. I support Mr. Parker's argument for requiring an updated cost-benefit analysis whenever costs for preliminary engineering and design increase disproportionately for a new project.

- **Example #2:** A second example of a project that is out of control on the TIP is the Ship Creek Trail. Changes in the project pushed up the cost of the Ship Creek Trail from the initial projected \$5,700,000 to the projected \$9,290,000 in the Amended 1998-2000 TIP. The Ship Creek Trail project was originally written to extend the Coastal trail 4 miles, from its current terminus at 2<sup>nd</sup> Ave., via Ship Creek to the Glenn Highway with connections to Government Hill. In the 2001-2003 Amended TIP, the Ship Creek Trail now has four phases and an annotation explaining that "funding for construction needs to be adjusted in future TIP amendments updates." It is now 2002, four years since funds were allocated for the project and no construction has occurred. Mr. Parker's proposal to require an updated cost-benefit analysis, if construction doesn't occur within three years of allocation of funds, will help contain costs and steer funding towards more deserving projects.
- **Overview:** As a concerned citizen, I have inquired why preliminary engineering and design costs double and triple for projects. One ADOT planner stated "it costs what it costs". No one could explain WHY it costs what it costs! Due to my concern, I volunteered to review ADOT contracts and spent multiple afternoons reviewing contracts for various state projects. Many compensation contracts masquerading as "time plus expenses" allowed the contractors to increase their fees by increasing their costs. A better description of this type of compensation contract would be "cost plus % of cost" and I understand that this type of compensation contract is illegal under FHWA guidelines. Now, I know why it "costs what it costs"!
- **SUMMARY**  
I support HB 473 because it will improve the Legislature's ability to curtail costs and bring projects forward that are cost effective. Massive projects consume most of the Federal TEA-21 dollars and often require expensive redesign and maintenance. Often, the promised economic benefits do not meet expectations, but the economic costs exceed expectations. **Requiring** a cost-benefit analysis in the initial planning stages will save us millions of dollars.

Deanna Essert

*Deanna Essert*

TESTIMONY ON HB 473  
TIMOTHY G. BRIDGMAN  
MARCH 5, 2002

Good afternoon. My name is Tim Bridgman. My permanent residence for the last twenty years is 240 Pacific View Drive in Anchorage. I am a degreed civil engineer and am self-employed as a consultant specializing in project management of projects requiring design, construction, operations and maintenance. I am testifying to support HB 473.

I am concerned with a tendency for some projects that pass over the threshold of good engineering practice and economic sense and seemingly develop a mind of their own as they are further propelled by emotions and other forces to a point that is way past their economic justification. HB 473 will curb these runaway projects by requiring a reassessment of the project if the initial costs of design and environmental assessment exceed the original estimate by 50%. The reassessment will be included in the annual update of the State Transportation Plan, which is reviewed and approved by the Legislature.

When estimating the cost of a project, it is obviously not possible to know exactly the pitfalls that will lie ahead that will drive up the costs of the design. That is why contingencies for unknown conditions are included in the originating estimates. Therefore a project whose costs have exceeded the estimate by more than 50% indicates that something is drastically different from the assumptions made in the original estimate. This bill calls for a reassessment of these projects.

*the evaluation of projects*

One tool used in this analysis is the cost/benefit analysis, which is an estimate of the costs of a project ~~and is~~ <sup>and is</sup> compared to the costs of the benefits usually expressed as a ratio of benefit costs divided by the project costs. This should not be confused with ~~costs and benefits~~ <sup>the requirement for</sup> ~~benefits~~, which sometimes appears as a list of the costs and list of the benefits without attempting to quantify the benefits.

*cost/benefit*

By way of example, I would like to mention two projects that have escalated in costs way beyond the threshold of reasonableness and economic sense and where I think this bill will give the Legislature the opportunity for further review. The examples are the

~~Anchorage Coastal Trail and the Illiamna-Nondalton road.~~

*Further amplify costs associated with* *Not repeat Mr. Parker's testimony*

I have a personal interest in the Anchorage Coastal Trail and so have attempted to inform myself of its progress. The Project Agreement between the Federal Highway Administration and the Alaska Department of Transportation was signed on September 11, 1996 and authorized funding for preliminary engineering through to the approval of environmental documents amounting to \$305,000.

In September 1998, additional design funds for further environmental analysis were requested bringing the total design funding to \$1,220,000.

A further request for additional design funds was made in April 2000 to perform additional technical studies bringing the total for design funding to \$2,220,000. We are now four years into the project, nothing has been built, and we have spent over two million dollars for a lot of paper. Members of the Legislature, please, at what point do we say enough is enough?

*delete* [ In the other example of the Illiamna-Nondalton road, further design was curtailed in April 1986 after the benefits of the project were estimated at \$3.3 million compared to the costs of \$12.8 million giving a benefit to cost ratio of 0.26. Yet this same project appears in the 2001-2003 Statewide Transportation Improvement Plan with a request for funding for five million dollars.

We know that projects go through changed conditions. We also know that projects are driven by many forces not all of them either logical or economic. However, I urge you to support HB 473 because it will provide you, the Legislature, with legislative oversight of projects that appear to be out of control.

COVER SHEET

Anchorage Legislative Information Office  
Office - (907) 269-0111 Fax - (907) 269-0229

To: (H) Transportation

Attn: Rep Kohring Fax: 115-3818 Phone: \_\_\_\_\_

From: Anc. Lid Phone: \_\_\_\_\_

Instructions: Written Testimony

Sent: \_\_\_\_\_ Date: 3-5 Time: \_\_\_\_\_

Disposal of Original: Discard: \_\_\_\_\_ Hold for Pickup: \_\_\_\_\_

Number of Pages: 15 (counting cover sheet)

Transmitted by: Jean

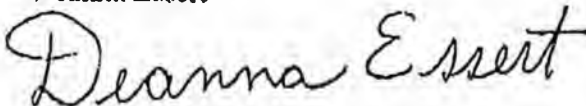
Deanna Essert  
6262 W. Dimond Blvd.  
Anchorage, Alaska 99502  
Phone: (907-243-1894)  
E-mail: [dessert@pci.net](mailto:dessert@pci.net)

Testimony on HB 473  
Submitted March 5, 2002

- **Background:** My name is Deanna Essert and I live at 6262 W. Dimond Blvd. I have served on the Citizen's Advisory Group for The South Coastal Trail Extension in 99 and 2000. Presently I serve as the Sand Lake Community Council representative to AMATS, (Anchorage Metropolitan Area Transportation Study) where I act as an observer of the AMATS Technical Advisory and Policy committees. My duties are to report on proposed projects and their costs. Originally I became interested in AMATS in 1996 when the request was made for the initial \$300,000 allocation for preliminary engineering to extend the existing Coastal Trail. According to the Areawide Trails Plan, this trail is supposed to improve the travel options in under-served South Anchorage. Sand Lake has had difficulty in securing funding to build any new links in the existing trail system. Studies that supported links were often shelved and new trails were proposed, each more grandiose than the other. My interest is in a cost effective trail that will benefit people of all ages and abilities and provide safe convenient access to link our parks, recreation facilities and schools.
- **History of participation:** Over the years I have increased my attendance at AMATS meetings and have become increasingly concerned about the methods used for advancing projects and at the alarming increase in costs for some projects. I note that individual members of the AMATS Technical and Policy Committees have protested that they have difficulty in tracking individual projects. Supposedly, projects are selected for the TIP (Transportation Improvement Program) based on a set of ranking criteria. There is no cost benefit analysis that determines how individual projects are ranked. New projects are added and projects already on the TIP are often moved down in ranking or shifted to the Capital Improvement Program for bonding. Projects that cost the most often migrate to the top of the list.
- **Example #1:** One example of a project that is out of control on the TIP is the extension of the South Coastal Trail. Preliminary Engineering costs for the Coastal Trail extension have expanded from the initial \$300,000 in 1996 to the present \$2,200,000. In January of 2002 the Policy Committee requested an additional \$250,000 for design of the Coastal Trail. At the time of this latest request, Frank Dillon, from the Policy Committee asked ADOT what was the intended use of the \$200,000 since he was not aware something had been designed or that a route had been chosen for the Coastal Trail Extension. Ms. Rigg from DOT explained that additional funding was requested for preliminary engineering. While the dollars are being allocated for preliminary engineering for the Coastal Trail extension, other projects that are more cost effective are being delayed or moved off the TIP. I support Mr. Parker's argument for requiring an updated cost-benefit analysis whenever costs for preliminary engineering and design increase disproportionately for a new project.

- **Example #2:** A second example of a project that is out of control on the TIP is the Ship Creek Trail. Changes in the project pushed up the cost of the Ship Creek Trail from the initial projected \$5,700,000 to the projected \$9,290,000 in the Amended 1998-2000 TIP. The Ship Creek Trail project was originally written to extend the Coastal trail 4 miles, from its current terminus at 2<sup>nd</sup> Ave., via Ship Creek to the Glenn Highway with connections to Government Hill. In the 2001-2003 Amended TIP, the Ship Creek Trail now has four phases and an annotation explaining that "funding for construction needs to be adjusted in future TIP amendments updates." It is now 2002, four years since funds were allocated for the project and no construction has occurred. Mr. Parker's proposal to require an updated cost-benefit analysis, if construction doesn't occur within three years of allocation of funds, will help contain costs and steer funding towards more deserving projects.
- **Overview:** As a concerned citizen, I have inquired why preliminary engineering and design costs double and triple for projects. One ADOT planner stated "it costs what it costs". No one could explain WHY it costs what it costs! Due to my concern, I volunteered to review ADOT contracts and spent multiple afternoons reviewing contracts for various state projects. Many compensation contracts masquerading as "time plus expenses" allowed the contractors to increase their fees by increasing their costs. A better description of this type of compensation contract would be "cost plus % of cost" and I understand that this type of compensation contract is illegal under FHWA guidelines. Now, I know why it "costs what it costs"!
- **SUMMARY**  
I support HB 473 because it will improve the Legislature's ability to curtail costs and bring projects forward that are cost effective. Massive projects consume most of the Federal TEA-21 dollars and often require expensive redesign and maintenance. Often, the promised economic benefits do not meet expectations, but the economic costs exceed expectations. Requiring a cost-benefit analysis in the initial planning stages will save us millions of dollars.

Deanna Essert



TESTIMONY ON HB 473  
TIMOTHY G. BRIDGMAN  
MARCH 5, 2002

Good afternoon. My name is Tim Bridgman. My permanent residence for the last twenty years is 240 Pacific View Drive in Anchorage. I am a degreed civil engineer and am self-employed as a consultant specializing in project management of projects requiring design, construction, operations and maintenance. I am testifying to support HB 473.

I am concerned with a tendency for some projects that pass over the threshold of good engineering practice and economic sense and seemingly develop a mind of their own as they are further propelled by emotions and other forces to a point that is way past their economic justification. HB 473 will curb these runaway projects by requiring a reassessment of the project if the initial costs of design and environmental assessment exceed the original estimate by 50%. The reassessment will be included in the annual update of the State Transportation Plan, which is reviewed and approved by the Legislature.

When estimating the cost of a project, it is obviously not possible to know exactly the pitfalls that will lie ahead that will drive up the costs of the design. That is why contingencies for unknown conditions are included in the originating estimates. Therefore a project whose costs have exceeded the estimate by more than 50% indicates that something is drastically different from the assumptions made in the original estimate. This bill calls for a reassessment of these projects.

*the evaluation of projects*

*Cost/benefit*

One tool used in ~~this analysis~~ is the cost/benefit analysis, which is an estimate of the costs of a project ~~and is~~ compared to the costs of the benefits <sup>and is</sup> usually expressed as a ratio of benefit costs divided by the project costs. This should not be confused with ~~costs and benefits~~ <sup>the requirement for</sup> costs and benefits, which ~~sometimes appears~~ as a list of the costs and list of the benefits without attempting to quantify the benefits.

By way of example, I would like to mention two projects that have escalated in costs way beyond the threshold of reasonableness and economic sense and where I think this bill will give the Legislature the opportunity for further review. The examples are the

~~Anchorage Coastal Trail and the Iliamna-Nondalton road.~~  
*Further amplify costs associated with* *Not repeat Mr. Parker's testimony*

I have a personal interest in the Anchorage Coastal Trail and so have attempted to inform myself of its progress. The Project Agreement between the Federal Highway Administration and the Alaska Department of Transportation was signed on September 11, 1996 and authorized funding for preliminary engineering through to the approval of environmental documents amounting to \$305,000.

In September 1998, additional design funds for further environmental analysis were requested bringing the total design funding to \$1,220,000.

A further request for additional design funds was made in April 2000 to perform additional technical studies bringing the total for design funding to \$2,220,000. We are now four years into the project, nothing has been built, and we have spent over two million dollars for a lot of paper. Members of the Legislature, please, at what point do we say enough is enough?

*delete*

In the other example of the Iliamna-Nondalton road, further design was curtailed in April 1986 after the benefits of the project were estimated at \$3.3 million compared to the costs of \$12.8 million giving a benefit to cost ratio of 0.26. Yet this same project appears in the 2001-2003 Statewide Transportation Improvement Plan with a request for funding for five million dollars.

We know that projects go through changed conditions. We also know that projects are driven by many forces not all of them either logical or economic. However, I urge you to support HB 473 because it will provide you, the Legislature, with legislative oversight of projects that appear to be out of control.

By way of example, I would like to mention two projects that have escalated in costs way beyond the threshold of reasonableness and economic sense and where I think this bill will give the Legislature the opportunity for further review. The examples are the

*←Anchorage Coastal Trail and the Iliamna-Nondalton road.  
Further amplify costs associated with → Not repeat Mr. Parker's testimony*

I have a personal interest in the Anchorage Coastal Trail and so have attempted to inform myself of its progress. The Project Agreement between the Federal Highway Administration and the Alaska Department of Transportation was signed on September 11, 1996 and authorized funding for preliminary engineering through to the approval of environmental documents amounting to \$305,000.

In September 1998, additional design funds for further environmental analysis were requested bringing the total design funding to \$1,220,000.

A further request for additional design funds was made in April 2000 to perform additional technical studies bringing the total for design funding to \$2,220,000. We are now four years into the project, nothing has been built, and we have spent over two million dollars for a lot of paper. Members of the Legislature, please, at what point do we say enough is enough?

*delete*

In the other example of the Iliamna-Nondalton road, further design was curtailed in April 1986 after the benefits of the project were estimated at \$3.3 million compared to the costs of \$12.8 million giving a benefit to cost ratio of 0.26. Yet this same project appears in the 2001-2003 Statewide Transportation Improvement Plan with a request for funding for five million dollars.

We know that projects go through changed conditions. We also know that projects are driven by many forces not all of them either logical or economic. However, I urge you to support HB 473 because it will provide you, the Legislature, with legislative oversight of projects that appear to be out of control.