

ALABAMA LEGISLATURE COMMITTEES 1983-1984 86/2

3143 HT INTERIM REPORT #1 - REPORT #2

## Road closures resume

After a brief Salmon Derby respite, daytime road closures began Monday, 10am-2pm for blasting the Seward Highway rebuild.

Closures will be daily until November snows prevent Kluane Construction from further work.

Intermittent closures of up to half an hour will also be allowed any time of the day; but there will be no closures Saturdays or Sundays.

The winter closure schedule was to have begun last week, but was held off at the request of Rep. Bette Cato, due to Salmon Derby.

Mike Fargo, resident engineer for the Department of Transportation/Public Facilities, said OSHA prohibits blasting after sunset, unless special lighting is used to render the area bright as day, and unless a special permit is issued.

"They told us 'Forget it'," Fargo said. "Plus it would have added hundreds of thousands of dollars to the price tag."

He said the only time OSHA normally gives out blasting permits is when there is no alternative—"like on the North Slope in winter."

Traffic counts and consultation with scheduled haulers and the Post Office revealed the best time for blasting closures is 9pm to 1am. That is when

the work was being done this summer. Now days are shorter and the next best time period must be used—the 10am to 1pm slot.

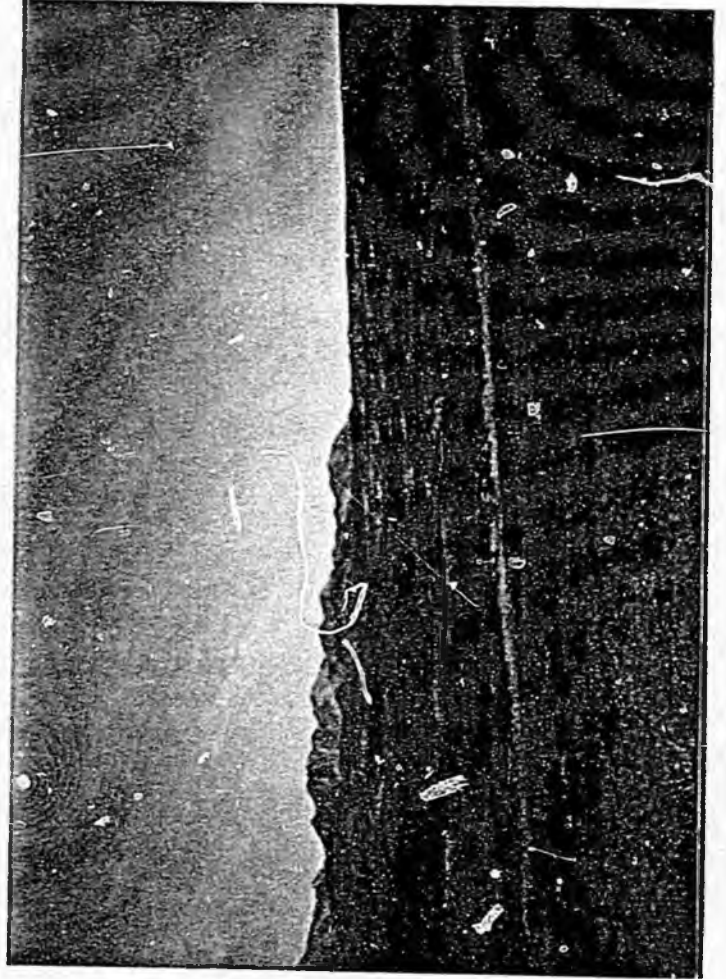
## Cato asks halt to road closure

Rep. Bette Cato reported she complained to the Department of Transportation/Public Facilities about 10 a.m.-2 p.m. road closures by Kluane Construction, Bertha Creek-Ingraham Creek on the Seward Highway, beginning today.

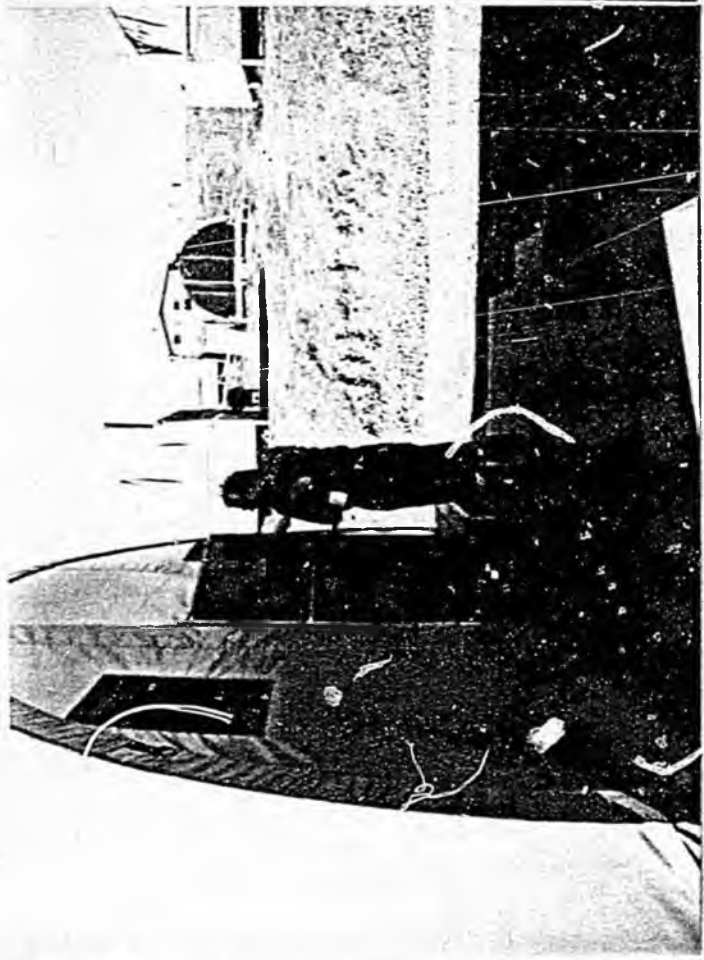
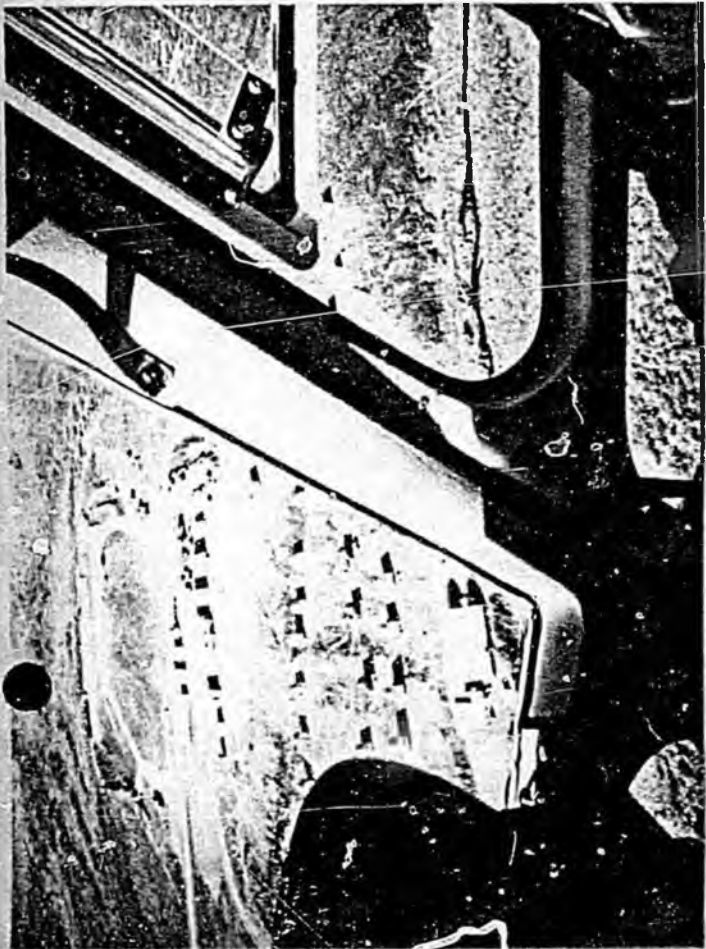
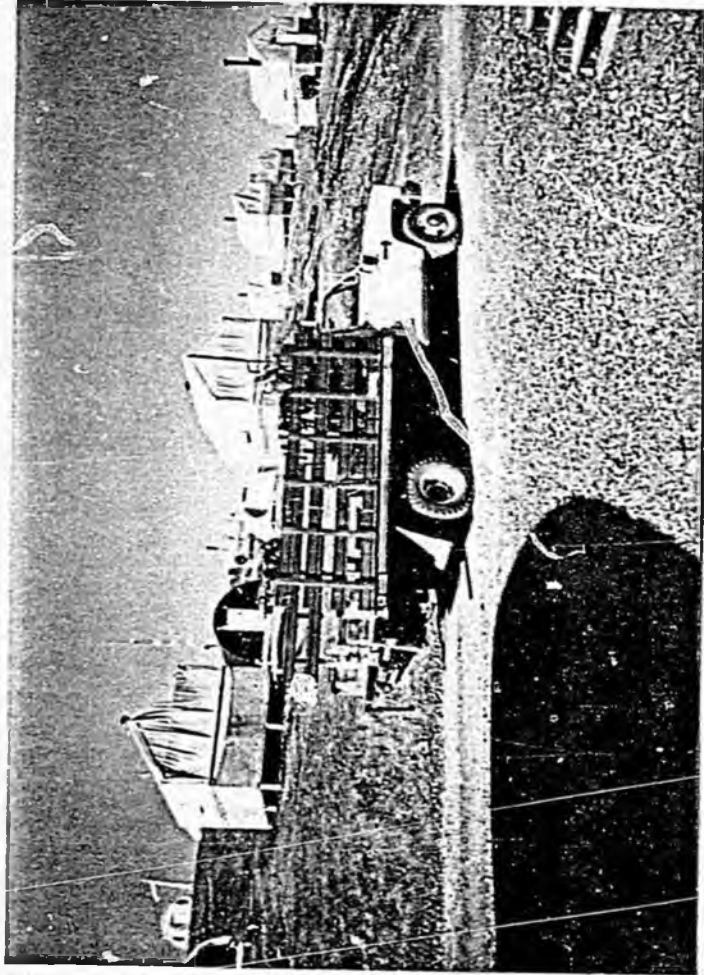
"They are sending a team down to keep it

open, and it will stay open all weekend," Cato said. "Then a better schedule will be arranged to meet Peninsula traffic needs."

Red Dog Mine Tour  
September 1984



Red Dog Mine Tour  
September 1984



TRIP REPORT  
EMULSION ROAD CONSTRUCTION  
STATE OF OREGON  
AUGUST 21 - 25, 1984

Due to the fact that Alaska's road system is in a deplorable condition, the House Transportation committee continues to learn all they can about the various construction techniques. Both the House and Senate Transportation Committees have pushed for DOT to research such techniques as high float emulsion (HFE) asphalt road construction. We were involved with the resolution which urged DOT to use high float emulsion asphalt, on an experimental basis, as some of the advantages of HFE asphalt is that it stays soft longer, is considerably less expensive and has a long term advantage of being temperature stable. To date, three projects have been laid and we are expecting DOT's first report on those projects either by the end of the year or in January.

The House Transportation Committee along with the Senate Transportation Committee and Associated General Contractors of America, Inc. sponsored a Highway Symposium in February of 1984 where several presentations were given on what is happening in the area of emulsified asphalt road construction. We have also been communicating with the Yukon Territory and their use of high float emulsion surface treatments. (Almost the entire Alaska Highway has HFE asphalt surface treatment)

We are fortunate to have as the Chairman of the House Transportation Committee an individual who is knowledgeable about road construction and what is needed in the state of Alaska. Thus, when the Northwest Division of Chevron U.S.A. Inc. (who has been a leader in emulsion road construction) extended an invitation to Chairman Cato, we were eager to have yet another opportunity to observe this type of construction in progress as well as roads which have been in service for many years in the State of Oregon.

Chairman Cato, accompanied by her professional assistant, Rhonda Cargill, arrived in Portland, OR on August 21 and traveled approximately 1300 miles of Oregon roads within the next 2½ days. The following is a report of not only what they were able to learn from the trip, but also from various reports that were furnished by Chevron U.S.A.

We began our trip on the evening of August 21 with the opportunity to casually meet with Frank Begich and Susan MacFarland, both of Chevron.

On the morning of August 22, Susan MacFarland, Technical Service Representative, Asphalt Division, picked us up to begin our tour of the various construction of roads with emulsions. Susan is the chemist who meets with the people involved with road construction,

such as the county officials, state officials, and private contractors to determine which emulsified asphalt to use. Among the various factors that we learned, the key to successfully using emulsion asphalts is to select the right emulsion for the aggregate and construction system involved.

Our first stop was in Odell, Hood River County, where we met Jim Lyons, County Engineer, who then took us to observe an open-graded CMS-2 project which had been completed three years ago and one which was in progress.

Before going on, to explain a little bit what emulsified asphalts such as CMS-2 are about--

Asphalt emulsions are divided into three categories, one of those being cationic which is what the C stands for in CMS-2. Emulsions are also classified on the basis of how quickly the asphalt will revert to asphalt cement (Coalesce). Thus MS means medium-setting which means that a medium-setting emulsion is expected to mix with coarse, but not fine aggregate. And the 2 is part of the designation that denotes general viscosity (fluid's resistance to flow) for emulsified asphalt.

The first road we looked at in Hood River County is a logging road and CMS-2 was used as a surface treatment, as opposed to a reconstruction project. The medium-setting grades are designed for mixing with coarse aggregate. (which is shown in Photo 1 using the car keys to show the relationship of the size of the aggregate to a set of car keys) Because these grades do not break immediately upon contact with aggregate, mixes using them remain workable for a few minutes (break meaning basically when the asphalt separate from the water phase). The CMS grades have high viscosities to prevent runoff.

Photo #2 is showing what is called "run-off". Run-off has to do with the amount and method in which water is used in making the emulsified asphalt or the amount of water which an aggregate might contain. If too much water is present, pavement life could be reduced.

This particular road was a good project to view as the proper procedures were followed. If proper construction practices are not followed, the mix can prematurely stiffen and a rough surface can be produced during laydown. This road had excellent rock retention and has sufficient drainage to preserve the road surface.

Our next stop in Hood River County was to observe the application of CMS-2 by a county crew. We have no photos of this particular process, but will give an explanation of the application as we have photos of another project we watched in progress.

A factor we picked up from Mr. Lyons was the advantage of the cost effectiveness of emulsified asphalt mixes. Emulsified asphalt

45

mixes provide an alternative for roads that are in back woods areas yet need durable roads at a less costly method of construction, plus would not effect the environment with dust, smoke, evaporating solvents and fire hazards.

Moving on, we went up to see a pugmill used for cold mixtures. The type of pugmill that we were observing is one that is referred to as a travel plant, as it can be set up near the construction site.

Open graded emulsified asphalt is produced by mixing the emulsified asphalt with the aggregate with no heating required. After mixing is completed, the cold mix is transported and placed in virtually the same manner as hot mix. This method also allows rapid construction with minimal interruption of traffic flow. Photos #3, #4 and #5 show just that. Crushed rock is loaded into the cold feed bin which is attached to a conveyor belt which takes the rock to the pugmill mixer where it is mixed with the emulsified asphalt and then is dumped into the truck hopper. The process we were watching was the loading of 25 ton trucks in 4 minutes.

The mixed emulsified asphalt aggregate mixture which we had observed at the pugmill is basically asphalt coated aggregate particles. They are formed into a layer or blanket and are part of the roadway.

Our next stop, of course, was to the construction site where the asphalt was being laid as a reconstruction job, which is the Morse Brothers' job.

Here we watched the belly dump trucks, dump the CMS-2 asphalt in a berm followed by the spreader/paver and conventional roller. See Photos #6, #7, #8, #9 and #10.

Since the emulsified asphalt tends to be sticky, the steel wheel roller was used for compaction and then traffic would do the rest of the job.

Susan feels that after rolling it is advantageous to dry choke (dust) the surface as it eliminates the sticky surface condition and helps tighten up the surface and will seal the surface to allow a positive seal to be constructed.

That evening we met with Carlos Van Ellisberg, Public Works Director, Pendleton Umatilla County in Pendleton as he was to be show us some seal coating projects in his county. Carlos had previously worked as county engineer in Hood River County so we were able to have further discussions on the roads we had seen earlier in the day.

August 23 Representative Cato, Susan and Rhonda met with Carlos Van Ellisberg who took us to Milton Freewater area (Dry Creek) where we were given a chance to watch seal coating in process. Carlos

pointed out that this seal coating job was to add life to the pavement. We were able to see the "spray on" application of CMS-2 where as the Morse Brothers' job was a "mix in" application.

In chatting with the crew we learned how critical the timing was between spraying of the asphalt and application of the aggregate. Again we learned about the breaking and curing of the asphalt. If the asphalt emulsion is to perform its ultimate function of cementing and waterproofing, the asphalt must separate from the water phase. For seal coating, the emulsions are formulated to break upon contact with a foreign substance such as aggregate or a pavement surface. The asphalt droplets coalesce and produce a continuous film of asphalt on the aggregate or pavement. It is quite critical that the aggregate is laid immediately after the spraying of the emulsified asphalt so that the adhesion of the asphalt to the aggregate takes. This particular project was followed up with a rubber roller. A conventional roller would not be used as it would crush the aggregate and lose the adhesion or have loss of stones from the pavement.

At this project we had the opportunity to speak with the driver of the distributor and learn that the science of application is not an easy task. Each individual sprayer must be angled at a specific angle, there must be a certain number of valves open, of which none must be defective or clogged. Photo #11 is showing the valves and back of the distributor. While driving down the pavement, the driver must watch an indicator which shows the volume/pressure of asphalt being sprayed per foot of road. Photo #12 is showing the spraying application. (He has a guide which tells him what specifications which must be met.)

We also spoke with the crew of the spreader who gave us an explanation of how their piece of equipment functions. They showed us how the grave truck hooks up to the spreader and dump the rock into the spreader. The rock then travels up a conveyor belt to a screen in the front of the spreader which sifts the rock so only a certain size rock falls through the screen to the spreader and onto the road. Again, timing is important. Photos #13 and #14 are showing spreader in progress.

Our next destination was to visit with Dan Ball, Road Master of Morrow County outside Heppner. (Dan is responsible for 1100 miles of road and has a crew of 26) Here we were able to see a pavement project which was a cold mix recycling project.

Cold mix recycling basically involves salvaging the old road, adding new material (asphalt emulsion for an example), and combining it with new aggregate. You can grind up an untreated aggregated base in place, stabilize it with an asphalt emulsion, use it as a base layer then pour. At this particular project the old pavement was ground up and laid back down and then a chip seal was applied.

A point of interest which was relayed is that a lot of credit is to be given to the equipment manufacturers. They have developed improvements that allow road construction contractors to do massive recycling projects at a time when the concept really wasn't well developed. They committed a lot of capital money to the development of equipment that is now available to the user.

We then went to Canyon City and looked at a cold mix recycle job where the seal coat was lost

We overnighed in John Day and on August 24 we headed out for Bend to meet with one of Oregon's regional engineers.

Arriving in Bend we had the opportunity to have lunch with Dale Allen, Regional Engineer of the largest region in Oregon.

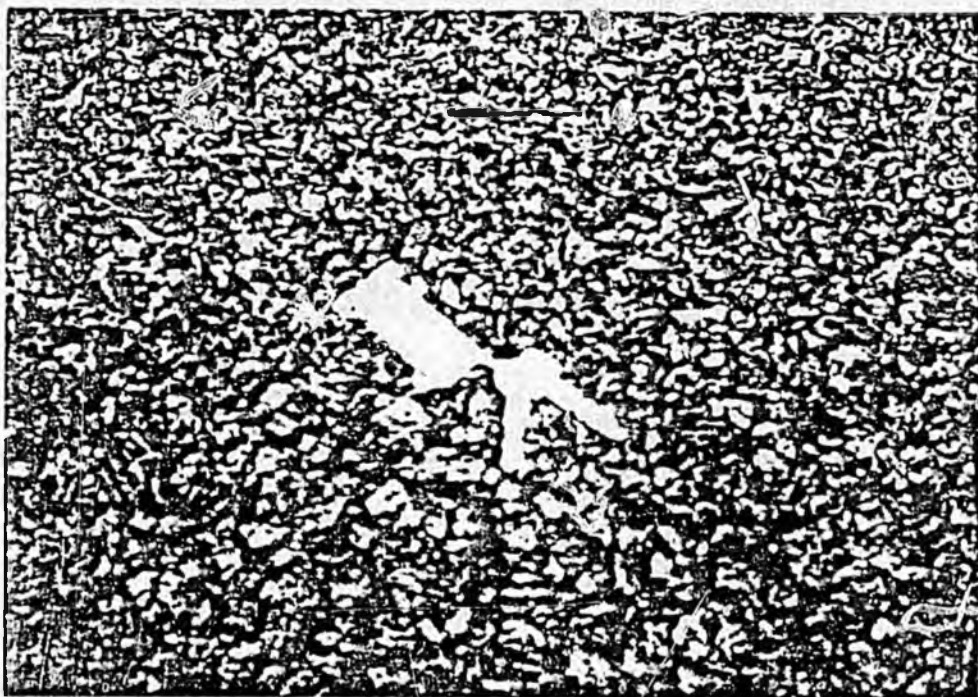
On route to Portland we stopped in Zig Zag to look at a stock pile mix of Spec 200. We were able to see how CMS-2 can be stock piled as it retains enough moisture and adhesion (Shown in Photo #15) that all the road crews have to do is bring their trucks in and load it up with Spec 200 for patching projects. Photo #16 is the Spec 200 stock pile.

We have also attached a copy of the map of Oregon outlining our travels to observe open graded emulsion asphalt road construction. Not included in this particular report are areas which are pointed out on the map that we didn't actually get out to observe, but discussed as we were driving on them.

We were most fortunate to be given this opportunity to learn more about emulsified asphalts and how this technique could be an alternative that Alaska should continue to experiment with and research.



PHOTO #1



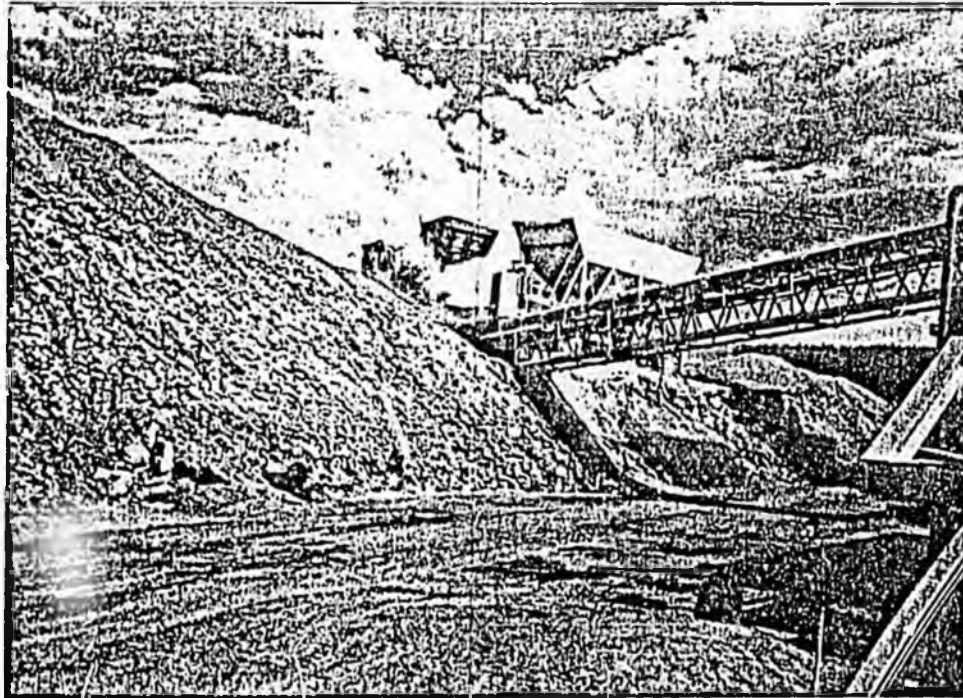
Keys on pavement to emphasize  
size of aggregate used in mix

PHOTO #2



"RUN-OFF"

PHOTO #3 crushed rock into bin



PUGMILL

PHOTO #4 conveyor belt to mix

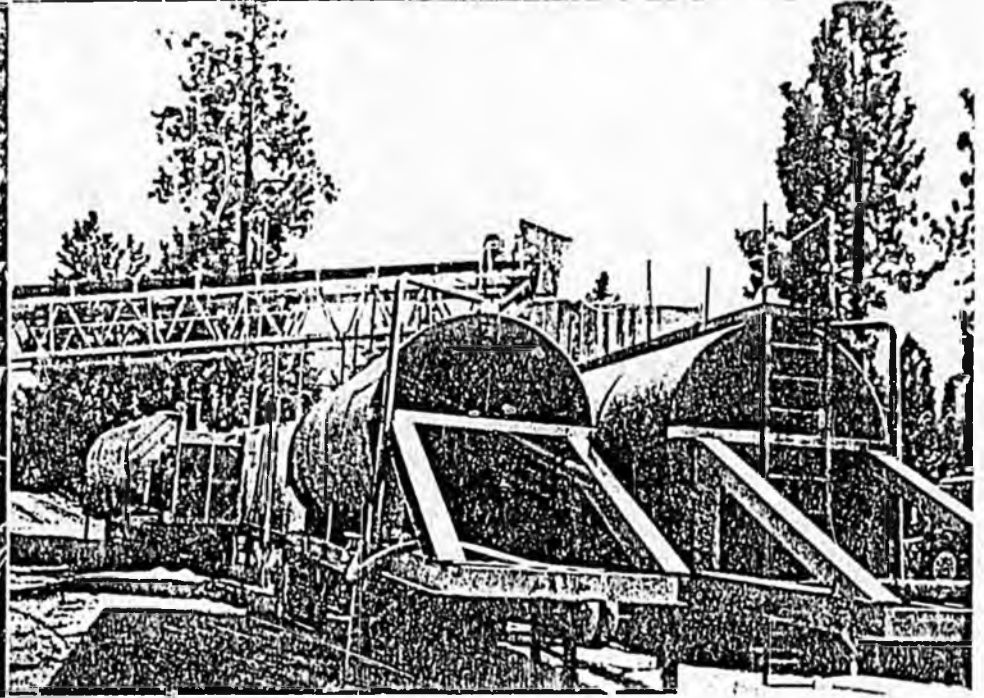


PHOTO #5  
Truck loads  
of mixture

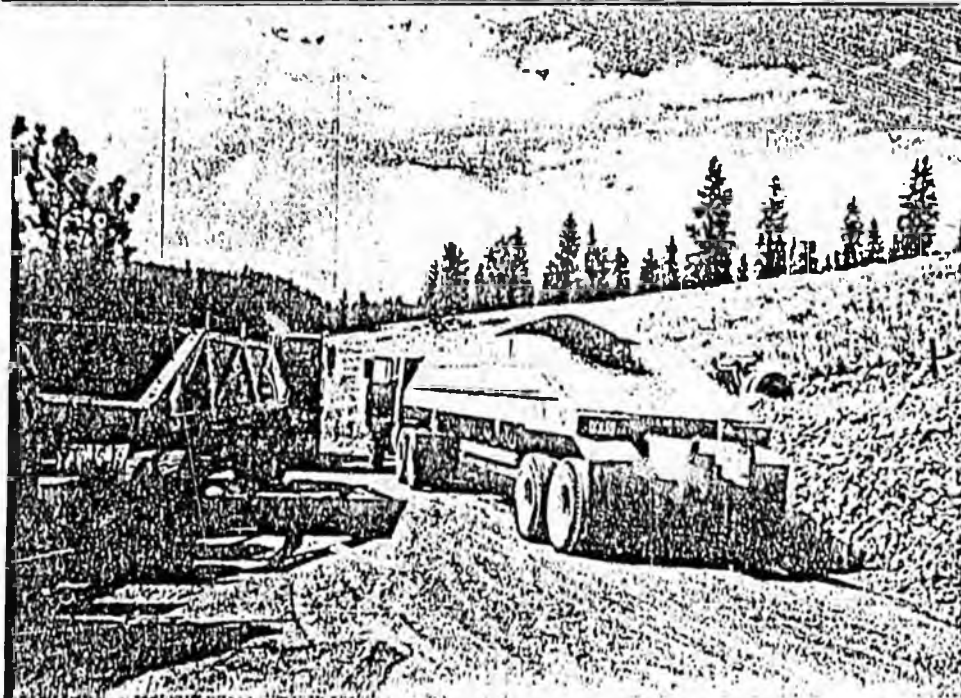
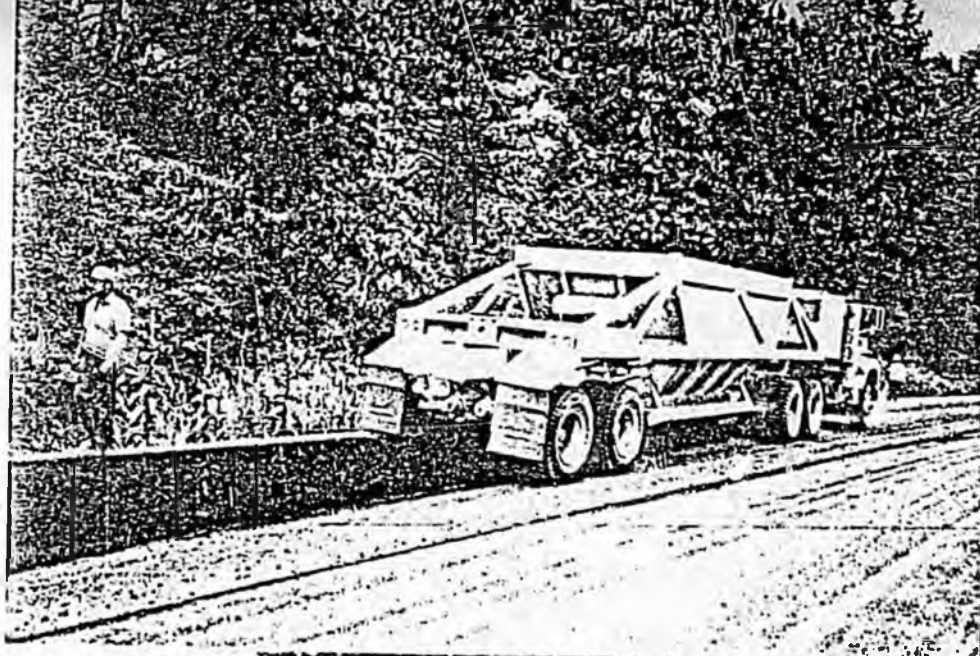
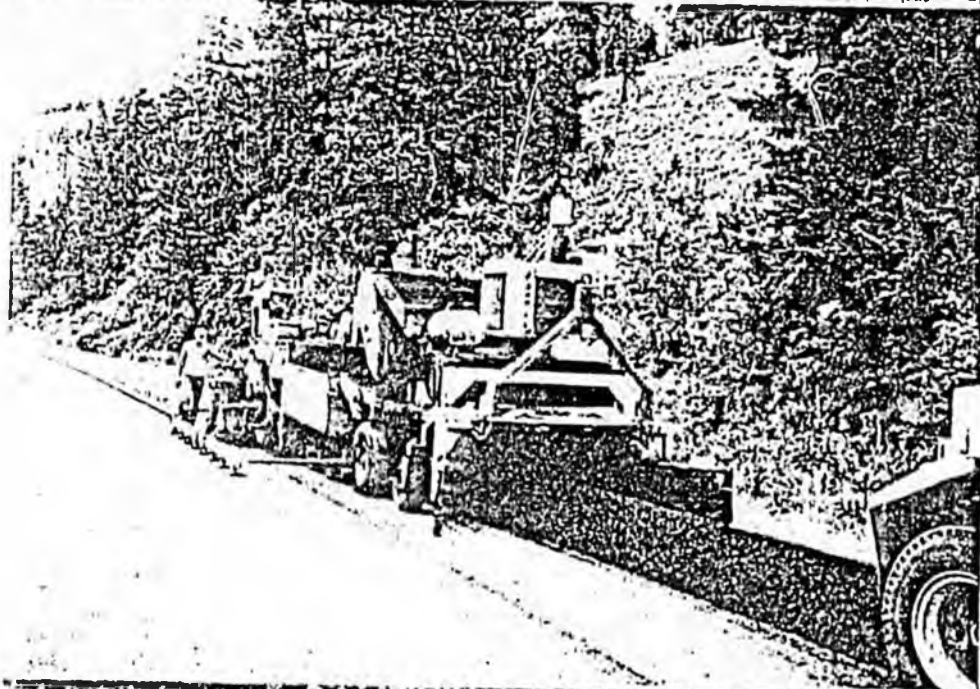


PHOTO #6



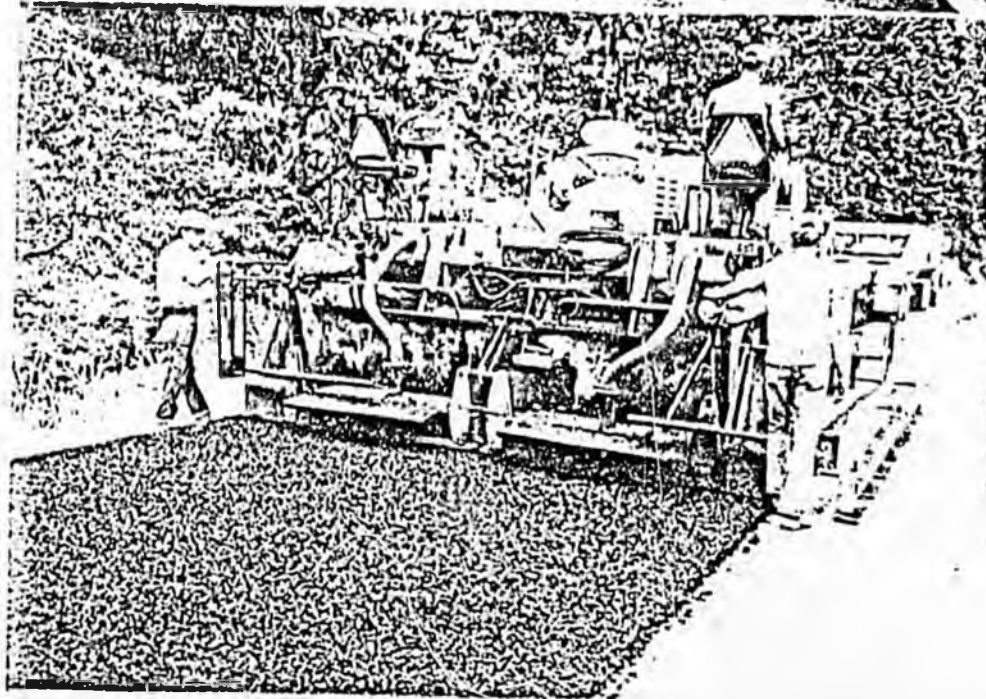
Berm of mixture  
being laid

PHOTO #7



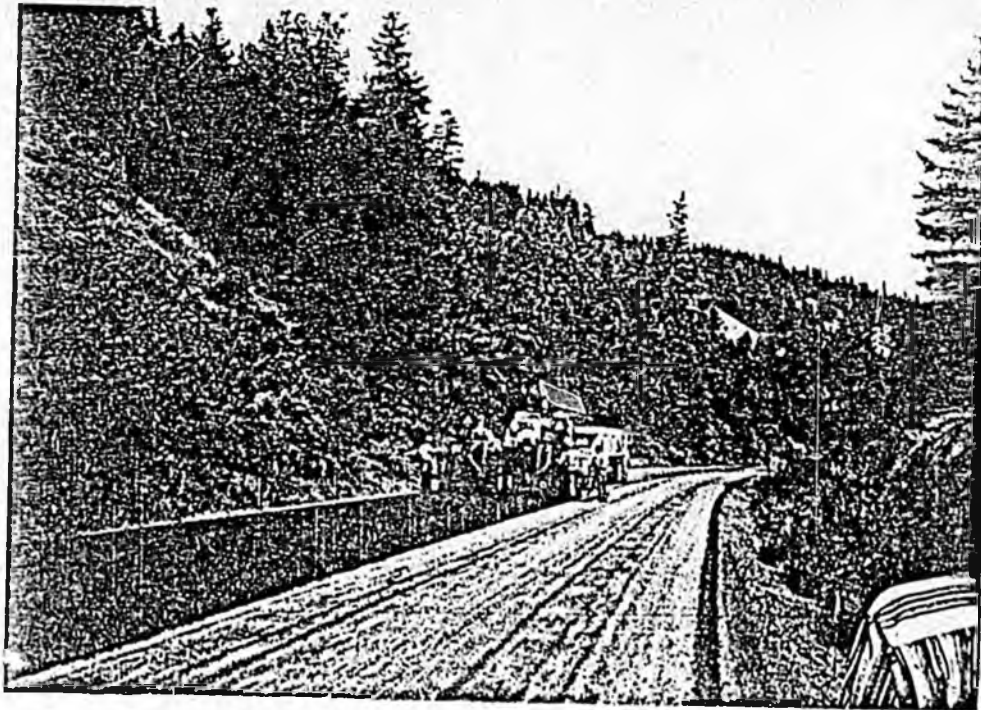
Spreader/paver

PHOTO #8



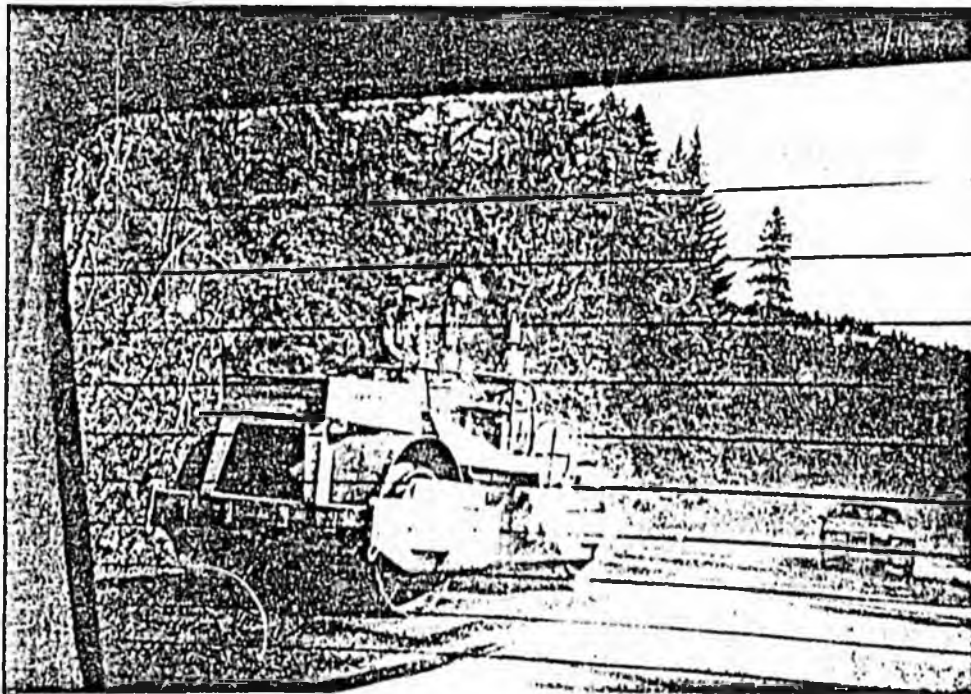
Conventional  
roller

PHOTO #9



Paver

PHOTO #10



Once over with  
roller and  
road is open  
to traffic

PHOTO #11  
Distributor  
values

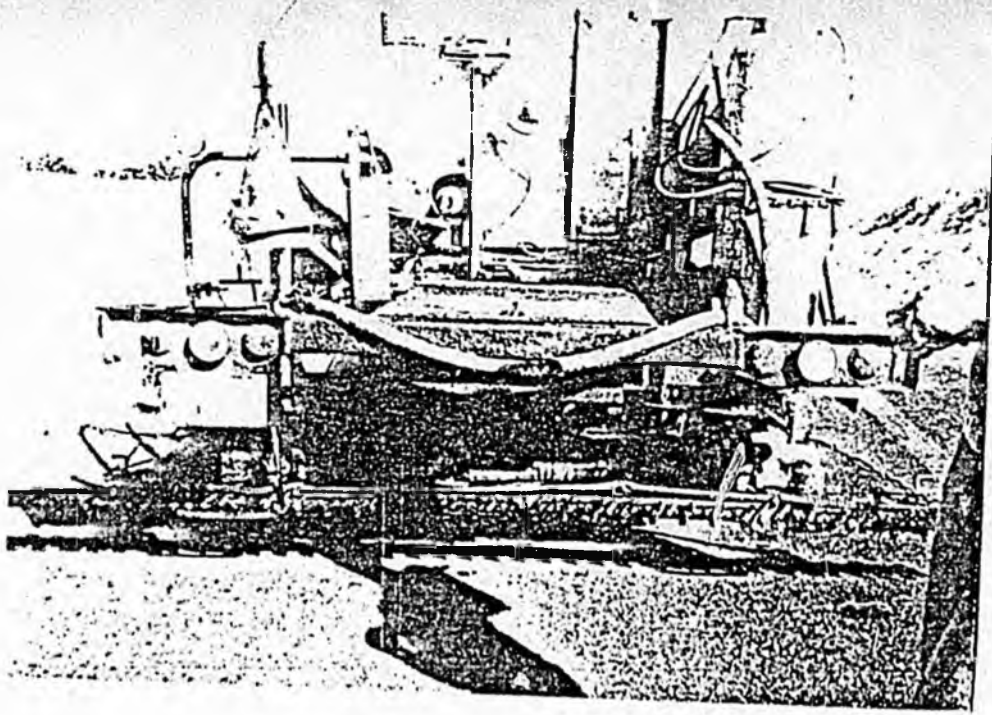
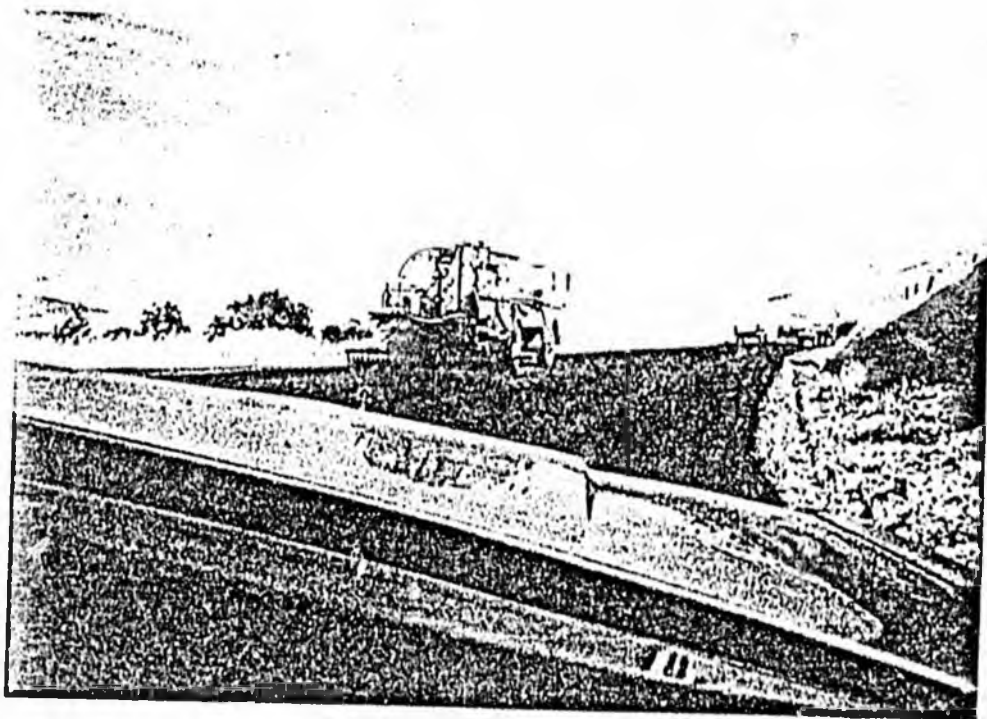
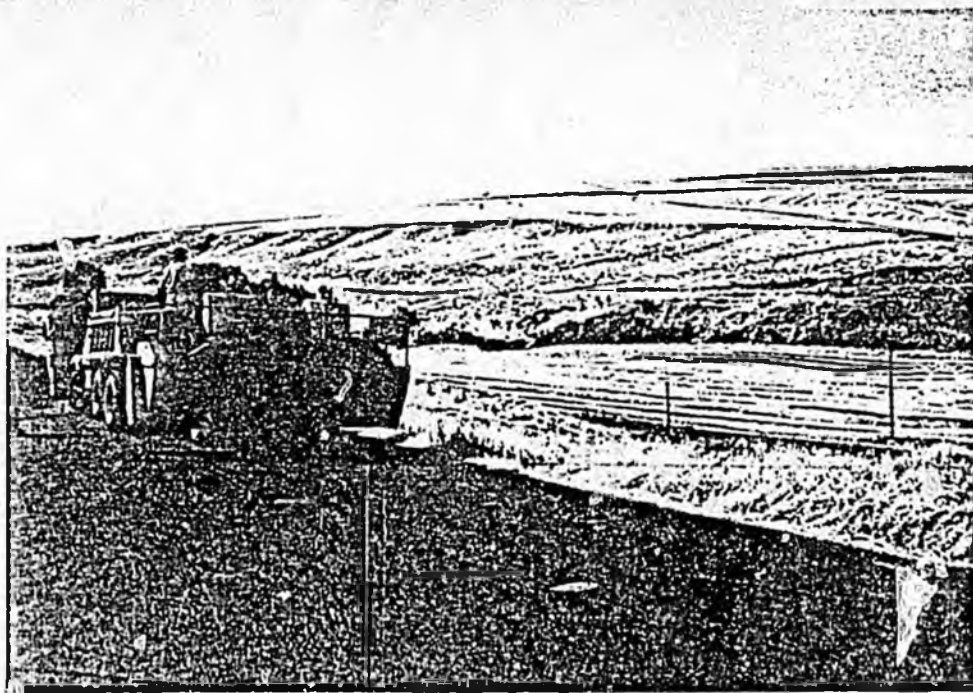


PHOTO #12  
Distributor  
spraying CMS-2



HOTO #13  
preader with  
ravel truck  
ooked up to it.



HOTO #14  
preader laying  
ggregate

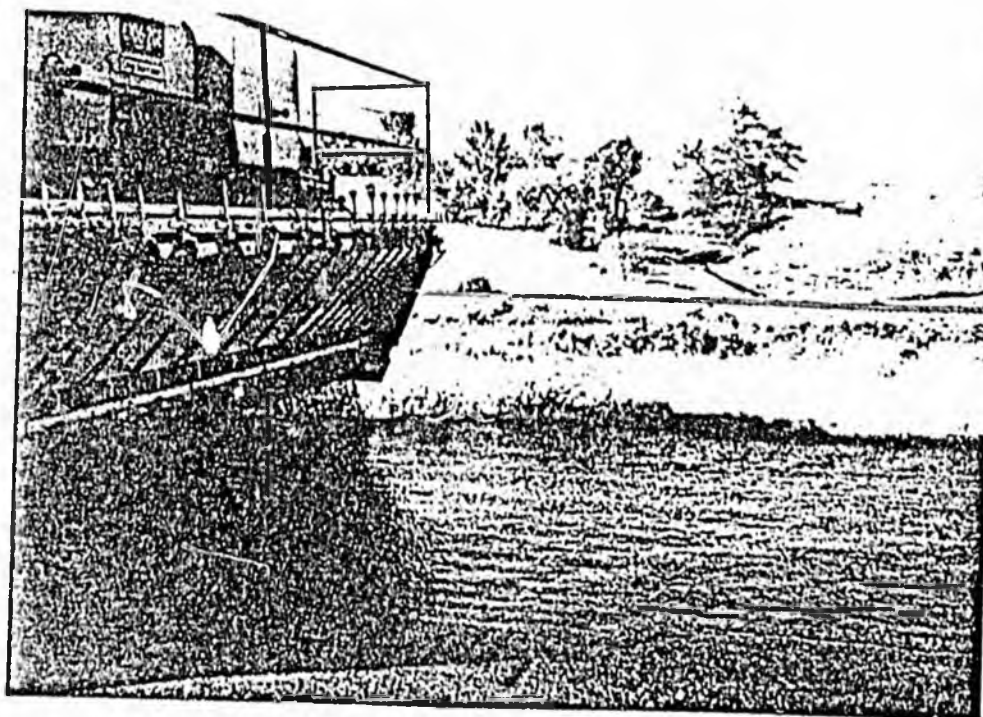


PHOTO #15 Showing "Goey-ness" of Spec 200 stock pile

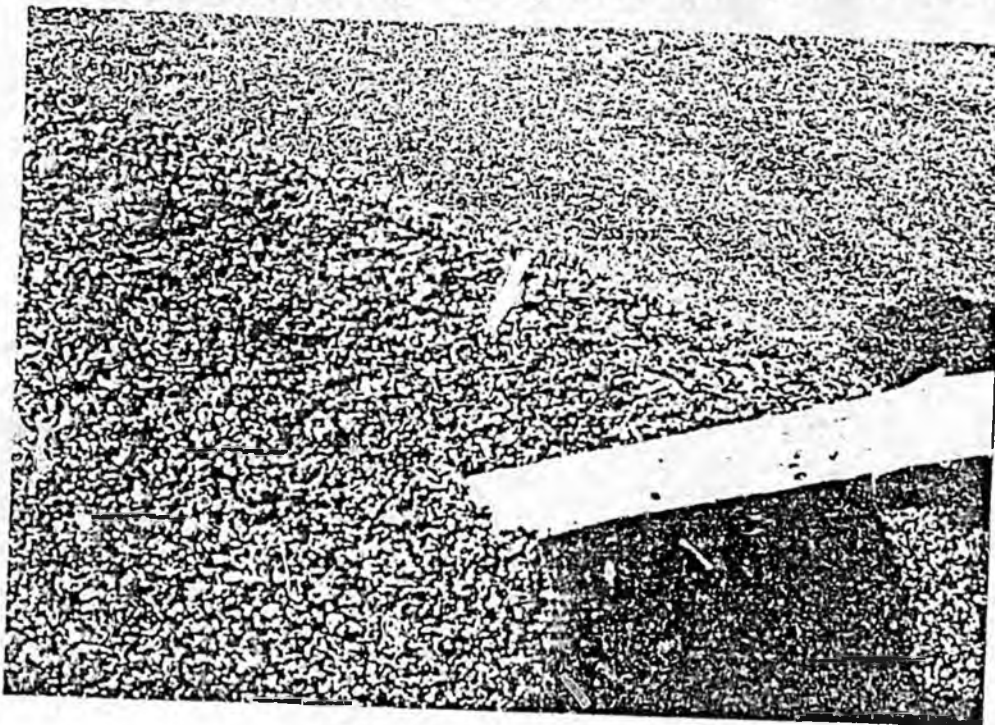
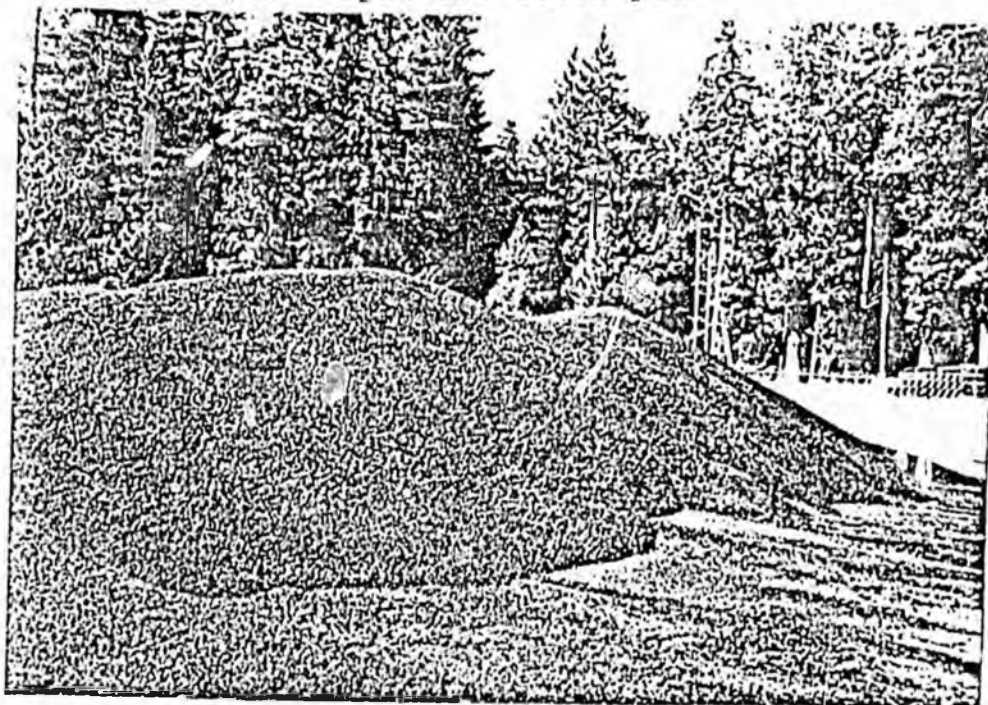


PHOTO #16 Spec 200 stock pile



Interim  
Report

#2

11-15-84

HOUSE TRANSPORTATION COMMITTEE  
INTERIM REPORT #2  
November 15, 1984

Representative Bette Cato  
Chairman

# Alaska State Legislature



## House of Representatives

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COMMITTEES  
—  
CHAIRMAN  
HOUSE TRANSPORTATION  
—  
MEMBER  
HOUSE COMMUNITY AND  
REGIONAL AFFAIRS

M E M O R A N D U M

November 26, 1984

TO: Members of the House Transportation Committee

FROM: Representative Bette Cato  
Chairman, House Transportation *BC*

SUBJECT: Interim Report #2

Enclosed is your copy of the House Transportation Committee's  
Interim Report #2.

enclosure

HOUSE  
TRANSPORTATION  
COMMITTEE

INTERIM REPORT #2

REPRESENTATIVE BETTE CATO  
CHAIRMAN

NOVEMBER 15, 1984

MEMBERSHIP  
HOUSE TRANSPORTATION COMMITTEE  
THIRTEENTH ALASKA STATE LEGISLATURE

REPRESENTATIVE BETTE CATO, CHAIRMAN

REPRESENTATIVE MIKE W. MILLER, VICE-CHAIRMAN

REPRESENTATIVE MITCH ABOOD

REPRESENTATIVE ROBERT H. BETTISWORTH

REPRESENTATIVE MIKE DAVIS

REPRESENTATIVE JOE FLOOD

REPRESENTATIVE ADELHEID HERRMANN

REPRESENTATIVE JOHN SUND

REPRESENTATIVE MIKE SZYMANSKI

COMMITTEE STAFF:

RHONDA CARGILL

LORETTA KNIGHTLINGER

# Alaska State Legislature

## House of Representatives



Rep. Bette Cato, Chairman

Committee on Transportation

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### HOUSE TRANSPORTATION COMMITTEE INTERIM REPORT NO. 2 OCTOBER 15, 1984

The following report constitutes the second report of the House Transportation Committee to the Majority Leader. This report highlights staff activities and updates issues covered in Interim Report No. 1 of September 15, 1984.

#### CAPITAL PROJECTS CLEANUP EFFORT

Staff attended the Senate Transportation Committee meeting of October 2, 1984 which included a work session with the Capital Projects Cleanup group. You may remember reading articles in the newspapers relating to this topic. Copies have been provided in this report should you have missed them.

According to the news articles, the Department of Transportation has failed to begin more than 800 million dollars worth of construction projects approved by the Legislature. To help clarify this statement, we have provided a verbatim transcription of the October 2nd work session, a copy of the Capital Projects Cleanup Interim Report No. 1 (originally distributed to committee members toward the end of the thirteenth session and the Capital Projects Cleanup Status as of September 27, 1984. (See Attachment A.)

During the Senate Transportation Committee meeting, as noted on page six of the minutes, you can see that the 897 million dollars is AUTHORIZATION - be it general fund or federal authorization. The determination the Capital Projects Cleanup group has been attempting to make is to account for these authorizations. The key word used in this entire CPC explanation is authorization and also is where the confusion begins.

At the present time, the Department of Transportation hasn't been able to give us a definite date as to when to expect the final report on the Capital Projects Cleanup, but we definitely know that there will be a report for the Fourteenth Legislature.

#### ALASKA RAILROAD TRANSFER

October 2, 1984, staff attended the Senate Transportation Committee meeting in Anchorage held to assess the transfer process of the

railroad from a labor, management, and Federal Railroad Administration perspective.

The main topics of discussion included the temporary employee issues; educating the employees of what was happening during the transfer; and policy concerning maintenance and safety.

It was pointed out by Mark Hickey of the transfer team that "this is a difficult time and that lines of authority are confused. The federal government still owns and operates the railroad. The Federal Railroad Administration (FRA) has the type of oversight they've always had. The State, as part of the federal transfer law, has specific authority over three kinds of actions by the railroad: any lease of land or real property in excess of five years, any individual capital expenditure in excess of \$300,000.00 and any attempt to sell or dispose of real property. Other than that there are no formal arrangements where the State has any control over the railroad decision making. We (State) do have pretty close cooperation. In any actions of this type, the State will be alerted and briefed prior to implementation. Standard operation procedures should be followed."

During the discussion of the temporary employee issues, there was concern from employees and ex-employees of the railroad that no effort was being made to protect the railroad employees; they have no reemployment rights due to the fact that they were employed as temporary workers with the railroad and the temporary employment status was a result of a federal hiring freeze.

Mr. Hickey of the transfer team admitted that the temporary employee question is a problem and that the State agreed that the temporary employees on board at the date of transfer will be reemployed the next day with full benefits. He pointed out that the Board has to resolve the question of what commitments they want to make to the temporary employees that were previously terminated. In addition, he explained that any personnel action of the railroad today has to be in accordance with collective bargaining agreements and federal rules and procedures.

Mr. Blasigame, of management, explained that the temporaries being discussed were basically hired because of the 7.6 million dollars appropriated for railroad capital improvements when the (Alaska Railroad Transfer Act (ARTA) was passed. Thus, funds for capital improvements created jobs and the people hired were for temporary appointments.

Mr. Blasigame further explained that "one of the problems we face is that the Alaska Railroad is part of the FRA, U.S. Department of Transportation which has a mandate for man hours. When we appoint an individual, they get a career service appointment, that's permanent, versus temporary. If you let that person go, it's an adverse action, you go through a reduction in force procedure, and they have certain rights and benefits under federal regulations. When a temporary comes on, they know it's temporary, but we got a

waiver from the Office of Personnel Management to extend those appointments because of the requirement that was placed on us by federal OMB to stay within a certain guideline. We're still under that mandate."

Also brought before the committee was the problem of employee unrest due to unanswered questions about the transfer.

Mr. Allison conveyed to the Committee "It should be incumbent upon us (feds) to keep employees informed--admittedly we are somewhat late."

Mr. Valinske of the United Transportation Union (UTU) added that although UTU doesn't have the problem some other unions have, he felt that management has given them information that has been available. He also pointed out that although the FRA has been slow in getting information out, the state and the transfer team have been helpful.

Employees brought before the committee questions regarding the change in policy concerning maintenance. Several examples were given to which the railroad management and transfer team could answer various employee concerns.

Mr. Polanchek explained that "The gradual change has been occurring over the last ten years. Anchorage has always been our primary maintenance facility for locomotives and all our rolling stock--repairs, overhaul, any major function would come to Anchorage. Fairbanks is gradually phasing out, it's more of a troubleshooting operation, refuel, inspections, nothing really significant...The need for the type of skills and technicians that we had previously in Fairbanks has changed and it's become more of a service station where all we're doing is normal daily inspections. All of our locomotives are based in Anchorage, they go to Fairbanks and return to Anchorage...Major maintenance and servicing will be done in Anchorage."

Mr. Allison stated that "the FRA in Washington has a strong interest in a successful transfer, and that means that the railroad is a successful post-transfer. There is no economic incentive for the federal government to cut maintenance expenses. That lessened expense is merely going to the revolving fund which is transferred to the state minus federal obligations. We've been working in every way possible with the state to involve them in a current basis in decisions and we look forward to doing the same thing with the board once it's appointed...All money comes from the revolving fund which transfers to the state minus any current obligations to the federal government. If we started cutting expenses in that way, it would just add to the revolving fund. There is no economic incentive for us to do this in any case."

Attachment B includes informational letters of August 1984 and September 1984 to all railroad employees from the FRA and transfer

team, and minutes of the October 2, 1984 Senate Transportation Committee meeting.

ALASKA RAILROAD BOARD  
CHAPTER 153, SLA 1984

Chapter 40. ALASKA RAILROAD CORPORATION, ARTICLE 1. Section 42.40 020. BOARD OF DIRECTORS. (a) The powers of the corporation are vested in the board of directors. The board consists of the commissioner of commerce and economic development, the commissioner of transportation and public facilities and five members appointed by the governor. The five appointed members must be registered voters in the state except as provided in (1) and (2) of this subsection. Except for the commissioners and the member appointed under (5) of this section, a member may not be a state officer or employee. Appointed members shall have the following qualifications:

(1) one member of the board shall be a person who has at least 10 years of experience in railroad management; a person who is not a resident of the state may be appointed under this paragraph;

(2) one member of the board shall be or have been an executive official of a United States railroad and shall be selected in accordance with any requirement imposed under 49 U.S.C. (Interstate Commerce Act); a person who is not a resident of the state may be appointed under this paragraph;

(3) at least one member shall be from each judicial district directly served by the Alaska Railroad;

(4) one member shall have at least five years experience as owners or managers of a business in the state;

(5) one member shall be an employee who is a member of a bargaining unit representing employees of the corporation.

(b) Except for the commissioners, the members of the board shall be confirmed by a majority of the members of the legislature in joint session. A member appointed by the governor has the full powers and responsibilities of a confirmed board member until the member is rejected by the legislature or the legislature adjourns without confirming the member. (Attachment C is Chapter 153, SLA 1984)

Governor Sheffield has appointed the following individuals to serve on the Alaska Railroad Corporation Board of Directors:

James Campbell, 52, president of Spenard Builders Supply and a former Anchorage city councilman and borough assemblyman; will serve a five-year term;

Lewis Dickinson, 52, a civil engineer and member of the Anchorage Port Commission; will serve a four-year term;

Gerald Valinske, 33, who will fill the seat designated 1, law for a representative of a labor union affiliated with the railroad; will serve a three-year term;

Frank Chapados, 70, Fairbanks, president of H & S Forwarders Inc. and a former State representative who will serve a five-year term;

Commissioner Richard Knapp, Department of Transportation and Public Facilities; and

Commissioner Richard Lyon, Department of Commerce and Economic Development.

The Alaska Railroad Board has held 3 meetings. To date, the only available minutes are of the October 26th meeting. (Attachment D)

The Alaska Railroad Board selected Frank Turpin, president of the Alyeska Pipeline Service Co. as chief executive officer of the Alaska Railroad.

Other railroad related topics which staff have been following include Seward's protest of the appointment of Lew Dickinson, which the ICC has ruled as having no conflict of interest; Frank Chapados' conflict of interest, of which no decision has been made at the time of this report; and in general, the progress of the work plan of the transfer team.

#### CHAIRMAN CATO'S TRIP TO JUNEAU

Representative Cato made a trip to Juneau the week of October 21st to follow up on her meetings during her trip to Juneau in August. The following is a brief summary of what was accomplished while she was in Juneau.

Chairman Cato met with Joe Camp, Deputy Commissioner of the Marine Highway System to discuss the Marine Highway System (MHS).

To better explain negotiations with the ferry employees, here is some background as to how we perceive what is happening:

Currently the ferry workers are represented by the Inland-boatmen's Union of the Pacific (IBU-P). It is the IBU-P which has been at the bargaining tables with the State since this spring, but no agreement has been reached.

The Inland Boatmen's Union of Alaska (IBU-A) was going to seek an election of union representation, but decided against it until IBU-P had a contract proposal for the workers or bargaining talks terminate again.

The International Longshoremen's and Warehousemen's Union (ILWU) filed a petition with the Labor Relations Agency to force a union representation election.

The State has posted the notice of election of which there is a 3-4 week posting period, then a protest period, which was the status when Chairman Cato was in Juneau. If the protest goes to election, then it could tie things up and it could go to court. Thus the situation has now become the need to establish with whom the State will negotiate.

Representative Cato and Mr. Camp also discussed the profitability of the M/V Bartlett during the summer months in the Prince William Sound, the alternatives available for a high speed ferry system for southeast, the centralized reservation system, and how to resolve the problem MHS is having with the senior citizen resolution and how it is being abused by retired magazines.

Representative Cato also had two meetings with Commissioner Knapp to discuss the progress of the Capital Projects Cleanup group, when FIS will be on-line, the Valdez terminal building, San Juan Dock repairs, appointments to the Alaska Railroad Board, and basic operating/capital budget discussions.

Representative Cato met with Gretchen Keiser and Alexander Hoke of the House Research Agency for a briefing on rural energy programs to prepare for her panel discussion at the Alaska Municipal League.

Representative Cato had a breakfast with Commissioner Endell to discuss the prison in Seward.

AS 23.40.210. Agreement  
LABOR AND WORKERS' COMPENSATION

Captain Dick Hofstad has been in contact with Representative Cato and staff regarding the intent of AS 23.40.210 relating to cost-of-living pay differentials between Alaska Marine Highway employees who live in Alaska and those who live outside the state. The purpose, of course, is to encourage employees of the Marine Highway system to live in Alaska.

Captain Hofstad had been disturbed about the implementation of this statute and in his opinion, it was not being followed.

On October 12, staff was invited to attend a meeting involving Captain Hofstad, Deputy Commissioner Joe Camp, Marty Nusbaum with MHS, Karen Clark with Labor Relations and Guy VanDoren, with Senator Ziegler's office.

Staff is still in the process of researching the various opinions by the Attorney General's office relating to collective bargaining agreements negotiated with the unions. In October of 1978, the Inlandboatmen's Union of the Pacific filed suit against the Alaska

State Personnel Board and the Alaska State Labor Relations Agency. That case has been given to the Federal District Court and at the writing of this report, we are awaiting the judge's decision.

#### CONFERENCES ATTENDED

##### \*First Annual Washington Transportation Safety Conference

Representative Gato attended the first annual Transportation Safety Conference in Seattle during October 1-3. She found this conference to be a full and complete informative meeting and highly recommends that it be attended next year. Attached is a copy of a memorandum from Chairman George Walk, of the Legislative Transportation Committee to the participants of the conference and enclosing the detailed agenda and a list of those attending.

##### \*National Association of Governors' Highway Safety Representatives

Representative Gato attended the highway safety conference in Des Moines, Iowa during September 9-13, 1984. The conference covered all facets of highway safety and was a very informative meeting.

The agenda included:

Highway Safety Progress in Combatting the Drinking Driver Problem

What is Prevention?

408 and license Suspension

National Commission Against Drunk Driving

DWI Decision Making in the Higher Courts

Motorcycle Helmets and Safety in the 80s

Highway Safety Traffic Records: The New Law and Computerized Guidelines

Occupant Protection: Motivation and Mandate

Special Workshop on Child Passenger Safety and the New Law

K-12 Traffic Safety Education

Motor Carrier Safety

Commercial Vehicle Safety

Hazardous Materials Safety, Transportation

The Flagman, Traffic Safety and You

Key Management Issues in Federal/State Interaction

-child passenger safety/traffic records plans

-the single audit and attachment "p"

- communications between NHRSA and NAGHSR
- training available to the states

Attachment E, for your future information, is a listing of the Governor's Highway Safety Representatives and Coordinators.

\*Multistate Highway Transportation Agreement Committee

Representative Cato was invited to represent Alaska on the Legislative Panel for the Multistate Highway Transportation Agreement Committee November 8, in San Diego, California. The main topic of this panel was the recent amendments to the state size and width regulations to conform to the Surface Transportation Assistance Act (STAA).

GENERAL SUMMARY OF OTHER ACTIVITIES

Other topics which the House Transportation Committee staff has been covering include:

Complaint received from District Manager of Colt Industries regarding bidding process for engines on the M/V Matanuska. After reviewing the various materials which Mr. Decker supplied to the committee, discussions with the Deputy Commissioner of the Marine Highway System and the Commissioner of Department of Transportation, it was surmised that Mr. Decker did not have a valid complaint. Should any member wish further information on this topic, staff would be more than happy to provide further details.

Wien Employees Acquisition Committee's attempt to purchase Wien Airlines by its employees. Staff was asked by Representative Szymanski to look into this matter to determine if there was anything the Committee could do to assist the Wien employees with their situation. As it turns out, there is nothing the Legislature can do at this time to assist the Wien employees.

Please find enclosed a DRAFT summary of the use of high float emulsion treatment by Billy Conner, Research Engineer of the Research Section of the Department of Transportation. We will be receiving further reports on this treatment as DOT determines the success or failure of the high float emulsion projects. (See Attachment F)

The Department of Transportation and Public Facilities has also provided our committee with a copy of the "Summary of Capital Appropriations FY 85" which present an overview of the capital funds appropriated to and through the Department of Transportation from Chapter 24 (HB 691), Chapter 22 (HB 636), Chapter 18 (SB 364), Chapter 45 (SB 94), Chapter 171 (SB 409), Chapter 136 (HB 452), and Chapter 92 (HB 487) SLA 1984. In addition, an analysis is included of the repeals, reductions,

and scope changes from Chapter 171, SLA 1984 (SB 409). Copies of the Summary are available upon request.

The following is an update on the invitation for bids by the Department of Transportation and Public Facilities, taken from the Administrative Journals:

- Project No. G-27035, Tok Area Road
- Project No. A-86281, Miller House Bridge
- Project No. D-35331, Ruby Airport Runway Expansion
- Fence for Equipment Storage, Peger Road, Fairbanks 85-25-2-30
- Land Lease, Homer Airport
- Land Lease, King Salmon Airport
- Land Lease, Dillingham Airport
- Juneau-State Office Building and Alaska Office Building  
Handicapped Restroom Modifications
- Project No. R-20009, Nulato Scout Armory
- Umiat Airport Maintenance
- Fairbanks International Airport Terminal Gift Shop Concession
- Project NO. BRS-750(4), Maclaren River Bridge and Approaches
- Project NO. X-40124, Nome Office HVAC Retrofit
- Upgrade Barrow Employment Center
- Project No. MT-347, M/V Taku Reballasting
- Project No. A-86131, Old Chena Hot Springs
- Project No. R-20030, Gakona Remodeling and Multipurpose  
Addition
- Project No. li-60071, Fairbanks Jail Remodeling
- Project No. RS-I-0A2-1(i), Robertson River to Yerrick Creek
- Project NO. MT-349, M/V Aurora Drydocking and Repairs
- Project No. MT-351, M/V Tustumena Drydocking and Repairs
- Project No. MT-350, M/V Columbia Drydocking and Repairs
- Mitkof Highway Ferry Terminal to Scow Bay, Petersburg
- North and South Tongass Raised Pavement Markers, Ketchikan
- Hoonah Harbor Maintenance Dredging
- Hydaburg Creek Bridge
- Mendenhall Spur West, Juneau
- Klawock to Hollis, Stage 1
- Hoonah Airport Clearing
- Project No. HES-071-1(54), Airport Road and Richardson  
Highway Intersection Beacon
- Carpet and Vinyl Sheet Floor Covering, Fairbanks Pioneer Home
- Vinyl Fabric Wall Covering, DOT/PF Administration Building,  
Project No. 85-25-2-34, Fairbanks
- Gift Shop Concession, Fairbanks International Airport

BUDGET

INTERIM

2513 HOUSE TRANSPORTATION

ITEM NAME	BUDGETED	EXPND	ENCUMBERED	% EXP
UNALLOCATED	00000000	00000000	00000000	000
PERSONAL SRVC	0047087	0028196	0003984	059
TRAVEL	00000000	0001812	00000000	100
CONTRACTUAL	0001600	0000866	00000000	054
COMMODITIES	0000500	00000000	00000000	000
EQUIPMENT	00000000	00000000	00000000	000
TOTALS	0049187	0030874	0003984	062

AMOUNT/  
% LEFT

	0%	25	50	75	100%	
UNALLOCATED						0 00%
PERSONAL SRVC						47,087 14,907 31%
TRAVEL						0 -1,812 00%
CONTRACTUAL						1,500 734 45%
COMMODITIES						500 500 100%
EQUIPMENT						0 0 00%
TOTALS						49,187 14,329 29%

BLACK=AUTHORIZED BUDGET RED=EXPENDITURES GREEN=ENCUMBRANCES  
 THROUGH 1084  
 ACCOUNT CHAIR: CATO

ATTACHMENT "A"

Senate Transportation Committee  
Committee Work Session

Anchorage Legislative Information Office  
October 2, 1984  
3:00 p.m.

Capital Projects Clean-Up Report

Present: Senator Moss, Chairman  
Senator Fahrenkamp  
Senator Faiks

Absent: Senator Kerttula  
Senator Gilman

Other legislators participating: Representative Abood

Witness:

Jim Merrill  
Capital Projects Clean-Up Group  
Office of the Commissioner  
Department of Transportation & Public Facilities  
Pouch Z  
Juneau, AK 99811

ACTION NARRATIVE -VERBATIM TRANSCRIPT

Interim tape #4, Side A

No tape log numbers are recorded as no tape counter was available.

Moss: We have Jim Merrill here. Jim, if you will give us your name, etcetera, for the record, we'll get started on this.

Merrill: My name is Jim Merrill, and I am the Special Projects Engineer for the Department of Transportation. Specifically have been for one year assigned to the capital projects clean-up effort which was really a result of the question from the senators and this committee previously on problems with managing our capital projects. You have a handout there basically of the status of our project as of the 27th of Septeml... I have a kind of a flip-chart presentation here. I have two things today, two emphases. One is to bring you up to date where we are, what we have done so far and the second is to once again like we have in the past, come to the committee and ask for some help in the approach that we doing, we are not asking for money to do that, but we are at a crossroads where we need to know if the type of solution is basically the type of thing that the senators,

this committee can at least understand and endorse. And so if there's no other questions I can go right into my presentation.

Moss: I appreciate it very much if you would Jim.

Merrill: I'm not much of an artist but...in honor of the railroad, you see that we have a problem here. We have come here, but the other track is down here, and you might say that this side is where we have the information and now we have to...

Faiks: I wish you wouldn't have used the railroad for this little example of your accounting problems.

Merrill: I really didn't realize it until I sat back there...

Faiks: You see how sensitive we are on this!

Merrill: When I heard about moving money from one account to the other, you need CPC, you need the Capital Projects Clean-Up Committee and I'm not volunteering though, remember that.

Faiks: Listen you guys are going to go department to department, you know Fish & Game has the same problem, doesn't it, Bettye?

Merrill: Health & Social Services

Fahrenkamp: Oh God, don't ever volunteer for HESS, you'll be there the rest of your life.

Merrill: But we do have the problem that you're well aware of, and we do have to thank you from the Department for the help that you've given. You have been a big help and we'd like to bring you up to date on what we're planning now to kind of wind it up. The problem is we're here, we've got to get through there, and that's the problem as we're well aware. We have the information, how do we understand what we have and how do you understand what we have. The approach, you see, and the light is red here (referring to flip chart). The first thing I want to tell you that we have discovered, without a hundred years and a hundred accountants, and I saved the little newspaper article, I wish I had it with me, it came from Argentina, where right now there is a hundred civil servants pawing through six foot stacks of papers trying to figure out how much they owe. They don't know whether they own \$20 billion or \$48 billion.

Faiks: You're not comparing us to the Argentines, are you?

Merrill: No! But I do want to make the point to the committee that there is no practical way, both timewise and cost-effectiveness-wise, to make a strictly accounting reconciliation.

Fahrenkamp: You couldn't make an accounting reconciliation if you were here for the next hundred years.

Merrill: That's right. And that's, that is the first emphasis that I'd like to have understanding on, that we cannot make, practically, an accounting reconciliation.

Moss: That's all past the bench now.

Faiks: How much money are you short in making that reconciliation, are you going to tell us that or is that three pages down after...?

Merrill: Well I'm going to tell you how we're going to get there. We have the information, it will be coming to you in report form, in maybe less than three months. Okay? But you be aware of that.

Faiks: Now what's the bottom line? How much, what's the gap there in your tracks?

Merrill: One thing I can tell you is that we had when we started \$45 million dollars worth of projects overexpended. We have reduced that, without extra money, down to \$10 million by requiring them to straighten up their records. We feel we can get a lot closer than that. We do know we have a stack of bills on the table that can't be paid, and those will be \_\_\_\_\_ to the legislature in form over a couple months.

Faiks: How much is that? Now we're talking hard politics.

Merrill: It's more than a million.

Faiks: Is it more than ten?

Merrill: My guess it's in between

Fahrenkamp: Is it bigger than a breadbasket?

Merrill: The second thing is you can't make an accounting reconciliation, that our reconciliation that we're proposing to the committee and asking for guidance on too, requires some understanding of the problem and informed judgment and the use of summary type data...

Fahrenkamp: Wait a minute. Draw me a picture.

Merrill: Okay. Summary type data is something like this. Take the 1980 bond issue. It has right now 497 active projects yet in it. Each one of them could be considered a line item appropriation. We may not be able to do an accounting reconciliation on each one but in summary we can say this is how much money was in the bond issue, and this is how much we've spent, we've closed these projects, this is what it

will take to complete the rest. That is summary type data that we've been able to get. We can't in many cases pin it down to the individual project. We are looking into every project to whether we have met the legislative intent of the project, and this is quite revealing to us, and in our statement that we have there we've used something called conformity factors, where we will state that we in fact met legislative intent or we did not meet it in this area. Conformity factors is part of the report that will be coming to you, taken in what you as a legislator intended that project to do.

Abood: Mr. Chairman, if I may. It's very startling to you when you find out what you're talking about in the legislative intent when there have been very few pieces of legislation or very few appropriations that hasn't violated the legislative intent, so how do you know what that legislative intent is if it's been changed so many times...to conform to what they wanted to do regardless of legislative intent.

Merrill: We're going back to the commission to which is commonly called in our language the form 35, 35\_\_\_\_\_...

Abood: That's where the startling part is coming in.

Merrill: I know that, but it's only in many cases the only intent that was originally put down and we know that legislative intent is sometimes not very clear for us to determine. And the last thing on our approach is to put in place procedures not to do it again, and that I think is important for you to know. One of the questions that you might is why can't we make an accounting solution. As you can see the railroad here, there's only one common rail on this track, and the other two tracks don't meet.

Fahrenkamp: That's due to the differences in the accounting system, the differences in practices and changes down the line in government, right?

Merrill: Right. One of them is that in the state accounting system, in PBA, it's only balanced forward every year. We run from inception to date, and so we're always in a problem of trying to make things match, and we don't match and we didn't match significantly on June 30th and we're now trying to find out why.

Fahrenkamp: Did you find that account that things used to be stuck into when they didn't know where to put them and wanted to hold it over, has that been straightened out?

Merrill: The "M" account, that you are well aware of. They will be addressed what they are and maybe not totally accounted for but they will be addressed the best we can on that. The reason here that the funding side, the state accounting

system, only carries total dollars regardless of what the legislation. The legislation says you have total dollars made up of so many dollars of general fund and so many dollars of other. The state accounting system only takes a total and tracks that, regardless of what kind of money it is. Our own accounting system...

Moss: Does that include the funny money?

Merrill: This is where the funny money comes from. Because our own accounting system then takes this general fund here and breaks it down into whether it's match money to go with the federal money, and that looks really good, and that becomes into what we called non-participating or participating. Now, when we go out to spend it in the operations, we collect cost by project and it has more than one appropriation in it, it loses it's identity of where the money, of what appropriation the money came out of. It goes up to our accounting and we have something called the "ML", the missing link that allow us to track through and say we didn't spend all of the general fund portion here, or we spent more general fund and less of this. That's your funny money. We have a solution for that which is, which will bring materiality, if you're an accountant you know what that term means. It means they can't reconcile exactly, but they can get it close enough to where it's not material anymore. We feel that we can bring it within the limits of materiality by the process that I'll explain to you. Now the solution. Remember...

Moss: Can I ask you a question Jim? If this thing works out it could be applied to not only DOT but to other departments as well, couldn't it?

Merrill: The same types of problems exist because of being with the same accounting problems.

Abcod: If I may. Isn't there some, is it the legislator's position or job to set forth regulations or statutes that prevent the different agencies from doing this or is this strictly an in-house, DOT if you will, using that as an example, can they do anything they want to do with these funds? Is there anything legislatively that we could do to prevent that. As an example, appropriations within appropriations, moving those funds around which is against the statute to start with. But they do it. Now what's going to prevent that?

Merrill: The only thing that's going to prevent anything, like that is basically a control system that we have, I'll be talking in a minute about that, putting in place and \_\_\_\_\_. I can tell you this our commissioner is very concerned about this himself, and I'm sure the Administration is. One of the things is you as a legislature have recognized this by line item appropriating so we can't theoretically put more than

one appropriation in a project. The matter of fact is that we have put other appropriations in projects and that's the problem because we lose the identity of which one of the appropriations it went to. As an example, in one of the bond issues there is a project right here in Anchorage that the bills that we paid were \$5.2 million dollars, this is just last spring, May, the bills were \$5.2 million dollars paid out of the bond issue. When the federal receipt came back, the federal money, the check, it was deposited to the general fund, which means now when you get the general fund, and you get back in session, you say we have a surplus in the general fund this year, you're really reappropriating the money that belongs in the bond issue.

Moss: It's already been appropriated.

Merrill: It's a bond issue appropriated, what it's going to do is, and the thing that we're determining is, what's the effect on the bond balance, the cash balance in the bond. It could mean that some of the projects started in that bond issue will in fact be short of money. So there is something that is not controlled anywhere in the legislation, anywhere in DOT, anywhere in the Dept. of Revenue, anywhere in the Department \_\_\_\_\_. There is a major flaw that was uncovered in our own system and we're taking action on that. Anyway, our solution.

Fahrenkamp: There was a project in Fairbanks, maybe six years ago, maybe more. Okay. It was funded by the legislature through DOT. DOT in its wisdom decided it shouldn't be done so they did something else with it. It was funded again, DOT in its wisdom decided it shouldn't be done, they did it again. To this date it hasn't been done, at this time if it were done it would cost eight times what it would have, in fact it's prohibitive now. What recourse if any do we have on that, and is that kind of thing still going to be able to go on.

Merrill: One of the things to answer your first part is that we have identified, as of the 31st of August, some \$897 million dollars worth of authorization - could be general fund, or federal authorization that you have given us for projects that we have not yet started, or in other words started by putting the project in our own accounting system, or that we're never going to start, we just have never programmed them to start. There's \$897 million dollars. What we are doing in the report is that we are right now accounting for that - the projects that haven't been started, the projects that we are never going to start and give a reason why. That will be in the report, and that should be interesting in some projects.

Fahrenkamp: It should be in the interest of some legislators who

sweated blood to get some of those projects that are not going to start.

Merrill: Representative Cato, everytime I see her, asks about her Lackinaw Bridge. That is in that category, that it was funded, properly funded again, and the money was moved, in this case to the Juneau-Douglas bridge. So all that money's gone. The authorization's still there, we have just never programmed it into our own accounting system to start work on.

Abood: Where's the money then?

Merrill: It's sitting restricted in the state accounting system. Now whether it, the thing is...

Moss: What you're saying is we've got \$800 and something million bucks laying somewhere we ain't spent?

Merrill: Of authorizations, no money. Well that's the thing that we are determining, how much of it is actually general fund, how much of it is federal authorization.

Fahrenkamp: You'll find that there's a hell of a bunch in the general fund and a hell of a bunch of it that was never collected from the federal government, simply because we didn't do our damn paperwork.

Abood: Two years ago, three years ago, there was over a billion dollars in DOT that was unaccounted for, that they had money that was appropriated, and there it sat.

Merrill: That figure is now \$897 as of the end of August. Since I surfaced this issue and got people working on it to try to account for that, what projects did the legislature authorize for that authorization. We have programmed an additional 105 million of them so this figures down right now, because we've started to put some emphasis on that. In our report we will be accounting for all of the funding that's been restricted in there and never put to a project...that I can find.

Moss: \$897 million.

Faiks: \$897 million. You're kidding!

Merrill: Don't panic on that, Senator. Make them give you the facts first. We are identifying, within that is \$50 million dollars for a...

Faiks: No wonder you have time to make little colored pictures.

Merrill: Within that money is \$50 million dollars that was

appropriated for a replacement for the TUSTUMENA, and it was basically all federal money. It's highly unlikely that the Department is going to put a third of its federal money into one project in one year but those are the kinds of projects...

Fahrenkamp: That kind of depends on whether Bill Ray's finance chairman or not.

Merrill: You can comment on that, I can't.

Faiks: Somebody ought to.

Moss: In other words what you're saying we've been allocated \$50 million for the TUSTUMENA already.

Merrill: The authorization is there, if it was set up and the feds approved it now, there's nothing says we couldn't start working on it.

Faiks: And the TUSTUMENA, that's our highway dollars, isn't it, I mean that's part of our interstate highway system, so in the southern region, they don't get \$50 million dollars a year, do they?

Merrill: No, about ten.

Faiks: That's right, because we get \$50 million right here in River City for all of southcentral Alaska.

Merrill: Let me tell you one of the benefits of surfacing this and trying to account what were the projects that the legislature intended to be done with that. It allows you to come back and reprioritize that and that will...

Moss: In other words, what you're saying Jim, out of that \$857 million, the TUSTUMENA is one of them, do we want to keep that up there as a number one, two, three or four priority? That's what we need to tell you all again, right?

Merrill: I'd like to get it out of our books, because you know, every year we have to look at \$800 million dollars.

Faiks: I bet those legislators that aren't there anymore that have the projects in are the first one to go.

Merrill: Anyway. But we are accounting that will be in the report, as best as we can identify what the project, legislative intent it, what our status on those projects are.

Fahrenkamp: One question. Now that \$800 million that's somewhere, that's at least appropriated, how much is that under what it would take to do all the jobs that have been appropriated and don't have enough money to do.

Merrill: I don't know that figure but I can tell you know that you can't buy a TUSTUMENA for \$50 million bucks.

Fahrenkamp: Well, I know that but...

Merrill: And I am not a naval architect but I...

Fahrenkamp: ...it sounds like you've got a whole heap of money, and yet, there might be, we'll pick up a round figure, \$11, \$12, \$15 million, \$100 million, \$1 billion, oh give or take a 0 or two, that had been authorized, but there's not enough money yet to do. huh?

Merrill: My own person opinion is that the bulk of that is excess federal authorization. We may be looking at maybe \$100 million dollars worth of general fund, don't hold me to those figures, but I have a feeling it's about that amount. The rest of it is excess federal authorization that we've asked for, and you've given us.

Faiks: Excuse me for having to run out for a phone call, maybe somebody's already asked this question, are you going to be able to give us the project that was authorized, what year it was authorized, how much it was supposed to be...

Merrill: We are accounting back, I used summary type data, I can't, maybe not be able to get back to the very line item in the appropriation. Some of them are just allocations where it says go build highways, but I will take it back to the legislation, session law, chapter and year.

Faiks: I guess if it says it's a block grant to go build highways, then that would be fairly easy to take care of. What we're having trouble with is go put \$5 million dollars into the Steese Highway...

Merrill: Or LaTouche.

Faiks: Right, or LaTouche, okay. So then we'll have to...but that might have been ten years ago, or seven years ago or whatever and maybe the Steese Highway has already had it's upgrade in that spot. We have to have the tools to be able to decide what gets dropped off and what doesn't.

Merrill: We are going to, the best we can, give that, and what the present, current status of it is...we hope to surface some kind of an add/delete bill to you.

Fahrenkamp: I tell you one thing - we know a hell of a lot more than we did when you started this.

Merrill: So do I, and if I knew it, I don't think I'd have done it, accepted the challenge.

Fahrenkamp: Scared you half to death, wouldn't it?

Merrill: Yeah...our approach. you know I said couldn't do an accounting approach, I can account for all the projects, and we're going to try to account for the scope, the legislative intent, the intent of the bill, interchange, I can account for that. Going to the appropriations, and we can account for the dollars spent on appropriations. Then we come over to the funds...here we have the revenue problem, is that we are trying to determine in the factor the revenue shortfall which will point out the funny money. We're going to do that in summary, because I can't, there's nowhere in our records get back to the individual project.

Abood: Will you be able to tell why the shortfall?

Merrill: I will be able to tell you generally what the main reason is for shortfall, that the project was programmed to spend \$10 million dollars state money and \$100 million dollars federal money and when it all ended up we spend \$20 million dollars of state money, \$80 million dollars of federal money and we still hadn't overspent the appropriation. We changed the funding mix of the appropriation just from our spending patterns. This is going to be revealing to the Department how widespread that is too and it is reasonably widespread. And that's why going back to our legislation you always have a total appropriation and you have a funding source. Nowhere have we overspent the total out there, but what we don't know is what have we done to the mix.

Faiks: Why do you need a supplemental if you haven't overspent the total?

Merrill: Because it maybe...

Faiks: Because you have unpaid bills sitting on the...

Merrill: And one other reason, that we may never get the federal money, the feds won't ever participate.

Moss: For what reasons?

Merrill: On of the things is that the work that was done was declared non-participating, or it might have been like the right-of-way on a project here that they said wait a minute, you didn't do it right, and that was \$9 million dollars. And if they come back and say they're never going to pay you, the state's going to eat the \$9 million dollars, and we have found a lot of that, and we're going to...right in the report so you know exactly where that is. The approach is, and this is where I need some feedback within the next three or four weeks if I can get it. Is this approach, I can't hard-wire between the...in the accounting practices, but I can take all the information in the project, the information

of the appropriation, the summary, and the funds and I can do a threshold analysis and give you what I believe has occurred and the ranges of problems, and like I say we may have spent \$10 million dollars more general fund here than was in the mix appropriated on top. That we feel we can do it, and do it in time for when you come back to the next session, that you will have that report in your hand so you can look at it. That is what I need to know, if that kind of approach would answer your questions. You probably wouldn't be happy with it, I don't expect you to be happy, but at least you would understand why I feel I have to go that way.

Fahrenkamp: Now you and I both know, or let's say suppose, that there's been a project here DOT's doing, oh well, they just lack \$13 million of having enough, or \$20 million of having enough, or whatever, and we've got this kiddy over here to do this little jobby, so let's just take \$13 million of it and cash it...

Merrill: From what I heard from the railroad this afternoon I would go ask them how they do it. It's about the same. It has happened in the past, traditionally, that you've just gone down to the next fund source. However that is not a practice now.

Fahrenkamp: Hopefully not.

Merrill: One of the reasons is that your line item appropriation, however, mistakes are made, I just saw one the other day where there was on the same page as Chapter 24 which was just last year's session was a totally state funded project and right below it was a federal aid project. Guess where the federal aid expenditure was on the state project. In this case it was \$124 thousand dollars. The feds will never get billed for that. Now if that had gone undetected through next June 30th, we could not have corrected it, and that's what's happened in the past, that nobody ever looked, and corrected those. We're putting into place now an effort to make sure that that does not...

Moss: Would the FIS do this?

Merrill: FIS will, FIS is only the computer part of it, but it would help.

Moss: How come they aren't proceeding on with FIS?

Merrill: FIS has had some implementation problems that has delayed it.

Moss: Is it true they spent \$4 million dollars?

Merrill: I'm unsure of that.

Moss: I just want to get that on record.

Merrill: I'm unsure of that. We have accomplished some firsts in this effort that I'm proud of, and I think that you as a committee ought to be proud of too because you were involved too. We have closed 8351 projects that were always there open...and involved in doing this has become an increased knowledge and emphasis in the department that the old days are gone, that accountability is now part of the game. As I said before we have reduced the dollars of overexpended project budgets - from \$45 million to below \$10 right now, and we're going to get that even more. We have developed new report capability to allow us to pinpoint our problems before they get where we can't do anything about them. We call the annunciators. Pappy, you're an old airplane driver like I am. Annunciators always is a little light that says you've got some problems, and hopefully in time that you can correct. One of the annunciators was the three red lights and three white lights that says red over white, airman delight, white over red, airman dead. Anyway, we have done this in depth study, and one of the things that I'm very pleased about is the teamwork and the understanding that we have developed with the legislature and other departments over this, it's no longer a hush-hush subject, we are starting to level with each other and there's becoming solutions to problems, There has been an agreement which has not happened in the department before, the agreement there is a problem and that we can do something about, and I think that's an important one, recognizing that we had the problem, and that we can do something about it. Now, we feel that we've gone over this piece right up here right now because we're in the process of writing a file report right now to the administration of which you will get a copy. We have one more little hole to go across here, and I hope that we don't fall into that, and that is, that we're going to have to be able to maintain our data until we have a new system in place to out it in for caretaking. That system is not there yet. It was originally scheduled for October 1 and it's somewhere down the future yet.

Moss: What do you call that?

Merrill: That's FIS. What we have done at CPC and we are going to be incorporated in the department and it will be an ongoing affair.

Moss: Let me get this straight before you go any further past that little hole there. FIS has got to be online to make sure it's corrected.

Merrill: There is really no pure way to spit out whether the money is general fund or other that you spend without having that capability. We are starting to keep records on mini-computers that allow us to keep track...that's part of our

effort here. You can see up here, the little man here he's looking here and there's been a break in the hitch between the system and integrity and we up here, we didn't do it in the first place, we're not admitting anything but we promise not to do it again. This is what we're going to what we have in place now as control feature. We have our reports that are much more accurate and more timely and point out the problem areas to us quickly. We are now put in what we call alpha-control. For instance if a charge is charged, if a bill is charged to the wrong project, we have a way to catch it, and the reason I caught this other one... is because I was reviewing one of these alpha-control and there it was, it stands out. We have established in each region what we call the project control groups comprised of five to seven people, who watch the projects, their funding, and their expenditure, whether they're in scope or out of scope, and those kind of things. These are all human type controls because we do not have any really computer control available to us at this time. Training, quality assurance we are assigning responsibility now to where we know who has the responsibility, this isn't everybody's job now, it is an assigned responsibility and we have, by using these, we have the ability now to validate the information that flows within our system. Now in closing you see the little train. It is just starting over the hump, and we not only think we can we know we can accomplish it if we can use the approach that we have of being able to take the three areas - the projects, the appropriation and the funds and do a real professional analysis job and then present summary type data too.

Fahrenkamp: This time it's summary type data. Now if we get this...but if after all this work that you've done, which has been very encouraging to me, we have this system in place, will we from now on have to go to analysis type or can we have absolute data that will check project against project, funds against funds, or is that a dream that will never happen?

Merrill: The state has a new accounting system that is scheduled to go on-line the first of July. Within that accounting system is the ability to track other than total practice fund mix that you have in the legislature. That would be the single biggest help that we have, to be able to know whether we've spent the general fund portion of that appropriation. Right now there's nothing controls that, other than humans looking at that. We also feel that these human controls that I have just been over will have to continue on. We still have haven't replaced the human overlooking what the machine does, because the machine will accept anything. So we will continue those human elements in our controls which is new to our department and I feel that you will see a progressively better accuracy where we can do an accounting reconciliation whenever you need it. Hopefully to the point that

the Legislature would then have enough confidence in our project management ability to where we would once again be able to have a little more leeway than we now have with line-item appropriations. This is causing us some problems, but it's very understandable why the Legislature has done that.

Fahrenkamp: If we hadn't done that we'd never get there. Can we tell now from your work, excuse me Mr. Chairman, can we tell now from what's in this report that's coming up, would we be able to say okay, what's done and gone, I hope it doesn't happen anymore, but there's been \$3 million dollars worth of federal funding that should have been applied for that was never applied for by the state and received?

Merrill: Yes. We have that ability now and in fact it's on track. We run anywhere from \$25 to \$35 million dollars of unbilled federal receipts that's in the process. We're reasonably sure, I've checked back to 1972 which is the last records I could find available, and it looks that we have received all the federal money we've billed them for.

Fahrenkamp: Yeah, but did we bill them for all we were supposed to bill them for.

Merrill: That's the problem that I can't address, only in summary type data, and I have to do it on the revenue side. I have to say okay, in this fund, Fund 474 for instance, we spent money, so many million dollars that should have been federal aid. How much did we receive? And we're not going to get data out of that because of the problem I just told you about where they deposited the money to the wrong fund, but at least we'll have some summary data. One of the other things that we will have as of October 1, a very accurate count of the dollars it's going to take to complete every active project we have, and the type of money, whether it's general fund or federal money. We'll have a very accurate account and we will keep that up, obtaining that every three months, until we have FIS up to where we don't need to do that anymore.

Moss: Now will that carry us back through all of our previous projects that we know of in history?

Merrill: I'm going back as far as there's records. I know now that records in many areas are incomplete, because there has been lapses...

Moss: I know that at times when Casey was over there he was wanting to go back to '82, '83, as far as he'd want to go back to bring this data up to date.

Merrill: What we're doing is dividing them into two spots. We're

going to identify every project that's in the records somewhere as completed and done, and that will be in the appendix, there's going to be pages and pages. Then we're going to identify active projects by project and how much money was set up and what's the status of that project.

Moss: You got some kind of time frame on that?

Merrill: Our report to our executive, to our commissioner in draft form, we are expecting around the 15th of December, and then you can expect the published document maybe about a month later. This is, the reason we can meet this time schedule is because we have not had to do a strictly accounting reconciliation. Summary data is much easier and I...

Fahrenkamp: You do have to do that strictly accounting type stuff which would leave big holes as well, wouldn't it?

Merrill: Yes. What it would do is it wouldn't be any more accurate than the summary because of the holes in the data. And we have a consultant, Arnold Young, from one of the big accounting firms, who also agrees that this approach probably better than a strictly accounting approach.

Fahrenkamp: Well, Mr. Chairman, I've got to say again, even though it's summary data, I'm very encouraged to see this coming on line.

Moss: (inaudible)...I'm kind of proud of it myself.

Merrill: Any successes we've had so far has been because of this committee, has been willing to work with us on this, and I think it speaks well for the cooperation to the department on this project. Both are benefit.

Moss: Anything else.

Fahrenkamp: Let's go home. Unless he needs anything from us. What do you need from us?

Merrill: The only thing that I would need is some feedback is on the approach that I can't do a strictly accounting and that this would be an approach at least you'd be willing to look at.

Fahrenkamp: What you really expect is to hear some yelling about it, right?

Merrill: Yeah.

Fahrenkamp: Well all I can tell you is that... as I know how, because I don't know how you can do anything else unless you've got fifty years to do it in.

Merrill: And that's the conclusion...

Fahrenkamp: If you did do it strictly accounting then somebody's going to do a witch hunt.

Merrill: Oh yeah, there would be jail talk, and that's really not what we've been out to do.

Fahrenkamp: What we set out to do is get this thing straightened up.

Merrill: I do appreciate the interest. This thing could have died if it hadn't been for the commissioner and your interest as the committee. It hasn't been totally an easy road internally.

Fahrenkamp: Have you had any encouragement on the part of any of the other agencies or are they knowledgeable about what you're doing, have you had any encouragement from the agencies wanting this type of approach taken into their accounting?

Merrill: We have not contacted them, other than I know they do have basically the same problem, that could be approached the same way.

Moss: This is one of the biggest problems we had in the department, Bettye, when you look at it. Actually if this system works here, it could be applied to any other department.

Fahrenkamp: We could get them up to snuff and start somewhere clean.

Merrill: The one thing, Senator, that's got me a little concerned, that we have set up these human controls that we're going to try to keep the data clean now, but that has to be always a little pressure, always emphasis maintained, the human has a tendency to relax. There is nothing in the system developed as we have today that will allow it to, set it to motion and forget it. Our commissioner is not willing to do that, he's not willing to set it in motion and forget it, we stress that he is going to keep the pressure on.

Fahrenkamp: I would hope that your commissioner would encourage other commissioners to look at the...and to share with them what he feels about the value of this kind of approach, because I know we've had good people to leave government agencies for the fear that, good Lord, the way some of the accounting processes are, somebody's going to go to jail, and it's not going to be me, I quit.

Merrill: I thought about that myself.

Chairman Moss adjourned the meeting.

## CAPITAL PROJECTS CLEANUP

STATUS 9/27/84

The Capital Projects Cleanup (CPC) effort was started in November 1983 as a result of the Arthur Young Inc. Capital Projects Assumptive audit of October 1983. The CPC team is now preparing the Final Report of its year long effort.

### Important Accomplishments

The CPC effort has some significant accomplishments, both as a direct result and as indirect spinoff.

1. The universe of projects in the system has been significantly reduced. 8,351 projects or project phases have been closed. Our project computer reports are now 3/4 inch thick instead of 3 1/2 inches. All projects have been assigned to the responsible Region and the Departments' reports are now available by Region. Special exception reports have been developed to highlight problems and errors.
2. Increased knowledge and awareness of good project management techniques and responsibilities. Projects with expenditures in excess of budget have been reduced from \$45,509,539 to less than \$10,000,000.
3. A detailed look into the idiosyncrocies of FMS and our whole project management and accounting system.
4. Confirmation of the continuing belief that our present "system" is not serving us well. This knowledge has strengthened the development of the Department's new Project accounting system (F.I.S.) and the Project Control Groups in the Region.
5. Development of an integrated approach to reconciliation of the Department's present project accounting system which would be acceptable to most interested parties. This involves a three element program accountability analysis.
6. Better understanding and teamwork between various Departments and the Legislature concerning the whole Capital Projects problem area. These various groups have become part of the solution, not critical onlookers.

### CPC OBJECTIVES

The CPC Process and Procedures manual published in January of 1984 listed five objectives of our effort. The Final Report will show that these objectives either can be or have already been met by the Department.

## Objectives

1. Restore confidence in Department of Transportation and Public Facilities (DOT&PF) ability to effectively manage Capital projects.
2. Separate the Department's C.I.P. program of work initially into active and inactive categories for analysis and accountability of current and previous C.I.P. activity. Subsequent refinements of status will place all projects in active, complete, closed, and unclassified classifications.
3. Find a suitable way to account for Departmental responsibilities in the past which will allow those old issues to be resolved.
4. Provide a "cross walk" to F.I.S. by identifying the projects and information reliability to be included in the new system.
5. Identify criteria, policy, procedures and training needed for effective future project management.

These five objectives will be thoroughly discussed with recommendations in the report.

## CPC FINAL REPORT FORMAT

The CPC Final Report will contain five main sections and an extensive, detailed Appendix. The Report will include these sections:

1. CPC Objectives

This section will show how the CPC effort has met the objectives.

2. CPC Process

This section will build confidence in the solution and provide a detailed history of the effort which will provide an audit outline for future use by providing a complete outline of the whole CPC effort, the solution that the Department has developed, its strengths, weaknesses, etc..

3. PBA/FMS Reconciliation

This section will establish the reliability of FMS in relationship to PBA. Some old problems will be discussed and the conclusions that CPC arrived at will be detailed.

4. Program Accountability

This section will be a summary type presentation of how well the Department has met its obligations. The detailed data will be cross-referenced from the Appendix. Use of charts and graphs will be extensive.

CPC will provide program accountability using three basic methods:

By Project: This will treat projects as a single entity regardless of funding source. This will show scope accomplishment including conformity factors.

By Appropriation: This method will provide the accountability (or lack of) based on appropriations.

By Fund: This method will provide the accountability by both project and appropriation within the designated fund.

The Program Accountability section will concentrate on the strengths of DOT&PF program/project management while readily admitting the weakness and unreconcilable problems. This section will be strictly "up beat" with concentration on understanding and acceptance. The three basic methods will be brought together in a rational analyses which will show the overall condition and accountability of the C.F.P. program activities.

The Program Accountability Section will also address program irregularities, program status, fund status and revenue questions. Appendices will be correlated to provide information in detail for those who wish the backup.

##### 5. Corrective Action and Time Schedule

This section will detail the actions recommended by CPC using three general groupings.

###### a) Departmental

This group of recommendations and corrective actions including implementation schedules will cover items such as:

- program accountability recommendations
- system integrity and development
- recommended supplementals, etc.
- training
- policy, procedures
- Quality Assurance and Control
- organizational needs

###### b) Administration (other Departments of State)

This section will discuss interrelationships and recommendations with units such as OMB, DOA Finance, etc. Items such as:

- State Accounting System
- Revenue accountability
- RSA's etc.

c) Legislative

This section will present and discuss CPC recommendations for Legislative Actions. Items such as:

- Revenue
- C.I.P. implementation problems due to structure of appropriations. etc.
- Capital projects flexibility

The CPC effort will also produce for the Commissioner a Confidential Executive Report which will speak frankly about any strictly in-house items which he should be aware of.

This report can include items such as:

- confidential personnel matters
- inter-intra Departmental relationships and problems
- Legislative Recommendations
- Policy Recommendations

Time Schedule

The CPC Final Report will be ready for detailed Executive review by December 15, 1984. The Report data will reflect the C.I.P. status as of October 1, 1984. It is intended that the Final Report will be made available soon after the final Executive approval.

C P C  
CAPITAL PROJECTS  
CLEANUP

INTERIM REPORT

No. 1

State of Alaska  
Department of Transportation  
& Public Facilities

CAPITAL PROJECTS CLEANUP COMMITTEE  
INTERIM REPORT #1

This report is the first of several planned interim reports which will provide status of the project and outline the next steps needed in the Capital Projects Cleanup (CPC) effort. Included in this report will be problem identification, recommended solutions, and listing of resources needed to successfully keep the project on target and on schedule.

I. CPC PROJECT STATUS: (As of 4/1/84)

The major emphasis of the CPC to date has been focused on three principle areas:

1. a) classification of all projects listed as active and open in FMS and PDS into four categories (element III. See CPC Process and Procedures Manual for definitions).
  - 1) active
  - 2) complete
  - 3) closed
  - 4) unclassified
- b) proper assignment of Regional or Unit responsibility
- c) freezing "closed" projects in FMS (element IV)
2. determination of fund source status (elements V and VI)
3. verification of PBA/FMS reconciliations (elements I and II)

The effort in classification has been very successful. The areas where significant gains can be made have been highlighted and recommendations for these actions are contained in the recommendations section of this report.

## CLASSIFICATION RESULTS

CLASSIFICATION	TOTAL #	% OF TOTAL	NUMBER OF PROJECTS/PHASES IN CLASSIFICATION BY REGION OR UNIT RESPONSIBILITY							
			CENTRAL	NORTHERN	SE	NOME	VALDEZ	STATEWIDE	MIS	STATEWIDE
			1	2	3	4	5	6	7	8
Active	1360	45%	593	491	195	10	7	20	41	3
Complete	552	19%	388	94	56	3	3	2	6	0
Closed	986	34%	272	395	227	28	36	11	17	0
Unclassified	52	2%	13	18	11	3	1	4	0	2
TOTAL	2950	100%	1266	998	489	44	47	37	64	5

\* The CPC had concentrated its efforts on FMS cleanup as the timing, priority, relationship to PBA, and resources available do not allow full operations on both FMS and PDS at this time. This does not mean that the PDS effort is dropped, only delayed until FMS is cleared up. In this interim, on-going activities in PDS should be coordinated with the results of the CPC classification and cleanup effort.

## ESTIMATED COSTS TO CLOSE

CLASSIFICATION	TOTAL \$(1,000)	REGION OR UNIT RESPONSIBILITY \$(1,000)							
		CENTRAL	NORTHERN	SE	NOME	VALDEZ	STATEWIDE	MIS	STATEWIDE
		1	2	3	4	5	6	7	8
Active	453,800	194,458	130,532	60,021	464	128	24,666	42,634	897
Complete	28,409	20,747	2,343	1,643	203	43	2,850	580	-0-
TOTAL	482,209	215,205	132,875	61,664	667	171	27,516	43,214	897

\* Does not include liabilities in 52 unclassified projects

ON LINE FMS ACTIVITY

Using the information supplied during the Regional CPC classification effort, 954 of the 986 projects or project phases identified as closed were "frozen" in the on-system FMS. This freezing action was accomplished by placing 00/00/00 as a cutoff date and where fund resources allow, funding the project equal to expenditures. This action will undoubtedly increase the number of transactions on the error register due to "after cutoff date." We plan to let these errors accumulate during April. A "window" will be opened during May for clearance of the error register. During this time period, CPC intends to correct all the "after cutoff date" errors caused by the CPC closure effort. This is a manual process which will impact the Headquarters unit. No regional effort will be required for this action. Other error types must also be cleared. This will be a regional responsibility.

The effect on the error register so far has been negligible, but we expect the April 30, 1984 errors "after cutoff date" will show a substantial increase.

<u>TYPE OF ERROR</u>	<u># OF ERRORS 2/29/84</u>	<u># OF ERRORS 3/31/84</u>
After cutoff date	1472	1339

DETERMINATION OF FUND SOURCE STATUS

Determination of fund source status has been one of the most difficult and labor intensive efforts. While some of the information already resided within the FMS data base, considerable effort has been expended to correlate this information to the original legislation and fund type. This effort involved a project-by-project search of the legislation, correlation of fund type (billable versus non-billable) with programmatic records and legislative appropriations. This effort is still in progress. Due to the magnitude of the difficulties encountered, additional resources from other units will be needed to verify and correct the data. This effort is the highest priority within CPC at this time as the data will also be required for FIS implementation and loading.

### PBA/FMS RECONCILIATIONS

Elements I and II of the CPC task required verification of PBA/FMS reconciliation. The CPC team has monitored these elements for three months and has concluded that for all practical purposes PBA and FMS are in basic balance. By the term "in balance" it must be understood this represents an accounting balance which reflects the net collocate status in PBA/FMS.

#### NET ACCOUNTING BALANCE DIFFERENCE BETWEEN PBA AND FMS

<u>DATE</u>	<u>AMOUNT</u>
1/31/84	\$ 5,132.00
2/29/84	\$ 4,651.27
3/31/84	\$ 4,674.02

The matter of "reconciliation" to the project level is another problem. When documents do not pass the edit checks built into FMS, it must be remembered that PBA already paid the bill and charged the collocate. When the document tries to process in FMS and cannot, it goes to errors. The costs already paid by PBA are placed in clearing accounts such as Z99996 and the collocodes in both FMS and PBA are then in an "accounting balance" but have not been reconciled to a specific project. If the error is ultimately identified to a specific project, it is removed from the error clearing accounts and charged to the project by manual adjustment. If it remains uncleared, project level reconciliation has not occurred.

The question of project specific reconciliation then becomes a matter of cost benefit. It makes very little sense to spend \$100 to "reconcile" \$5 to the specific project. Where federal aid projects are involved, these uncleared costs will never be reimbursed by federal aid. The general fund has already paid the bill. This may contribute to the "funny money" problem.

As of 3/31/84, the scope of these "unreconciled project specific" expenditures amounts to \$39,275,057. This amount resides in various M and Z accounts in FMS. \$16,001,892 of the total \$39,275,057 of "unreconciled" expenditures is in the M90001 pre-FMS Accounting Transactions account. Some of this amount may represent actual unrecorded expenditures to specific projects. However, this condition may not be the case if the original expenditures were actually recorded to a project which has been lapsed improperly from the system. It would be difficult to determine the exact status of these "unreconciled" project specific expenditures.

A policy decision is needed relative to the resources required to resolve this "unreconciled" project specific expenditure problem.

#### II. ACCOMPLISHMENTS AND BENEFITS OF THE CPC EFFORT (To 4/1/84)

The CPC effort so far has made several significant contributions to the Department's program/project management effort:

1. For the first time, all active projects have a Regional or Unit responsibility assignment. This has been previously impossible due to the many statewide programs and appropriations. Early in April, the first regionalized ROI-TBR-1615 (suppressed version) will be available to the CPC Regional Coordinator and Project Control Groups. This will allow regions to have a 1615 with just their projects shown.
2. Closing of 983 projects/phases which were previously identified "active" in FMS.
3. In addition to closing projects, the CPC has determined the scope of our "completed" project problem by categorizing those unresolved liabilities which do not allow closing of the project.

4. The CPC effort has identified the estimated costs-to-close of all active and completed projects. During the classification effort, costs-to-close for the active and completed projects were estimated to be \$482,209.000 as of 1/31/84.
5. The CPC effort has identified several short-term objectives which should be accomplished before year-end closing and FIS startup:
  - a. determination of fund source status (billable and non-billable),
  - b. correction of a serious over-programming situation (see page 8),
  - c. identification of training, policy, and procedure needs,
  - d. correction of project overexpenditures, both in individual collocodes and projects level.

These items will be discussed in the recommendations section.

6. Possibly more important than the information gained from the CPC effort is the renewed interest in program/project management. The CPC found a great enthusiasm among all DOT/PF personnel for development of a dynamic and on-going operation to overcome our program/project management problems. This opportunity must not slip away, nor this enthusiasm go unrewarded.

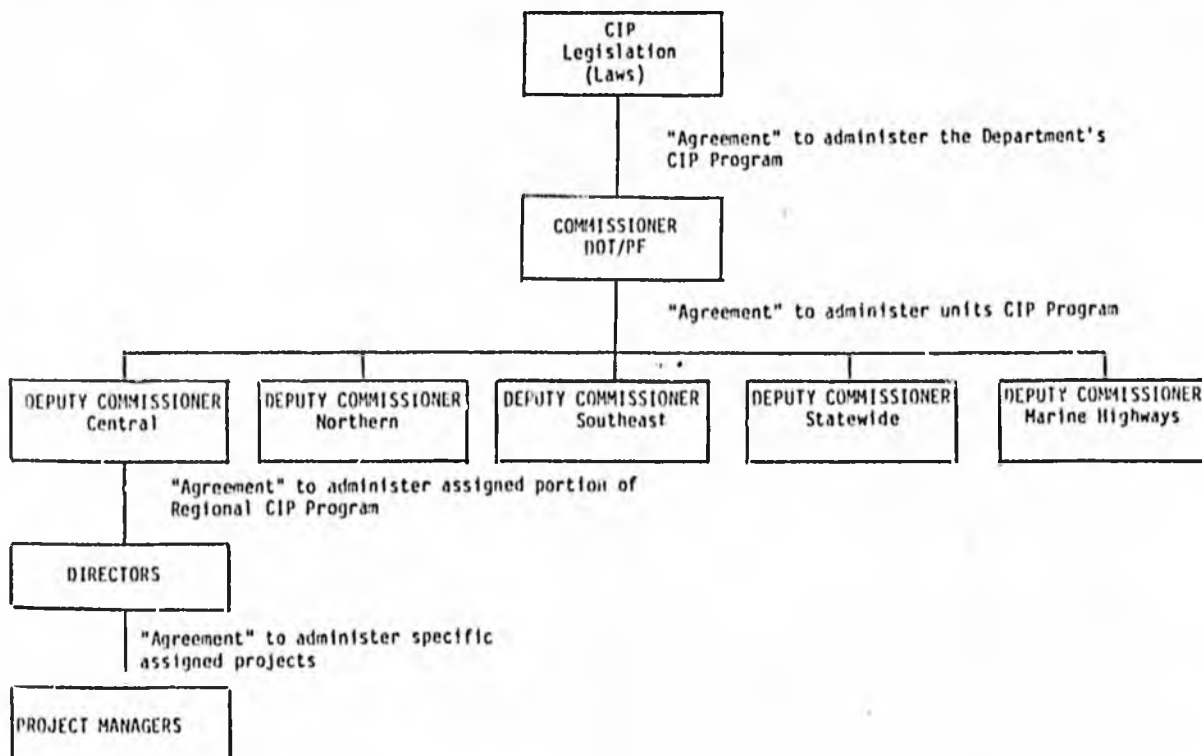
### III. RECOMMENDATIONS

The CPC team has several recommendations which we feel must be carried forward. These recommendations will require significant expenditures of resources to accomplish and will impact the Regions and other units. Commitment of these resources is essential for continued progress.

The recommendations in this section have been divided into CPC operational recommendations (which are usually short term) and Departmental policy and systems recommendations.

CPC OPERATIONAL

The CPC effort has identified several major problem areas which demand a concentrated effort for correction before full accounting and project reconciliation can be accomplished. The Department has many levels of responsibilities. Some of these responsibilities are internal to the organization and some external. In the program/project management area, these responsibilities can be characterized as a series of "agreements" between certain positions, sections, etc. and higher levels of responsibilities. For Example:



From the simplified diagram given, there are at least four levels of agreements within the Department's CIP program administration. Each of these levels carry basically the same responsibilities: the Commissioner "agrees" to administer the CIP program/projects within scope, budget, and time constraints, if any. This same "agreement" is present between the Directors and their Project Managers only at a more detailed level. The main goal of the CPC effort is to determine if these agreements are still applicable, if the parties are "out-of-agreement", and to correct areas where "out-of-agreements" occur.

CPC has identified projects in each region which are "out-of agreement." "Out-of-agreement" in CPC context is defined as projects or programs which:

1. expenditures have exceeded budgeted or authorized fundings,
2. expenditures exceed individual funding source or type,
3. project scope, etc. is significantly different from the "agreement" with the next level of responsibility.

The CPC effort has identified several major areas where these "out-of-agreement" conditions appear to be present. Other areas of "out-of-agreement" will be covered in later Interim Reports as more detail and corrective action has been identified.

These problem areas are:

- ° A serious, possibly long term, over-programming problem is apparent. On 2/29/84 FMS records indicated a total of \$5,845,732 over-programmed in 158 different collocodes. This represents a serious differential between our accounting, programmatic and project budget records. For example, in collocode 24-84-7-001, there is \$1,240,180 programmed to specific projects in excess of funding available. There is only one project funded in this collocode...K93511 Fairbanks Flood Control.

R01-TBR-1615		DEPT 24		CIP PROJECT AUTHORIZATION BALANCES				MONTH ENDING 03/31/84	
PROJECT	NAME	COLLOCATION CODE	CUTOFF DATE	DATE LAST ACTIVITY	FUNDING	ENCUMBRANCE	ITD EXPENDITURE	BALANCE	
K93448	KODIAK BOAT HARBOR BONDS	24841250	12/31/84	03/31/83	114,400.00		125,028.66	10,628.66-	
		24843232	12/31/84	02/09/84			52.00-	52.00-	
		24847004	12/31/84	08/17/83	1,000,000.00		1,039,980.85	39,980.85-	
		K93448 PROJECT TOTALS:			3,514,400.00	0.00	3,617,445.47	3,045.47-	
→	K93511 FAIRBANKS FLOOD CONTROL	24847001	06/30/85	08/12/83	9,930,000.00	1,695,220.86	6,986,198.29	1,248,580.85	
		K93511 PROJECT TOTALS:			9,930,000.00	1,695,220.86	6,986,198.29	1,248,580.85	

R02-TBR-1615		DEPT 24		CIP COLLOCATION-PROJECT AUTHORIZATION BALANCES				MONTH ENDING 03/31/84	
COLLOCATION CODE	PROJECT	NAME	CUTOFF DATE	DATE LAST ACTIVITY	FUNDING	ENCUMBRANCE	ITD EXPENDITURE	BALANCE	
→	24847001	K93511 FAIRBANKS FLOOD CONTROL	06/30/85	08/12/83	9,930,000.00	1,695,220.86	6,986,198.29	1,248,580.85	
		UNALLO *** NOT ON PROJECT MASTER FILE ***			1,240,179.61			1,240,179.61-	
		COLLOCATION TOTALS:			8,689,820.39	1,695,220.86	6,986,198.29	8,401.24	
	24847004	K31406 SAND POINT DOCK	07/07/00	02/02/84	438,922.49		438,922.49		
		K31438 UNALASKA HARBOR	08/31/84		233,039.37	2,500.00		230,539.37	
		K78448 KODIAK DOG BAY HARBOR DEVEL	12/31/84	03/31/84			320.50	73,656.91	
		K83448 DOG BAY BREAKWATER	12/31/85	03/23/84	75,350.00		1,693.09	73,656.91	
		K93124 METLAKATLA BOAT HARBOR BONDS	12/31/85	06/10/82	1,198,686.00		320.50	320.50-	
		K93153 KETCHIKAN BAR HARBOR	12/31/83	12/31/83	818,505.84		1,227,706.84	28,706.84-	
		K93448 KODIAK BOAT HARBOR BONDS	12/31/84	05/17/83	1,000,000.00		761,515.92	56,989.72	
		M90807 UNCLEARED 299996 PRG 81	12/31/83	00/00/00			1,039,980.85	39,980.85-	
→		UNALLO *** NOT ON PROJECT MASTER FILE ***			223,834.29-		1,318.78-	1,318.78-	
		Z99910 P/R SUSPENSE AFTER 09/30/83		03/31/84			61.28-	223,834.29-	
		Z99999 A/P EQUIPMENT USAGE		12/31/82			378.30	61.28-	
		COLLOCATION TOTALS:			3,540,978.21	2,500.00	3,469,132.93	69,360.28	

The \$1,240,180 was placed as a "negative unallocated" in the code to bring it in balance with PBA. The project budget still reflects funding of \$9,930,000 with an unencumbered balance of \$1,248,581. However, the funding source code as shown in the R02-TBR-1615 has only \$8,401 unencumbered balance. Simply stated, the project thinks it has \$1,248,580 when in reality it has only \$8,401.

These "negative unallocated" funds must be brought to zero so the project budget accurately reflects the funding available. Of interest on the same chart, the very next code -24-84-7-004 -- also has "negative unallocated" funding of \$223,839. This code also reflects similar conditions.

- There are 796 projects/phases with expenditures in excess of budget as indicated by FMS records of 3/31/84. This situation of "negative balances" can be caused by a variety of reasons including data entry errors. In any case, this represents a failure to recognize in the Department's programmatic and budget records the actual funding necessary to offset expenditures which have already occurred.

The 3/31/84 records in FMS show \$17,358,221 expenditures in excess budget. This does not mean the appropriation is overexpended. It does indicate, however, a lack of discipline in keeping the project records current. The lack of corrective action indicates an "out-of-agreement" situation. The summary of "out-of-agreements" by regional or unit responsibility are as follows:

REGION #	REGION OR UNIT	# OF PROJECT/PHASE	\$EXPENDITURES IN EXCESS OF BUDGETS "AMOUNT OUT OF AGREEMENT"
1	Central	184	\$12,988,908
2	Northern	141	813,736
3	Southeast	76	1,213,326
4	Nome	11	44,667
5	Valdez	14	31,829
6	Statewide	9	130,540
7	Marine Highways	8	26,613
8	Statewide Planning	1	5,005
	Headquarters/Financial Management (00/00/00 projects in process of closing)	352	2,103,597
	TOTAL*		\$17,358,221

\* Included in the \$17,358,221 is \$1,409,921 expenditures in Departments "16" and "25" and \$344,118 in advance Right-of-Way funds (Q Funds) which may or may not be correctable at this time.

Of particular concern in the \$17,000,000 total negative balances is the occurrence of expenditures which are not Federal-Aid reimbursable. Within project categories which are usually general-funded (and many times in a single appropriation) there has been \$3,200,000 of expenditures in excess of FMS recorded project budgets.

CATEGORIES	\$ EXPENDITURES IN EXCESS OF BUDGET
State Funded Highway Projects	\$912,377
LSR&T	61,294
Buildings	593,686
Harbors	98,118
RSA and Department Contracts	1,139,845
Special State-Funded Projects	34,743

° There are many active project budgets which have one or more funding codes overexpended in FMS. In many cases, the correction will only involve moving expenditures to another code within the same project.

It is essential that these be corrected before year-end closing. Due to the rolling forward of net balances available in PBA, the Department's ability to correct this problem, in many cases, exists only until about August 15, 1984. After that date, correction will be virtually impossible. The over-expenditures in the project funding collocodes, if not corrected, could have serious consequences on the Department's ability to complete other projects in the same collocodes.

Numerous examples exist which show that collocate over-expenditure can have serious consequences for other projects funded in the same code. For Example:

R01-TBR-1615		DEPT 24		CIP PROJECT AUTHORIZATION BALANCES				MONTH ENDING 03/31/84	
PROJECT	NAME	COLLOCATION CODE	CUTOFF DATE	DATE LAST ACTIVITY	FUNDING	ENCUMBRANCE	ITD EXPENDITURE	BALANCE	
→ H00204	DIOMEDE HIGH SCHOOL	24881100	01/01/84	04/06/83	1,097,969.00		1,145,498.91	47,529.91-	
		24881350	01/01/84	11/28/83	2,561,000.00	47,529.91	2,513,470.09		
		24881454	01/01/84	11/28/83	1,000,000.00	630,000.00	318,969.91	51,030.09	
		H00204 PROJECT TOTALS:			4,658,969.00	677,529.91	3,977,938.91	3,500.18	
→ H00206	ST MICHAEL HIGH SCHOOL	24881100	06/30/85	04/25/83	1,793,707.00	33,570.00	714,028.00	46,109.00	
		24882045	06/30/85		19,442.00			19,442.00	
		H00206 PROJECT TOTALS:			1,813,149.00	33,570.00	1,714,028.00	65,551.00	

R02-TBR-1615		DEPT 24		CIP COLLOCATION-PROJECT AUTHORIZATION BALANCES				MONTH ENDING 03/31/84	
COLLOCATION CODE	PROJECT	NAME	CUTOFF DATE	DATE LAST ACTIVITY	FUNDING	ENCUMBRANCE	ITD EXPENDITURE	BALANCE	
→ 24881100	H00202	ELIM HIGH SCHOOL	12/30/85	03/13/80	899,885.00		899,885.00		
	H00203	MSHAKTOOLIK HIGH SCHOOL	12/30/85	11/02/82	912,444.00		985,338.00	7,056.00	
	H00204	DIOMEDE HIGH SCHOOL	01/01/84	04/06/83	1,097,969.00		1,145,498.91	47,529.91-	
	H00206	ST MICHAEL HIGH SCHOOL	06/30/85	04/25/83	1,793,707.00	33,570.00	1,714,028.00	46,109.00	
	H00207	GULOVIN HIGH SCHOOL	12/30/85	01/04/83	1,570,149.00	31,403.00	1,533,746.00		
	H00208	KOYUK HIGH SCHOOL	12/30/85	12/02/82	1,343,272.00	12,360.00	1,350,912.00		
	H00209	STEBBINS HIGH SCHOOL	12/30/85	01/05/83	2,020,421.00	60,613.00	1,959,822.34	14.34-	
	H00210	BREVIG HIGH SCHOOL	12/30/85	11/02/82	1,583,659.00	2,004.00	1,581,655.00		
		COLLOCATION TOTALS:			11,221,506.00	139,950.00	11,075,935.25	5,620.73-	

The over-expenditure in H00204, Diomed High School, occurred in the same collocate as the St. Michael High School project, project #H00206. The St. Michael High School with a cutoff date of 6/30/85 shows a project balance of \$46,109 in collocate 24-88-1-100. The total code has only \$5,620 unencumbered balance. Unless the Diomed project expenditures are transferred to 24-88-1-454, an additional funding source for the St. Michael project must be found. The St. Michael project has been put in jeopardy by the over-expenditure in this collocate of the Diomed High School project.

One interesting sidelight brought to light in the CPC cost-to-close effort is an estimate by the region that St. Michael School project #H00206 has cost-to-close of \$99,000. If this estimate is correct, the project will also need additional funding to complete.

- ° To aid in the CPC effort of determining fund source status (elements V and VI), Financial Management has developed a series of reports which will tie each collocate and project to the proper authorization and fund source type (billable and non-billable). Within the Department, there has not been uniformity from one mode to another in how funding sources and expenditures are treated. Expenditures have usually been recorded as billable (participating) or non-billable (nonparticipating) but the authorized funding for these expenditures by fund source type has not been correlated in the FMS system with the expenditures. The Department must now validate the data in these reports to determine the true fund status.

This will require considerable effort by the regions and other units but it is essential to the CPC and regular Departmental operations efforts. Benefits of this effort will:

- a) provide validated data on fund source status for cross-walking to the new FIS
- b) determine if fund type (billable or non-billable) has been over-expended (this information is not available at current time) and the true status of the fund type
- c) allow a better look at the revenue questions within the Department's systems.

The determination of fund source status is probably the most difficult part of the CPC. It is in this area that the Commissioner's "agreement" with the CIP legislation is most vulnerable. At this time, we are unable to determine if the Commissioner is "out of agreement" with the CIP Legislation, and if out of agreement, by how much, and what type of funding is involved.

- ° The CPC effort identified 552 separate projects or phases in which all work has been completed but the project cannot be closed due to claims, right-of-way problems, etc. The cost-to-close of these projects is estimated to be \$28,409,000. Some of these "completed" projects have cutoff dates as far back as 1975; others are more recent but could be several years old. A concerted effort must be undertaken to close these projects and liquidate the liabilities.

RECOMMENDATION #1:

Each region or unit designate a minimum of two individuals with at least one from the accounting office, to review the new reports, verify or correct the data and expenditures, and prepare the input documents necessary for their corrections. As a part of this effort, these individuals will:

- a) assist the CPC in driving the "negative unallocated" funding to zero by correcting if possible the funding program to each project within each collocate where this occurs. (discussed on page 8)
- b) review all projects/phases where there are expenditures in excess of funding and correct either the collocate over-expenditure or provide funding to bring the project/phase back into budget. (discussed on page 10)
- c) clear error register assigned to the region (discussed on page 3)
- d) update the programmatic records on active and complete projects to reflect the actions in a), b), and c).

These activities need to be completed before the fiscal year ends to prevent "locking" these conditions into the official State records when PBA rolls over. Since many collocodes contain projects from more than one region, any unilateral action on one specific project may impact other projects in the collocate. It is recommended that the Division of Statewide Planning and Policy be included in this effort and provide staffing and assistance to the CPC to resolve this problem. The commitment of resources is needed to assure completion of this activity prior to the fiscal year end.

RECOMMENDATION #2:

For those projects classified as "completed projects" by the regions with anticipated additional expenditures, assign specialists from the Division of

Standards and Technical Services to assist CPC in spearheading a concerted effort to close these projects. Suggested assignments are:

Utilities	Bruce Freitag
Claims	Loren Rasmussen
Right-of-Way	Jack Bodine

Completed projects with "other" types of anticipated expenditure classifications should be handled on the same expedited basis by designating an individual in each region or unit to work full time to determine:

- exact nature of liability
- problem preventing closure
- recommended closure action
- schedule for closing action
- determination of costs and availability of funding to close

Close coordination with CPC is essential.

To prevent further erosion of the project funding required to liquidate the estimated cost-to-close of completed projects, it is recommended that where project funding is available to cover the cost-to-close, the amount be encumbered and the balance released back to unallocated. For those completed projects without sufficient funding to cover the cost-to-close, additional funding will need to be located or a management decision on project termination considered. If additional funding is found, it should also be encumbered.

The following table summarizes the problem based on CPC analysis performed to date:

#	REGION	SURPLUS FUNDING		UNDER FUNDED	
		# PROJECTS	\$ EXCESS	# PROJECTS	\$ UNDER
1	Central	157	\$5,409,135	231	\$14,426,518
2	Northern	48	1,541,724	46	515,014
3	Southeast	30	1,477,995	26	1,652,031
4	Nome	2	61,812	1	43,041
5	Valdez	0	0	3	41,970
6	Statewide	0	0	2	161
7	MHS	4	604,124	2	3,636
8	Statewide Planning	0	0	0	0
	Misc., already closed, etc.				2,631,839
Total		241	\$9,094,790	311	\$19,314,210

RECOMMENDATION # 3:

The CPC team believes that there is a great need for basic departmental program/project financial management training. This training must be tailored to a basic level as there is a wide range of knowledge levels in the project managers and Project Control Groups. The recent decentralization of DOT/PF activities has made it imperative that the Regions and units have a basic and broad understanding of DOT&PF program/project financial management principles. Training should be "targeted" to non-accounting personnel. If the training becomes too accounting-oriented the impact to on-going project management personnel will be lost. The training could establish the ground work for the "agreements" concept of program/project management. The concept, while very simple is a departure from prior Departmental philosophy and will require the support of both top management and project personnel for implementation.

## DEPARTMENTAL POLICY AND SYSTEMS RECOMMENDATIONS

The CPC effort has identified several areas where policy decisions and system changes would increase the efficiency of our program/project management and would prevent recurrence of the problems which the CPC is now addressing. These recommendations should be considered as long term commitments and not instituted as temporary measures to an ongoing problem. It is recognized that some elements of the recommendations are already underway within the Department. Other elements still need to be addressed.

The major deficiencies in the Department's program/project management efforts can be summarized into the following four categories:

- 1) fractionalization of the authority/command structure
- 2) lack of dependable and accurate CIP Regional and Statewide reports
- 3) lack of coordinated efforts, program goals, and objectives
- 4) lack of a comprehensive "systems" approach which not only would provide the needed subsystems but would include personnel training, motivation, and development of a reliable quality assurance program.

From CPC experience, the department does not have defined lines of responsibility within either the headquarters or regional level relative to responsibility for CIP financial and programmatic direction and information. There does not seem to be a clearly defined responsibility assigned to develop, administer and monitor the performance of our programs, budgets and projects.

The CPC team feels that the many and varied efforts and approaches to the same basic problem of program/project management must be brought together into a unified effort. To our knowledge, there are at least 8 groups actively

working on the same effort, some only on a part of the problem. In most cases a single focus of responsibility (similar to CPC effort) could contribute significantly to efficient, coordinated problem resolution.

The Department needs to be able to tie its operating budget requests to project workloads. (The capability exists within MIS). As the downward pressures on the operating budget increase, detailed analyses and backup tied to the CIP workload must be developed to assure full recognition of program impacts and allow alternatives to be developed and presented. The organization of Project Control Groups is a start but from the understanding the CPC team has of their duties, the PCG as presently staffed cannot provide the management analysis, direction and information needed for effective control. Classification problems may need to be overcome to allow qualified staffing at the appropriate levels of expertise and experience.

The CPC team has not seen clearly defined goals and objectives in Departmental program/project management. This lack of goals and objectives allows divergent development and management which does not contribute to our ability to pull together. For example, Southeast Region Design and Construction saw a vacuum in terminology used in program/project management and has developed a small guide. We applaud this effort but the same vacuum exists elsewhere and without a coordinated effort, the Department will have as many definitions as there are individuals dealing with program/project management.

RECOMMENDATION #1:

The Department should unify its efforts in program/project management by

developing an organizational structure with a single point of focus responsible for program/project management, development, direction and leadership. This recommendation is concerned with the operational procedures, coordination of programmatic and accounting information, evaluation, analysis, and monitoring of program and CIP performance.

RECOMMENDATION #2:

The Department should broaden its "systems" management approach to its operations. The more decentralized and diverse an organization the stronger its systems must be.

One of the first systems which should be installed is the Department Quality Assurance Program (QAP). This umbrella system would provide the Department-wide system for quality control. To be effective it must be highly visible. This visibility can be achieved by requiring each region to develop a quality control system in conjunction with the Department's QAP. The region quality control information base must be compatible with the Department's QAP. A commonly managed MIS would provide this.

RECOMMENDATION #3

Develop within the Department's CIP program/project management the concept of "agreements." This will clearly define the responsibility for corrective action when programs or projects "go out of agreement."

## ADDITIONAL POLICY ISSUES NEEDING RESOLUTION

The CPC has identified additional policy issues which will need addressing in the near future. The investigation, analysis, and coordination has not been completed on these issues so recommendations are not given in Interim Report #1.

These issues are listed for identification purposes and to develop understanding for future discussion. This list may not be all inclusive.

Additional policy issues needing resolution are:

- "Reconciliation" of clearing and suspense accounts to the project level
- Audit requirements on TORA's, Grants, Agreements, etc.
- Over expenditure of RSA's
- Disposition of REAA balances
- Lapsing Policy for completed or closed projects
- Resolution of unfunded expenditures

# DOT audit: Projects caught in a paper traffic jam

By LARRY CAMPBELL  
Daily News reporter

The state Department of Transportation has failed to undertake more than \$800 million in construction projects approved by the Alaska Legislature since statehood, according to a preliminary audit of the department released this week.

The whereabouts of some of the money is difficult to determine, the audit said.

In many cases, hard cash intended for those never-to-be projects was shifted to other efforts. The state also may have paid more than neces-

sary for some projects because it failed to apply for available federal funds.

The audit, called the Capital Projects Cleanup preliminary report, was made public in a state Senate Transportation Committee work session Tuesday afternoon. The report is the result of two years of sifting through convoluted DOT accounting procedures used for the last 25 years, said Jim Merrill, DOT special projects engineer.

Auditors still are working to straighten out the confusing DOT accounting system in time to submit a final report

to the Legislature on Dec. 15, Merrill said.

Perhaps 75 percent of the \$897 million in DOT unfunded projects represents federal matching funds that no one apparently ever bothered to request, Merrill said.

"We're talking about a lot of small projects that just added up over the years," Merrill said. "In some cases, these projects were put back because they just weren't ready to go. In others, the DOT never had any intention of building them."

"This is something we haven't done since statehood,"

said Sen. Pappy Moss, D-Delta Junction, committee chairman, of the accounting review. "The philosophy has always been build it now and we'll straighten out the records later. Well, it's later now."

The problem grew as each Legislature through the years would approve appropriations for projects, Moss said. Each appropriation would contain formulas designating how much the state would pay and how much would come from the federal government.

While the dollar approval

for projects grew, the paper work necessary to obtain federal funds for those projects fell behind in many cases, Moss said. In other instances the DOT never intended to begin the projects, at least within a time frame viewed by the Legislature.

Lax accounting procedures also may have cost the state hundreds of thousands of dollars because some projects would occasionally use state funds where federal dollars should have been used, Merrill said. An estimated accounting of how much the state has overspent also will

be included in the Dec. 15 report.

Until recently, the department had kept about 11,000 projects in an open status that should have been closed or were never intended to be built, Merrill said. In the past month, Merrill and his staff have closed out more than 8,000 accounts that should have been closed years ago, he said.

One example was a \$50 million plan years ago to build a new ferry to replace the state system's Tustumena ferry that sails between Kodiak and southcentral Alaska.

The project was to be completed with \$3 million in state funds and the balance coming from the federal government. But the money was never requested.

Meanwhile, the Tustumena account was kept open, since the project was never completed. Merrill said, however, that building a new ferry is not in any future DOT plans.

Moss said the Capital Projects Cleanup evaluation at least has brought to light the lack of proper accounting procedures within the DOT.

# State transportation audit tracks down \$800 million

Associated Press

The Alaska Department of Transportation and Public Facilities has failed to begin more than \$800 million in construction projects approved by the legislature since statehood, a preliminary audit says.

The audit is the result of two years' work and is titled the Capital Projects Cleanup preliminary report. It was made public in a state Senate Transportation Committee work session last

week.

Auditors said it was difficult to track some of the money because in many cases cash for projects was shifted to other efforts.

The state also may have paid more than necessary for some projects because it failed to apply for available federal funds. Lax accounting procedures that allowed use of state money for projects that should have been financed by federal funds also may have cost

Alaska, auditors said.

"We're talking about a lot of small projects that just added up over the years," Merrill said. "In some cases, these projects were put back because they just weren't ready to go. In others, the (agency) never had any intention of building them."

"This is something we haven't done since statehood," said Sen. Pappy Moss, D-Delta Junction, committee chairman.

The auditors still are working to

straighten out the state agency's confusing accounting system in time to submit a final report to the legislature on Dec. 15, said Jim Merrill, the department's special projects engineer.

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# DOT audit shows road problems

The Associated Press

ANCHORAGE — The Alaska Department of Transportation and Public Facilities has failed to begin more than \$800 million in construction projects approved by the Legislature since statehood, a preliminary audit says.

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Meanwhile, the Tustumena account was kept open, Merrill said.

ATTACHMENT "B"

SENATE TRANSPORTATION COMMITTEE  
STANDING COMMITTEE MEETING

\*\*\*

October 2, 1984  
Anchorage Legislative Information Office  
10:00 a.m.

Members Present: Senator Moss, Chairman  
Senator Fahrenkamp  
Senator Faiks

Members Absent: Senator Gilman  
Senator Kerttula

Other Legislators Participating: Representative Abood  
Senator Josephson

COMMITTEE CALENDAR

A hearing to assess the transfer process of the railroad from a labor, management, and Federal Railroad Administration perspective, and to discuss the Alaska Railroad Transfer Team's work plan and time line. A work session on the Capital Project Clean-up and Financial System status report.

WITNESS REGISTER

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138 Goldrush Estates  
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#### ACTION NARRATIVE

No tape log numbers are on record as no tape counter was available.

Interim tape #1, Side A

Chairman Moss called the meeting to order at 10:00 a.m., and gave a brief overview of the railroad transfer issue. He commented that the meeting was called in an attempt to get cooperation back into the process. He stated that he hoped by the end of the meeting they would be able to determine that the federal railroad authorities and the state are proceeding with a single purpose, which may not be occurring. He referred to the letter to Jack Burton from Commissioner Knapp (Attachment #1), and the transition work plan (Attachment #2). Chairman Moss recognized Mr. Arthur Minton.

Minton: Mr. Minton introduced himself as a representative from the International Association of Machinists and Aerospace workers, which some of the railroad employees belong to. He stated they're concerned about the deteriorating conditions of employment that have been occurring - unilateral changes of classifications, the farming out of work, etc. He stated their concern for the temporary employees who have no protection and benefits who have been severed from employment. It's of concern to the railroad and the state of Alaska because their expertise is needed for the maintenance of the railroad. Preferential hiring for the recall of these people for employment to the railroad should be done. They feel that these employees are not getting a fair shake in the transfer. They are going to utilize the restraints under the existing labor agreement, which is not as easy under the federal statute as it would be under a contract that entails all the conditions of employment instead of just part of them. They want to see not only the railroad facilities turned over to the state in good form but also a competent labor force with the expertise to run it well.

Chairman Moss thanked Mr. Minton and recognized Mark Hickey, asking him for an update of the transfer.

Hickey: Mr. Hickey stated that they are about halfway through the

transition period, where the federal government still owns the railroad. Certification was provided after which came the federal government's statement that the state has agreed to meet all the transfer conditions including the employee protection provision of the federal transfer law. Transfer is expected to occur no later than January 5, 1985. He referred to the work plan. The major step which has not been taken is appointment of the board members, which is expected to occur before October 5, 1984. Chairman Moss asked for clarification that the Governor would make his appointment this week. Mr. Hickey answered that to his understanding this would happen, and that the board hopefully would start meeting no later than the 3rd week of October. The board will be able to make some final decisions that are necessary for transfer - adoption of health and life insurance program, and of existing collective bargaining agreements. The major focus right now is on employee issues. Answers are being given to individual employees.

Senator Faiks asked what has occurred since June 1st that has caused employee unrest - what is different this year from last year.

Hickey: Mr. Polanchek could better answer that question. One major change that he is aware of was a RIF (reduction in force) action of four employees in the machine shops in Fairbanks. Senator Faiks asked if this also occurred last year. Mr. Hickey answered it would be more appropriate to turn that question over to the railroad.

Senator Fahrenkamp asked if these people involved in the RIF action were told that they could either move to Anchorage or be dismissed.

Hickey: Jobs would be made available to these four employees in Anchorage. Existing pay was guaranteed for two years under federal procedure, then there would be reduced pay for these people. Senator Fahrenkamp asked if they would close down the maintenance shop in Fairbanks. Mr. Hickey answered that it had been a planned effort for several years to consolidate mechanical maintenance functions in the Anchorage area. It is not an entire closing of the mechanical shop in Fairbanks. Senator Fahrenkamp stated that this was a top concern to her.

Chairman Moss recognized Representative Abood. Representative Abood stated that he'd like to know from rank & file employees what's going on.

Interim tape #1, Side B

Hickey: Referred to letter to Jack Burton from Commissioner Knapp on the question of the Anchorage freight house. Given the closeness of the transfer and the size of the issue, in talking about it with the Federal Railroad Administration

people, all involved felt that the best decision would be to postpone the action until the board could review the decision on the merits of the business proposal. My understanding is the railroad has made that decision to postpone closing the freight house so the board can assess the proposal. The state's interested in having a self sustaining operation.

Senator Faiks asked what the issue of the freight house is, and what's happening.

Hickey: The freight house has about 20 permanent employees, and handles the deliveries of rubber tires in the Anchorage area for freight brought in on the railroad. They are also involved with the new Crowley and SeaWay Services in assisting with the trailers that come in. Senator Faiks commented that the Teamsters would like to have a decision made on the freight house.

Chairman Moss called a five minute break as Mr. Hickey had to take an emergency phone call.

Interim tape #2, Side A

Chairman Moss called the meeting back to order and asked Mr. Hickey back to testify.

Hickey: This is a difficult time, and the lines of authority are confused. The federal government still owns and operates the railroad. The Federal Railroad Administration (FRA) has the type of oversight they've always had. The state, as part of the federal transfer law, has specific authority over three kinds of actions by the railroad - any lease of land or real property in excess of five years, any individual capital expenditure in excess of \$300,000.00 and any attempt to sell or dispose of real property. Other than that there are no formal arrangements where the state has any control over the railroad decision making. We do have pretty close cooperation. In any actions of this type the state will be alerted and briefed prior to implementation. Standard operating procedures should be followed.

Chairman Moss asked what would happen if the board was available before January 5th - if they'd take over operation of the railroad before then or not.

Hickey: They will not. Once the board comes into existence they will begin to be briefed on the railroad situation and be dealing with the responsibilities they will have. The actual legal responsibilities to direct and manage the railroad will not come to the board until that date of transfer.

Chairman Moss asked if they were in a situation where they had no titular head to guide them, and if they were trying to correct that.

Hickey: That's a reasonable question, which is why Commissioner Knapp feels that this is an appropriate forum to sit down and talk about it. The railroad management is there and doing the job that needs to be done, but it's a difficult time. Once the board takes over it will be a matter of time before they're really comfortable with their duties. Any change of this nature will have this time period of uncertainty. We've been able to get out a second question and answer booklet to the employees that was prepared jointly by the state and the FRA. The employees appreciate getting these answers, we've been getting some positive feedback. Chairman Moss asked who'd putting these out. Mr. Hickey answered the Transfer Team and railroad management, and the FRA.

Chairman Moss recognized Jay Trumble.

Trumble: An ex-employee of the Alaska Railroad, was employed there from 5/82-9/84. There seems to be no effort being made to protect the railroad employees. As far as employees and employee rights as this time the state seems to disavow any responsibility. The federal government seems to treat the employees as though they're no longer federal employees. The employees who have been recently terminated and their families certainly think this is a difficult time. The employees who were terminated up to 9/14/84 have no commitment from the Alaska Railroad for reemployment. They have no reemployment rights due to the fact that they were employed as temporary workers with the ARR. Many were employed 2 to 3, 3 1/2 years. I was told the temporary employment status was a result of a federal hiring freeze, and I would not have to worry about unemployment. Now I'm unemployed with no commitment of reemployment. As of 9/14/84 there are a minimum of 25 mechanical maintenance employees terminated, I quote, due to a lack of projected revenues. Given my experience with the railroad during the last few years this is considerably out of proportion with the seasonal layoffs that we experience.

Chairman Moss asked Mr. Trumble to clarify what his employment status was. Mr. Trumble answered that when first hired he was considered a term employee. With the expiration of his term his status was changed to temporary.

Representative Abood asked Mr. Trumble what his job with the railroad was. Mr. Trumble answered he was a locomotive mechanic. Chairman Moss asked if that was similar to the activity that's being curtailed in Fairbanks.

Trumble: I worked in Fairbanks for 30 days last summer. It's in the