

ALASKA LEGISLATURE COMMITTEE FILES, 1989-1990 8672
6192 HOUSE TRANSPORTATION

596

STATE OF ALASKA
THE LEGISLATURE

POUCHY - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
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Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMFR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HB 594

House Transportation 4/10/90

HOUSE COMMITTEE REPORT

(5)

Date Referred: April 4, 1990

FURTHER REFERRALS:

FINANCE

Date of Committee Action: 4/10/90

The TRANSPORTATION Committee considered:

HB 594

HOUSE BILL NO. 594

AIDEA BONDS: AIRCRAFT MAINTENANCE FACILITY

"An Act authorizing the Alaska Industrial Development and Export Authority to issue bonds for an aircraft maintenance facility located at the Anchorage International Airport; granting the authority an exemption from the state procurement code for contracts relating to airports; and providing for an effective date."

RECOMMENDATIONS:

- [] be replaced with _____ [] the same title
[] a new title
- [] have attached amendment(s)
- [] do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

[] fiscal impact _____

[] fiscal note(s) _____

[] zero fiscal note _____

[] zero fiscal note(s) _____

[] zero with analysis _____

[] zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not
Pass
No Rec
Amend

Eugene A. Kulman
Gregory J. Luman
Bill Hinds

	Do Not Pass	No Rec	Amend

Eugene A. Kulman
Chairman's Signature



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

April 4, 1990

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 13, of the Alaska Constitution, I am transmitting a bill relating to the development of an aircraft maintenance facility at the Anchorage International Airport. This bill provides the authorization necessary for the Alaska Industrial Development and Export Authority (AIDEA) to issue bonds to finance the acquisition, design, and construction of a multi-bay aircraft maintenance facility. The facility will be owned by AIDEA.

The maintenance facility would include an enclosed hangar and associated support shops, and an aircraft parking apron for outdoor maintenance and equipment staging. An aircraft maintenance facility in Alaska would create jobs and income for state residents. The facility could strengthen the state's role as an international air crossroads at a time when overflights are reducing some of the state's international passenger flights. The facility would help to attract new international air carriers and solidify the presence of existing airlines by providing one of the basic support services that the international airlines need. The facility could also make maintenance activities more convenient for interstate and intrastate airlines by locating a maintenance base at the same airport through which many of the aircraft are routed.

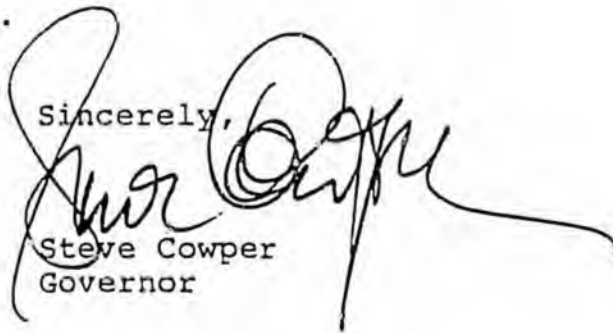
While no major airlines have committed to lease the facility, both Alaska Airlines and Federal Express have officially notified AIDEA of their interest. This bill will give AIDEA the ability to move quickly to finance the facility once negotiations for leases with potential users are successfully concluded. Out of respect for a coordinate branch of state government, I am seeking the authorization required by AS 44.88.172(c) to issue bonds to finance the maintenance facility; I have been advised by the attorney general that I am not required to obtain this approval because sec. 172(c) is of doubtful constitutional validity.

The bill also contains an exemption from the state procurement code (AS 36.30). This exemption would give airport projects owned by AIDEA the same treatment under the state procurement code afforded to the Department of Transportation and Public Facilities (DOT/PF). Under AS 36.30.850(b)(8), contracts relating to airports are exempt from the code. Airport projects are specialized facilities that must be tailored to industry standards. DOT/PF has learned that the primary users of airport facilities are eager to take responsibility for facilities that they will ultimately be required to use under the terms of a long-term financing lease. Such a transfer of responsibility not only assures a satisfied customer, it also shifts the responsibility from the state to the user for liability stemming from the implementation of the project.

The Alaska International Airport System will be submitting a separate budget amendment that will authorize the expenditure of up to \$8,000,000 in airport revenue for site development for the maintenance facility.

I urge you to pass this bill.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name below.

Steve Cowper
Governor

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
 Title: An Act relating to issuance of BRU: Alaska Industrial Development
bonds and procurement of an Aircraft Maint. Fac. and Export Authority
 Sponsor: Rules Committee Components: _____
 Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Analysis is attached as page 2.

Prepared by: William R. Snell, Deputy Director - Development Phone: (907) 561-8050
 Division: Alaska Industrial Development and Export Authority Date: 4/2/90

Approved by Commissioner: Larry Mercier Date: 4/2/90
 Agency: Department of Commerce & Economic Development

Distribution (by preparer):

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

LW/dg16663D/040290a

ANALYSIS

Section 1 of this bill would give AIDEA the authority to issue up to \$50 million in bonds for the acquisition, design and construction of a multi-bay aircraft maintenance facility located at Anchorage International Airport to be owned by the authority.

Preliminary cost estimates range from \$25 million to \$50 million, with the final cost depending on the number of users and their requirements.

o Development Schedule

The project development sequence is as follows:

- Phase I - obtain airline consensus and commitments
- Phase II - design development and permitting
- Phase III - construction

It is expected that Phases I and II would be completed in 1990 and Phase III in 1991.

Section 2 of this bill would exempt AIDEA from the competitive bidding requirements of the state procurement code (AS 36.30) for contracts related to airport construction. The exemption would give the project the same status under the procurement code as other airport projects undertaken by the Department of Transportation and Public Facilities (see AS 36.30.850(b)(8)).

This would allow the delegation to users the responsibility for the design and construction facilities that are intended for a special airport use. This approach recognizes that the state and primary users are partners in the project and that the facility should be designed with the special needs of the user in mind. The state also benefits by extracting indemnification from the user for any liability related to the performance under the delegation.

No separate legislative appropriation is required for AIDEA to issue the revenue bonds; therefore, the fiscal note is zero.

PROJECT TITLE: AIAS DEVELOPMENT FUND

FISCAL YEAR 1991

REGION: A1

LOCATION: STATEWIDE

COMPLETION DATE:

ELECTION DISTRICT: 99

APPROPRIATION TO: DOT&PF

WORK TYPE:

PROGRAM: AVINYL

FUNDING	CAPITAL REQUEST	OPERATING COSTS	NEW POSITIONS (PFT)
1002 FEDERAL RECEIPTS:			
1003 GENERAL FUND MATCH:			0
1004 GENERAL FUND:		\$0.0	
1005 PROGRAM RECEIPTS:			
1007 INTER-AGENCY RECEIPTS:			
1026 HWCF:			
1027 IARF:	\$8,000.0		
1061 CIP RECEIPTS:			
OTHER FUND:			
TOTALS:	\$8,000.0		

****PROJECT DESCRIPTION:**

DEVELOPMENT FUNDS WILL BE USED TO STIMULATE NEW PRIVATE SECTOR DEVELOPMENT AT ANCHORAGE AND FAIRBANKS INTERNATIONAL AIRPORTS. FUNDS WILL BE USED FOR DESIGN AND CONSTRUCTION OF BASIC SITE PREPARATIONS AND LAND IMPROVEMENTS INCLUDING, BUT NOT LIMITED TO, EXCAVATION AND BACKFILL OF LEASELOTS, UTILITIES, RAMP, TAXIWAY, ACCESS ROAD DEVELOPMENT, VEHICLE PARKING AREAS, LOT DRAINAGE, AND SECURITY FENCING. PRIVATE DEVELOPMENTS MAY INCLUDE SUCH FACILITIES AS AIRCRAFT FACILITIES, CARGO STORAGE AND HANDLING, AIRCRAFT PARKING AND REFUELING AND OTHER PRIVATE DEVELOPMENTS.

****PROJECT JUSTIFICATION:**

THE AIAS HAS HAD EXPRESSIONS OF INTEREST FROM A NUMBER OF TENANTS FOR MAJOR NEW DEVELOPMENTS AT ANCHORAGE AND/OR FAIRBANKS INTERNATIONAL AIRPORTS. DEVELOPMENT FUNDS ARE NEEDED TO RESPOND QUICKLY TO AIRPORT TENANT NEEDS FOR CONSTRUCTION OF SITE IMPROVEMENTS, SUCH AS WAS PROVIDED TO FEDERAL EXPRESS IN 1989 AND 1990. IF THE AIAS IS UNABLE TO RESPOND QUICKLY TO TENANT NEEDS, THE PROPOSED DEVELOPMENT MAY NOT OCCUR OR IT MAY OCCUR AT ANOTHER AIRPORT OUTSIDE ALASKA. THE ABOVE FUNDING AMOUNT HAS BEEN DETERMINED BASED ON INFORMATION FROM COMPANIES WHO HAVE INDICATED THEIR INTEREST IN DEVELOPMENT AT AIAS IN FY 91.

CSSB 543(L & C)

Section 1: Authorizes up to "50 million" in bonds for the aircraft maintenance facility.

Section 2: Limited Exemption. Same as DOT/PF currently has from the Procurement Code. Allows negotiation with air carriers who would be the prime tenants/users of facility. Exemption limited to airports.

Section 3: Allows authority funds to be used to secure bonds issued for "development projects" (44.48.172 et al.). Currently, majority of funds are in the enterprise account while statutes require that the economic account be used for projects that the authority would own. This section, in conjunction with section 5, solves this problem.

Section 4: Conforming change related to Section 3. Investment guidelines apply to the revolving fund (44.88.060), (i.e., whole fund), not just accounts within the fund.

Section 5: In conjunction with Section 3, allows authority to secure bonds by utilizing funds within the enterprise account. Removes prohibition. Allows authority assets to secure bonds issued under 172.

Tenant -

pay back for use of land -
end of term then building will
revert to airport - 25 - 30 years

Revenue bonds -

enhanced by users agreement

HB 123 - passos - no moral obligation

moral obligation to

AIEDA -



Representative Bette Cato, Chair House Transportation Committee

DATE: 4/10/90

PLACE: Room 17

SUBJECT OF MEETING:
BCH 25
SCR 47
HB 594

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
<u>PETE CARRAN</u>	<u>SEN. DUNCAN</u>	<u>P.O. Box U JUNEAU</u>	<u>99811</u>	<u>586-2496</u>	<u>465-4766</u>	<input checked="" type="radio"/>	<input type="radio"/>	<u>SCR 25</u>
<u>W. J. Sullivan</u>	<u>ATD: A</u>					<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
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						<input type="radio"/>	<input type="radio"/>	



Alaska State Legislature

HOUSE OF REPRESENTATIVES

Official Business

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

HOUSE TRANSPORTATION COMMITTEE

Committee Schedule
April 16th thru April 20th

(* indicates first public hearing)

HOUSE TRANSPORTATION	Capitol Rm. 17	8.15 a.m.
	465-4858	T TH

TUESDAY, APRIL 17th

*HB 535 - Relating to vehicle front seat occupancy

SB 506 - Overtime wages for truck drivers

THURSDAY, APRIL 12TH

CSSB366 - Relating to public use of the Dalton Highway

CSSB 137 Commercial drivers licensing requirements
(pending referral)

Worksession - Attorney General's opinion concern
Alaska Statutes

H C R

12

STATE OF ALASKA
THE LEGISLATURE

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Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMFR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HCR 12

House Transportation

2/16/89

H.C.R. 12

Rep Cato wished me to express her strong support for H.C.R. 12.

Rep Cato feels in order for the A.M.H.S. to expand, - to respond to changes necessary to continue to provide adequate services, and ~~continue~~ to update the system to meet today's needs, we must have a plan.

The sponsors are concerned that 5 of our nine vessels are over 25 years old and will be approaching the end of their useful economic lives in 5-10 years. We have no funds set aside for replacement of such vessels.

In SLA 1986 \$4.9 million in funds was appropriated to acquire the first of the recommended High Speed fast ferries.

In the D.O.T. 6 year plan the high speed ferries ~~are~~ have been delayed pending adoption of the A.M.H.S. master plan. This plan is well overdue.

Rep Cato feels that by directing D.O.T. to expeditiously complete the federally required A.M.H.S. master plan and submit this master plan to the legislature for review and approval by April 15, 1989, we will have a valuable tool that provides us with

a plan for the anticipated future needs of A.M.H.S.

HCR 12 - Page 3 commencing line 20 defines subjects and areas that A.M.H.S. must include in this masterplan.

These requirements include such vital subjects as - assessment and condition survey of the assets & facilities - a marketing, advertising and promotional plan - proposals for changes in short term and long term operation of A.M.H.S.

In summary, a system as large as the A.M.H.S. and, as vitally important to our transportation needs, should have a clear, well defined, course of direction that is updated annually to meet changing needs.

Prof. Calo feels HCR 12 will help us issue this plan will be completed by

April 15, 1989 & available for the legislature to review.

By defining specific requirements for inclusion in the masterplan, HCR 12

attempts to assure that this plan will address all areas that are considered necessary to enable us to adequately plan the future of the A.M.H.S.

HOUSE COMMITTEE REPORT

(5)
Date Referred: February 6, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 2/16/89

The TRANSPORTATION Committee recommends that:

HOUSE CONCURRENT RESOLUTION NO. 12 [MARINE HIGHWAY MASTER PLAN]
Relating to the Alaska marine highway system master plan.

[] be replaced with c/s HCB 12 (Transportation) [] the same title
[] have attached amendment(s) [] a new title

[] have attached amendment(s)

- [] do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [] fiscal impact
- [] zero fiscal note
- [] zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published: _____
- [] zero fiscal notes(s) published: _____

SIGNING DO PASS:

Butte Cato
Ben Sawyer
Bill Hurd
Richard Lopez
Robert A. ...

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Butte Cato
Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "Relating to the Alaska Marine Highway System Master Plan"
Sponsor: Hudson et al
Requestor: _____

Agency Affected: DOT/PF-AMHS
BRU: Marine Facilities Engineering
Components: CIP Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

No fiscal impact is anticipated. See Position Paper.

Prepared by: George W. Davidson, System Director
Division: Alaska Marine Highway System

Phone: 465-3950
Date: 2/15/89

Approved by Commissioner: Mark S. Hickey
Agency: Department of Transportation/Public Facilities

Date: 2/15/89

Distribution (by preparer):

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



Dept. of Transportation & Public Facilities

POSITION PAPER

BILL NO: HCR 12
TITLE: Relating To the Alaska Marine Highway Master Plan

APPROVED: Mark S. Hickey Commissioner
DATE: February 15, 1989

HCR 12 requests that the Alaska Marine Highway System Plan be completed and submitted to the legislature for review and approval by April 15, 1989 and that it include the following elements:

Table with 3 columns: Item, Concur, Disagree. Lists 13 items regarding the Alaska Marine Highway System Plan, with responses such as 'See comment' or 'Concur'.

(1) Community and User Comments and Recommendations: This information was collected in 1986 in a public involvement program conducted as part of development of the draft System Plan. The comments and recommendations received will be published with the plan. Completion of this task is included in the present AMHS capital budget, and will have no additional fiscal impact. A new effort to collect this information would prevent completion of the plan by April 15, 1989, and would cost an additional \$15,000.00. Since there have been no significant changes to the plan since the public review, it does not appear to be necessary to repeat this process.

(2) Alaska Marine Highway System Employee Recommendations: This information was also collected in 1986 as part of development of the draft System Plan. These recommendations will be included with the report on the public involvement program and its results. A new effort to collect this information at this time would seriously jeopardize completion of the plan by April 15, 1989, but would not add any significant cost.

(3) Consideration of Road Alternatives: As part of the Department's planning structure, the AMH System Plan relies on regional plans for the analysis of other transportation modes such as roads and aviation. The System Plan focuses on effective delivery and improvement of AMHS services. With this focus, The System Plan uses the work on roads and highways, to be found in the Southeast Alaska Transportation Plan, the Kenai Regional Transportation Study, etc., as its base for evaluating alternatives for making connections between communities and highways. Including analysis of road alternatives in the AMH System Plan would duplicate work already done elsewhere, and would prevent completion of the plan by April 15, 1989. Such work would increase the cost of System Plan completion by \$100,000.00. The various Southeast Alaska road options presently under consideration were all evaluated by the Southeast Alaska Transportation Plan, and have been taken into consideration in development of the AMH System Plan.

(4) Assessments of Environmental Impacts: In a similar vein, the AMH System Plan relies on the the general environmental assessment

provided by the regional plans for the geographic areas in which it operates. Incorporating any more detailed environmental assessment in the System Plan goes far beyond the scope of the planning process and would incur unjustifiable delays and expense. More detailed environmental analysis is properly conducted as part of individual projects implementing the recommendations of the Plan.

(5) Condition Survey of Vessels and Facilities: Condition surveys of vessels and facilities are an ongoing activity of the AMHS Operations and Marine Facilities Engineering branches. Surveys of shore facilities are published each year in the Shore Facility Condition Survey report. Vessel surveys are conducted by AMHS Operations maintenance personnel on a more or less continual basis and by the American Bureau of Shipping on a periodic basis. This information has been collected and used as the basis for System Plan recommendations on maintenance and in developing the long term capital improvement portion of the Plan. Inclusion of this element will have no impact on the schedule or cost of completion of the Plan.

(6) Marketing, Advertising and Promotional Plan: A marketing , advertising and promotional plan was one of the recommendations received during the public involvement program previously conducted. Such a plan will be included in the final System Plan and has been anticipated in the present budget for completion of the plan. Inclusion of this element will have no impact on the schedule or cost of completion of the Plan.

(7) proposals for changes in short-term and long-term operating budgets: The draft Plan makes recommendations for changes in short and long-term AMHS financing, both capital and operating. This task has been anticipated in the present budget for completion of the plan. Inclusion of this element will have no impact on the schedule or cost of completion of the Plan.

(8) Crew Schedules: Crew schedules are included in a number of analyses conducted in development of the draft plan. In particular, crew schedules are included in the evaluation of high speed ferries and alternative route configurations for the existing fleet. The draft Plan takes into consideration both the cost and employee

impacts of the crew schedules required to implement the Plan's commended route and fleet structure. This task has been anticipated in the present budget for completion of the plan. Inclusion of this element will have no impact on the schedule or cost of completion of the Plan.

(9) Statement on the Effect of Alaska Hire, Alaska Residency, and Local Purchase on the Alaska Marine Highway System: A statement on the effect of Alaska hire, Alaska residency and local purchase on the Alaska Marine Highway System will be included in the final plan. Inclusion of this element will have no impact on the schedule or cost of completion of the Plan.

(10) Information Relating to Training: Information relating to training has already been included in development of the marketing portion of the Plan. Other recommendations of the Plan which require training as part of implementation will include information on the training required. Inclusion of this element will have no impact on the schedule or cost of completion of the Plan.

(11) Statement on the Compatibility of the Plan with Traditional Commercial Users: The impacts of the plan on traditional commercial users were explored in the public involvement program previously conducted. The comments and recommendations of commercial users have been incorporated in the plan and will be reported in the appendix detailing the public involvement program. This task has been anticipated in the present budget for completion of the plan. Inclusion of this element will have no impact on the schedule or cost of completion of the Plan.

(12) Discussion of the Relationship Between the Alaska Marine Highway System Master Plan and the State Transportation Long-Term Plan: The draft Plan discusses and explains the relationship between itself and the State's long term transportation plans in detail. This task has been anticipated in the present budget for completion of the plan. Inclusion of this element will have no impact on the schedule or cost of completion of the Plan.

(13) Statement of the Improvements in Services Provided by the

Alaska Marine Highway System: The final plan will include a statement of the improvements in services recently initiated by the System. Inclusion of this element will have no impact on the schedule or cost of completion of the Plan.

Other Comments: The draft System Plan represents a flexible guide to the improvement and development of the Alaska Marine Highway System. The Plan provides the public with a consistent standard for decisions about System development, while affording Department management a vehicle for affecting the System's direction. The Plan represents today's best guess about the future and must be periodically updated in order to remain relevant. In order to keep the Plan current, computerized tools have been created to help make sure that the plan can be responsive to Alaska's economic environment.

A microcomputer model of the System's financial behavior has been built. This model allows management to estimate the short and long term cost of operating the system with almost any fleet and route configuration. Called the "System Performance Model, or SPM for short, the model was used to produce the financial projections in the present draft System Plan and will be used again in the completion of the Plan to bring those projections current. The SPM has also been used to evaluate the various route configurations identified in the legislative intent attached to Chapter 95, SLA 87, page 99, as well as the change in southern terminus from Seattle to Bellingham.

The System Performance Model or SPM consists of three major parts all running in LOTUS 123. The Financial Module models system financial behavior and estimates net cash flow requirements (both operating and capital) for each year for twenty years into the future. This is the information which is used for comparison and evaluation of alternative operating scenarios. Feeding the Financial Module's revenue projections with data is the traffic projection module, AMFOR. This part of the SPM predicts traffic for each of the major sub-components of the existing AMHS route system (Southeast Mainline, Southeast Secondary and Southwest). The Vessel Scheduling Module, or VSM, allows "what if" analyses of route structures differing from those presently existing.

Together these various parts provide management with a powerful tool. Choices about the development or improvement of the system can be tested without incurring the costs actual changes.

H C R

17

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
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JUNEAU, ALASKA 99811
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Mary Van Nimwegen

HCR 17

House Transportation 3/14/89

HOUSE COMMITTEE REPORT

(5)

Date Referred: February 21, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 3/16/89

The TRANSPORTATION Committee considered:

HCR 17

HOUSE CONCURRENT RESOLUTION NO. 17

[AK HIGHWAY 50TH ANNIV - PROJECT '92]

Relating to Project '92.

RECOMMENDS:

- [] replacing with _____ [] the same title
[] the attached amendment(s) [] a new title
[] do pass
[] do not pass
[] no recommendation
[] individual recommendations
[] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [] fiscal impact
[] zero fiscal note
[] zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published:

[] zero fiscal notes(s) published:

SIGNING DO PASS:

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Bill Hulse

Richard Sobey

Bette Cato

Arw A Lemans

Bette Cato

Chairman's signature

1 IN THE HOUSE

BY SHULTZ, PHILLIPS AND
GRUENBERG

2

HOUSE CONCURRENT RESOLUTION NO. 17

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

Relating to Project '92.

6

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

7

WHEREAS Project '92 will be an international celebration in 1992 of
8 the 50th anniversary of the Alaska Highway by the United States, Canada,
9 and Alaska; and

10

WHEREAS Project '92 is being promoted as a year long celebration with
11 a dynamic program of events to commemorate the building and use of the
12 Alaska Highway; and

13

WHEREAS Project '92 offers an unparalleled opportunity to promote a
14 clear and positive image of highway travel to Alaska with emphasis on the
15 unique cultural, scenic, and historical values to be experienced en route;
16 and

17

WHEREAS Project '92 will bring thousands of additional visitors to
18 Alaska who will have participated in the celebration throughout the
19 Canadian portion of the highway; and

20

WHEREAS a continuation of the Project '92 celebration along the Alaska
21 portion of the highway with special recognition for visitors at the termi-
22 nus will greatly benefit the state; and

23

WHEREAS Project '92 will be the inaugural celebration in Alaska's
24 "Gold Rush Decade Of The '90's"; and

25

WHEREAS Canada continues to demonstrate a very cooperative relation-
26 ship with Alaska and promote the state's portion of the highway as the
27 official destination in Project '92;

28

BE IT RESOLVED that the Alaska State Legislature supports the efforts
29 of the Great Alaska Highway Society, a nonprofit corporation with statewide

1 representation that has organized to promote Project '92; and be it

2 FURTHER RESOLVED that the Alaska State Legislature pledges to assist

3 the Office of the Governor and the Canadian delegation in this unprecedent-

4 ed opportunity to promote the most unique highway in North America.

MARCH 16, 1989

COMMITTEE CALENDAR

FOR THIS MEETING, YOU HAVE BEEN GIVEN:

Folder 1: HCR 17

- #1: HCR 17
- #2: Fiscal Note/Commerce & Economic Development
- #3: Backup

Folder 2: HJR 11

- #1: HJR 11/Memorandum from Sponsor
Work Draft: CS #1 - CS #2
- #2: Fiscal Note/Department of Environmental Conservation
Position Paper/Department of Transportation
- #3: Backup/Fairbanks North Star Borough
- #4: Backup/Alaska League of Women Voters

Folder 3: Presentation/Meeting: "Common Sense for Alaska"

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: HCR 17
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
Title: Project '92: Alaska Highway
Celebration (50th Anniversary) BRU: Tourism
Sponsor: Shultz, Phillips, Gruenberg Components: _____
Requester: House Transportation

EXPENDITURES / REVENUES : (Thousands of Dollars)

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

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Hubert J. Gellert, Director
Division: Tourism

Phone: 465-2012

Date: 3-6-89

Approved by Commissioner: Larry Mercurieff
Agency: Department of Commerce & Economic Development

Phone: 465-2500

Date: 3/6/89

Distribution (by preparer):

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

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RATIONAL FOR EXPEDITING HCR 17

To date, there have been two joint Canadian - Alaskan meetings in preparation for the 1992 50th anniversary celebration of the building of the Alaska Highway.

Our Canadian neighbors have hosted both of these meetings, adopted a modified Alaskan logo, and pledged strong support for the promotion of "Project 92".

On our side of the border we are fast coming up to speed with the formation of the "Great Alaska Highway Society". The purpose of this group is to generate public and private support to fill in our side of the equation in this celebration.

In order to continue the progress and keep us on track for "Project 92," we need to show our good faith to our Canadian counterparts. It is in this spirit that I ask that HCR 17 be expedited. It is my hope that we as a body can act on this Resolution while the Canadian Delegation is here with us.

Thank you.

1992: A YEAR OF ANNIVERSARIES

1992 is a year of significant historical anniversaries for Alaska which involve Canada and Russia.

The major events to be commemorated include the 1867 purchase of Alaska from Russia, the 1942 construction of the Alaska Highway and the 1942 US-to-Russia Lend-Lease War Planes program.

1992 will also be the year of a number of other anniversaries, international conferences and games which have as part of their focus, cultural, historical, political, economic and native issues of this Land at the Top of the World.

Thus, for Alaska it is a very special year... for Alaska it is... "1992: A Year of Anniversaries".

50TH ANNIVERSARY OF THE ALASKA HIGHWAY

The Alaska-Canada joint planning for the International Celebration of the 50th Anniversary of the Alaska Highway in 1992 has been ongoing since 1986. The result is an outline of a year-long series of historical and tourist events and activities along the entire length of the Alaska Highway, from Canada to Alaska for 1992.

This celebration is being designed to recognize the historical significance of the Alaska Highway in the development of Canada and Alaska while at the same time, realizing the potential economic benefit of this event through through the tourism aspects of the celebration.

Project 92: the Celebration of the 50th Anniversary of the Alaska Highway, will involve other WWII anniversaries as they relate to the development of the communication, energy and transportation network developed in Alaska and Canada during 1942.

1992 will be a very exciting year along the Alaska Highway... from Canada to Alaska it will be the international celebration of the 50th Anniversary of the Alaska Highway.

125TH ANNIVERSARY OF THE SEWARD PURCHASE OF ALASKA FROM RUSSIA

The other main anniversary in 1992 is the 125th Anniversary of the Seward Purchase of Alaska from Russia.

This is a very significant anniversary in the history of the state and in this modern era of easing tensions between Russia and the rest of the world... this time of "Glasnost"... and this time of increasing contact between Alaska and Russia... the celebration of this anniversary would be a large part of Alaska's continuing "Russian Initiative".

Alaska and Russia ... taking the lead in the world... jointly celebrating the Russian heritage of Alaska... celebrating the 125th anniversary of the Seward Purchase of Alaska from Russia.

THE GREAT ALASKA HIGHWAYS SOCIETY

The Great Alaska Highways Society is a non-profit, private, state wide "grass roots" group that was organized to recognize the historical significance and heritage of the Alaska Highways and to promote their contribution to the continued development of Canada and Alaska.

The main goal of the Society is the coordination and promotion of the 1992 International Celebration of the 50th Anniversary of the Alaska Highway in Alaska. In support of this goal, the Great Alaska Highways Society is planning to be a "grass roots" body acting as the main operational and administrative organization for Project 92 in Alaska.

The Society is also seeking to be one of the recognized representatives of the State of Alaska to the International Committee on the 50th Anniversary of the Alaska Highway.

Project 92... its planning, organization and promotion... is the main goal of... The Great Alaska Highways Society.

RATIONAL FOR EXPEDITING HCR 17

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Thank you.

NORMA Phillips
Testimony
Article #3

"COMMON SENSE FOR ALASKA"

STUDY ON THE ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

MARCH 1989

Chairman: David L. Waldron

Committee Members: Carl Bauman
Jerry Foster
Greg Kinney
Steve McKean
Joe Merrill
Ed Musgrove
Cathy Straub
Roberley Waldron

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INTRODUCTION

This report covers the Department of Transportation & Public Facilities (DOTPF) operations which Common Sense for Alaska (CSA) believes most need improvement. These operations include:

- * Headquarters Organization;
- * Capital Project Cost Control;
- * State Equipment Fleet;
- * Leasing;
- * Design and Construction;
- * Maintenance & Operations; and
- * Salaries/Wages and Benefits.

Other operations require evaluation and may need improvement; this report covers only operations for which CSA was able to obtain sufficient information for a reasonable analysis.

We found that DOTPF does not keep certain records. In some cases we found conflicting information in documents presented to us. CSA concludes that DOTPF does not have reliable reporting and evaluation systems necessary for effective management, and that critical management information is unrecorded and unobtainable.

DOTPF's primary responsibilities include the planning, design, construction, maintenance and operation of certain state-owned facilities. Other responsibilities include management of the State Equipment Fleet and leasing.

While DOTPF's statutory responsibilities include maintenance support for most state-owned facilities, various state agencies have created their own maintenance function, often with costly duplication of effort.

The absence of quality control systems prevents both effective management and meaningful evaluation of department activities.

DOTPF apparently lacks the appropriate incentive to improve the cost effectiveness of its operations. While the federal government provides most funding for state capital construction projects, DOTPF is still responsible for spending the money wisely. The result is inappropriate conversion of general funded positions to CIP-funded positions and an unnecessary increase in D&C staff despite decreases in project funding.

Finally, DOTPF, as well as other State Departments, is a victim of state personnel policies and labor agreements that stifle personal incentive and staff creativity. The latest research indicates that personal incentive and allowance for creativity are critical factors in cutting costs and improving productivity. Today the most successful companies are achieving tremendous productivity increases by giving their employees greater latitude and responsibility while reducing management personnel.

The State must encourage, recognize and reward outstanding performance. Policies should be changed to allow greater staff creativity. Management should be trained to provide an environment of job satisfaction, and to challenge its staff to achieve greater productivity.

Exceptionally well-qualified individuals work at all levels within DOTPF. They are aware of the problems within their work areas. They should be provided:

- * A system for making suggestions;
- * Assurance that a good suggestion will receive serious consideration; and
- * Rewards for innovation and initiative.

EXECUTIVE SUMMARY *

The Department of Transportation and Public facilities (DOTPF) is experiencing major problems, including:

- * A poor public image;
- * Lack of financial accountability; and
- * Inefficient management practices.

A recent Common Sense-sponsored poll asked legislative candidates, "considering the different departments in state government, which do you feel is the most wasteful or inefficient?" More than 70 percent of the respondents cited DOTPF.

A Dittman Alaska analysis, published in the November 1988 issue of Alaska Construction & Oil, indicates that the majority of business leaders are disappointed in DOTPF's overall performance. The analysis also indicates that the respondents were concerned with project management and excessive personnel costs.

Significant problems also were identified in the year-long "Alaska Highway Program Review" study done by the Highway Users' Federation.

A 1988 report by the Consulting Engineers Council of Alaska identified excessive costs associated with construction projects, and discussed the department's failure to effectively use private engineering resources.

The Legislature has also indicated major concerns with the department's management as reflected by the Legislative Intent included in the budget each year.

The purpose of this report is to identify possible causes for these problems, and recommend potential solutions. This is not a comprehensive report of the entire department. The difficulty Common Sense experienced obtaining meaningful information resulted in significant omissions, including the Marine Highway System. This report represents a considerable effort by knowledgeable and experienced volunteers of Common Sense. While it would be difficult to thoroughly review all Department Functions, we feel it does provide valuable insights into the effectiveness of DOTPF.

MAJOR RECOMMENDATIONS ✕

1. Realign the Juneau Headquarters to streamline the administrative and support staff, and increase the number of technically qualified persons in line positions. This is needed to enhance its ability to provide meaningful policy direction related to the primary department functions.
2. Require that administration-recommended capital projects include breakdowns of design, construction, utility and administration costs prior to legislative consideration.
3. Implement a project control system which provides meaningful real time information. These systems are readily available on the commercial market, and are in use by other states and the federal government. No research is required other than selecting an existing system that best serves the department's needs.
4. Compare the cost of State Equipment Fleet services with private sector costs, and require that the most economic option be used. The cost analysis should be done by an independent private-sector firm.
5. Commission an independent audit of DOTPF's property and facilities management and leasing practices. The audit should examine compliance with applicable statutes and regulations, and determine whether the State is receiving appropriate compensation.
6. Encourage the legislature to mandate levels of capital project design and construction management work contained in the capital appropriations bill which are to be contracted out to private firms.
7. Implement a statewide maintenance management system within M&O using a commercially available system, or one available from another government agency, to provide an effective management tool and realistic data for use by both the department and the legislature.
8. Modify or eliminate Local 71 labor agreement provisions which result in excessive costs. Specifically, the union's restrictions on the contracting and subcontracting of state performed tasks, and its provisions which require all state vehicle service work (except in extreme emergencies) be performed in state facilities. (Art. VII, sec. 4 and 4a.) Fieldwork is a step in the career development of an engineer. Therefore, the unions provision which states, "An engineer in training is not a member of this bargaining group...provided that no members of this bargaining group are laid off as a result of these (engineer) assignments. (Engineer) Training shall be defined as working in addition to the regular crew.", should be considered featherbedding and removed (Art. XIII, sec. 3).

9. Legislate the amount of M&O operating budget funding that will be contracted to local government entities and/or the private sector.
10. Establish realistic position descriptions and compensation levels to align total pay and benefits with similar positions in the private sector and other states. The alignment should take into account a cost of living factor. Special efforts should be made to reduce paid time off the job, which now can total 56 days, or three months of each year.
11. Establish a suggestion and incentive program for cutting costs. Individuals providing cost-saving suggestions should be rewarded. Such a program will encourage and tap the creativity of department employees.
12. Implement a formal quality control system that evaluates support provided to other state agencies and private citizens.
13. Establishment a Transportation Commission to provide oversight and continuity. This commission would have the typical functions and responsibilities of a Board of Directors, but would not remove legislative oversight or control of expenditures.
14. Divide the department into two, possibly three, departments. Now, DOTPF is too large and covers too many diverse tasks to be effectively managed by one commissioner. The department should be divided into Department of Transportation, Department of Public Facilities, and perhaps Marine Transportation.

HEADQUARTERS/DEPARTMENT ORGANIZATION *

In recent years DOTPF has experienced repeated, traumatic reorganizations as administrations attempted to improve its operating efficiency. The existence of significant problems is reflected by the Capital Projects Cleanup effort, the recent legislative audit of the State Equipment Fleet, the polls and other studies cited earlier in this report, and the continued efforts on the part of the Legislature through legislative intent to effect improvements.

In some respects the department is experiencing the same problems many large corporations faced after acquiring new unaligned businesses. Many of these corporations have since disposed of these businesses at significant losses rather than continue trying to manage too many dissimilar activities.

DOTPF has much the same problem, considering it is responsible for design, construction and maintenance of buildings, highways, airports, seaplane floats, boat harbors, and docks, and management of the Marine Highway System, State Equipment Fleet, international airports, rural airports, boat harbors, leasing programs and research activities.

The problem associated with diverse responsibilities is aggravated by lack of technical skills among headquarters staff. The department headquarters lacks sufficient individuals with experience in the design construction management, maintenance or operation of transportation systems, buildings and marine facilities. (A notable exception is the bridge design section.) This lack of technical capability also was identified in the "Alaska Highway Program Review" report published by the Highway Users' Federation in 1987.

The department has also attempted to assign line type responsibilities to the headquarters, Finance and Budget section. Normally, this section is a support or staff function. Examples of such misplaced management include management of the State Equipment Fleet and the International Airports. This improper assignment of responsibilities created the problems noted in the audit of the State Equipment Fleet. If allowed to continue, this likely will result in similar problems with the International Airport system.

A relatively recent change resulted in reassignment of regional administrative sections to the Headquarters Director of Management and Finance (Comptroller). This violates the basic management principal that managers should have at their disposal the resources to accomplish their mission. It may be inefficient that an element physically located within the Regional Director's office reports directly to a headquarters support type element. However, such relationships occur when staff functions dominate the headquarters of either corporate or public institutions.

DOTPF is typical of organizations that have diversified their responsibilities to the point where technical expertise is lacking, at the headquarters level, in many areas. As a result, the department has ineffectively managed many of its responsibilities. It appears that Legislative intent has been ignored.

An example of this ineffectiveness is the apparent assumption that all engineers have equal skills, and therefore can be used on any project. In one instance a highly experienced highway construction engineer was given responsibility for managing and inspecting the replacement of the heating system in a major building. Another engineer with similar experience was assigned to manage construction of a boat harbor. Obviously, both projects suffered.

The present lack of technical competence in the headquarters, the diverse responsibilities, the poor organizational structure, the assignment of line responsibilities to support type functions, combined with the absence of any adequate management or project control systems, have resulted in significant problems associated with the effective management of DOTPF's responsibilities.

Essentially, the current department organization has too many layers to provide responsive management. In his book "Thriving on Chaos" Tom Peters stresses the importance of reducing the levels of management. The recent creation of an additional level of management within DOTPF headquarters further removes the commissioner from those responsible for doing the work. And, the commissioner is further removed from any accountability for what is -- or is not -- accomplished.

Recommendations:

1. Eliminate at least two levels of management between the commissioner and the equipment operators and design engineers.
2. Realign headquarters so the organization reflects major department responsibilities. Staff sections with individuals who can successfully manage design, construction, maintenance and operations activities.
3. Reassign any functions which support individual regions located in the regions to regional directors.
4. Reassign management of the State Equipment Fleet and the International Airport system to executive elements in the headquarters.
5. Consider removing the Marine Highway System, public facilities, the International Airport system, leasing, State Equipment Fleet and/or other responsibilities from the department. This action will reduce responsibilities to a level where effective management can be accomplished.

CAPITAL PROJECT COST CONTROL

The department's poor project cost control capability is reflected by the \$800 million accountability problem. Another example of poor project cost control is the long-promised -- but not yet completed -- "Capital Projects Cleanup."

Effective cost control ensures that projects are properly authorized, charged against the proper appropriations, and that the appropriations are not overspent. Often problems result from constraints built into the process. The main constraints include:

The legislative appropriation process complicates cost control. The process bases the amount of funds provided on preliminary planning estimates, and provides construction funds before the design process has verified or amended the original planning estimates.

The State's accounting system (AKSAS), which was not designed to provide project cost accounting, cannot provide the timely information needed for effective management of project funds.

The State's personnel policies, including the labor agreements, prevent management from providing adequate training or rewards, and from holding individuals accountable for their actions.

The State should change the legislative process so projects can be funded for realistic amounts. A revised process should break appropriations into costs for design, contract management, administration, construction, right of way and utilities.

Accounting systems are designed to accomplish specific purposes. AKSAS was designed to pay bills and charge those payments to the proper accounts. AKSAS was NOT designed for project cost accounting.

Alaska Statute (AS 44.21.040) gives the Department of Administration authority to maintain the State's accounts. The statute should be changed to require each department to keep records useful in supporting their management activities. The Department of Administration would approve the systems to ensure that appropriate claims and appropriations controls are in place. The system would provide necessary, summary reports to the Department of Administration.

Recommendations:

1. Implement a more effective project management system. Major federal agencies and some states are using systems that would serve as excellent models.

2. Require that all administration-proposed projects have preliminary plans completed prior to funding approval. This will ensure that the design meets legislative intent, and that realistic cost figures are available.
3. Require the department to develop accounting systems which support its needs. The systems would automatically provide appropriate information to the Department of Administration.

STATE EQUIPMENT FLEET *

The department's management of the State Equipment Fleet (SEF) has been ineffective and poorly executed. This has resulted in high costs and low customer satisfaction.

The SEF is responsible for purchasing vehicles and rolling equipment, and renting the equipment to other state agencies. The fees are supposed to cover the costs of maintenance, fuel and depreciation.

In 1983 the department recognized significant problems with fleet management. DOTPF contracted with Morrison-Knudsen for a study to describe the problems and recommend solutions. The study did identify serious problems. However, DOTPF has not acted on the recommendations.

The Legislature also has recognized the severity of fleet management problems. The department's FY87 budget included the following wording: "It is the intent of the legislature to reduce vehicle maintenance and repair costs by allowing user agencies to use either the state equipment fleet facilities or private vendor facilities."

The Legislature also recognized that the SEF had been overcharging other agencies, and had built up a vast surplus in the replacement fund. First the Legislature and then DOTPF dipped into this pool to satisfy needs unrelated to the purpose of the replacement fund. The result is, the fund has been depleted to the point where insufficient money is available to replace equipment in a timely manner -- despite the fact that the other state agencies have paid for these needed replacements.

Again in FY88 the Legislature expressed concern with State Equipment Fleet management. The Legislature also approved a temporary increase in SEF headquarters staffing. The appropriation was accompanied by the following statement: "It is the intent of the Legislature that the accounting position is to help "clean-up" billing problems within the state equipment fleet and is only funded for FY88."

Despite significant budget problems, the authorized headquarters staff has increased from 72 staff months in FY86 to 108 in FY88. The one-year position included in the FY88 budget to "clean-up" billing problems was retained in the FY89 budget.

The "Alaska Highway Program Review" published by the Highway Users' Federation in December 1987 identified the funding problem as having been caused in part by lowered rates. The problem was caused by a legislative transfer of \$62.7 million out of the fund to finance unrelated budget requests. The study failed to recognize that the problem resulted from excessive rates building up an excessively large fund that could not be defended as necessary reserves.

A recent legislative audit (#25-1304-A-88-R) identified significant areas of noncompliance with state statutes and regulations governing fiscal activities of the Highway Equipment Capital Fund. A repeat from the FY'86 legislative report stated, "The Department of Transportation and Public Facilities (DOTPF) needs substantial improvement in the billing, collecting, and recording of Highway Equipment Capital Fund revenues."

Other findings focused on:

- * The department's failure to ensure that DOTPF reports contained accurate information;
- * The arbitrary establishment of the fees without appropriate calculations; and
- * DOTPF's failure to follow generally accepted accounting principles in preparing financial statements.

One problem is the assignment of an operating agency to a staff function responsible for financial accounting. Proper procedures were not exercised to insure proper and timely billings. Basic financial controls were lacking.

In a nutshell, no justification exists for continuing the present organizational structure. The mission of the State Equipment Fleet is to maintain vehicles and equipment. The SEF should be assigned to Statewide Engineering and Operations, which is about as close to a line type function as exists at headquarters.

Valid concerns about SEF costs have been expressed by both using agencies and the legislature. The analysis in the M&O section of this report shows that the hourly cost of state-owned equipment significantly exceeded the cost for contracted equipment.

The SEF has consistently operated on the premise that it enjoys a captive clientele. Rates have been established at a level beyond what is necessary to meet anticipated expenditures. This approach often has resulted in surplus year-end funds, so the SEF has had no incentive to exercise cost-effective management. In addition, the SEF did not experience any of the mid-80's budget cutting. This resulted in excessive SEF staffing.

The Local 71 Labor Agreement also contributes to excessive rates by placing restrictions on contracting out work. The agreement stipulates that, in communities of more than 2,500 residents, all vehicle repair and overhaul service work shall be performed in state facilities (except in extreme emergencies). These restrictions totally ignore costs.

It has come to our group's attention that the department is apparently not following established procurement procedures in purchasing vehicles and heavy equipment. Allegations are that contract requirements are being waived and regulations rewritten to benefit certain vendors. Determining the validity of these allegations is beyond the scope of this group. However, either an independent or legislative audit should be performed to insure that the intent of the recently enacted procurement procedures are not being violated or circumvented.

Many highly motivated and talented individuals are employed in SEF's field elements. However, top management apparently lacks the ability and interest to understand and help solve the problems. This lack of ability and interest limits productivity and causes unnecessarily high rates. Thus qualified staff are handicapped in attempts to provide cost-effective service.

Recommendations:

1. Recognize the State Equipment Fleet as a servicing agent for other state agencies whose existence depends on it being competitive with the private sector.
2. Assign responsibility for State Equipment Fleet to an operational element within the headquarters, in order to provide more cost-effective management.
3. Change the Local 71 labor agreement to eliminate restrictions on which unrealistically increase cost.
4. Have the department correct deficiencies noted in the audit report #25-1304-A-88-R. The department should make immediate changes necessary to provide both proper fiscal controls and accurate reports to using agencies.
5. Perform audits to insure that procurement policies are not violated on the State's purchase of vehicles for SEF.

LEASING

The department has not effectively managed its state lands and facilities lease program. An example of mismanagement is the leasing program for rural airports such as Birchwood and the float plane facilities on Lake Hood and Lake Spenard.

The rural airport program showed a revenue shortfall of \$13.3 million in FY 88. This shortfall occurred because the department failed to maintain lease rates at a reasonable level. Also, DOTPF has not initiated a program to charge tie down fees at any rural airport except for Birchwood. Incidentally, there are over 800 rural airports throughout the state. This leaves the department in the position of providing various services, including snow removal from tie down areas, without attempting to recover any portion of the expense.

Aircraft parking space leases on Lake Hood and Spenard specify that only the lease holder's aircraft may be parked in that space. In fact, the state charges \$240 a year for non-commercial and \$360 annually for commercial lease space. Subletting is not allowed. However, Anchorage newspapers regularly carry classified ads offering subleases on Lake Hood and Spenard at \$2000 a year.

In Anchorage, under a special arrangement, the department has leased 21 aircraft spaces to one individual who in turn subleases at \$1500 a year. The argument that lease money earned at Lake Hood and Lake Spenard could not be used at other airports is specious; all that is required is that these two facilities be separated from the International Airport system.

The department has not raised lease rates at rural airports since 1968, despite the fact that these rates are to be reviewed every five years. During this period the consumer price index has risen more than 180 percent. If nothing else, the practice of subletting at \$2000 a year demonstrates fair market value.

The current study to raise these rates was initiated in 1983. It still has not produced results.

Improper administration of these programs results in a few individuals receiving exceptional benefits through their use of state owned property at little or no cost, while the average resident of the state receives no benefits from these publicly owned facilities.

Recommendations:

1. Strictly enforce the present leasing guidelines for Lake Hood and Lake Spenard, which limit each person to one space with no subletting allowed.
2. Establish maximum lease periods, including extensions or renewals, to allow all state residents an opportunity to lease these facilities. The leases should be made available for public bidding at least every 15 years.

3. Implement the leasing rate structure now being considered. However, the legislature should include automatic increases every five years to adjust for changes in the CPI.
4. Audit this program to insure that the State receives reasonable income from these properties, and that the program is being effectively managed.

DESIGN AND CONSTRUCTION DIVISION

OVERVIEW:

The Design and Construction (D&C) Division implements capital improvements authorized by the legislature and funded by the federal government and the state. D&C functions are administered through Northern, Central and Southeast regional offices. Each regional office normally takes jurisdiction over projects within that region's boundaries.

The division's mission is the location, design and construction of highway, aviation, harbor, and building projects identified in the Capital Improvement Program (CIP). This involves the administration of a large production organization, and supervision of services related to design, environmental analysis, materials, right-of-way and land acquisition, utility and construction management for CIP projects.

Division Impact on the General Fund

The following chart shows the FY88 and FY89 operating budget comparisons for various D&C organizations:

<u>REGION</u>	<u>FY88 BUDGET</u>	<u>FY89 BUDGET</u>
CENTRAL REGION		
Engineering Management	\$ 4,987.3	\$ 4,946.0
CIP Program	22,048.7	22,719.5
Total Central Region	27,036.0	27,665.5
NORTHERN REGION		
Engineering Management	\$ 2,848.3	\$ 2,964.8
CIP Program	21,022.5	21,414.7
Total Northern Region	23,870.8	24,379.5
SOUTHEAST REGION		
Engineering Management	\$ 4,012.8	\$ 4,104.5
CIP Program	5,833.1	5,947.1
Total Southeast Region	9,845.9	10,051.6
TOTAL ALL REGIONS	\$ 60,752.7	\$ 62,096.6

Two budget request units (BRU's) exist within each D&C organization: the Engineering Management unit and the Capital Improvements Program unit.

The Engineering Management BRU is funded for all non-project specific general fund contributions and administrative/managerial charges. Federal law prevents these costs and charges from being charged to specific projects. Examples include overhead associated with DOTPF buildings, project site quarters, vehicle maintenance and leasing, and personnel costs, such as benefits.

Certain D&C division staff positions may be funded only from the general fund because they are not project-specific. Certain assigned engineering tasks not tied to a specific project are part of this BRU as well.

The costs of the Engineering Management BRU varies from a minimum of 12.2% of the total D&C operating budget for the Northern Region, to a high of 40.8% for the Southeast Region. The statewide average is 19.3%. Why the Southeast Region is so high deserves legislative inquiry.

DOTPF has yet to establish a method of measuring in meaningful terms, workloads associated with CIP funding. DOTPF cannot account for project funds that allow identification or tracking of trends for planning purposes. This prevents DOTPF from equating D&C funding levels with appropriate workload levels relative to its overall and project-specific responsibilities. Measurement of work accomplished in relation to funds expended is a necessary ingredient in the evaluation of numbers of positions needed.

Division Cost Effectiveness

D&C administration costs (for design and project management) have been as high as 40% of overall project costs (see chart), while private sector costs for comparable services run 15-20% of the actual construction contract costs of projects. Also, private sector costs for just design work, not including project management, range from 5% to 10% of the total project cost.

Certain D&C costs are non-chargeable by federal law, and are not figured as actual construction costs. Such costs include construction planning; design and overall contract administration functions such as personnel benefits, leasing of and replacement charges for vehicles from the state's fleet service; overhead costs of land and major DOTPF buildings; building maintenance; and pay items such as project site quarters for inspectors.

In other words, in-house project costs (see following chart) exclude costs Alaskans pay for benefits; vehicles; overhead on land and buildings, such as DOTPF's building on Airport Way in Anchorage; costs associated with M&O for providing the land and buildings; and project site quarters. The private sector includes these items in fee structures and adds a 10% profit, as these are real costs for doing business.

Certain DOTPF construction contract costs such as utility relocations, schematics/project concepts, legal fees, and project analyses and reviews, do not show up in the cost figures below.

A 1988 report by the Consulting Engineers Council of Alaska (F. Robert Bell, et al.) showed estimated per-hour production costs of \$63.76 for D&C staff, and \$56.67 for the private sector (an 11% difference). The estimate factored in all elements of overhead costs, per-hour rates and benefits. An additional 10% profit for the private sector was added in.

D&C Central Region Administrative Cost Comparison FY88 & FY89

	(Millions)	(Est)
	<u>FY88</u>	<u>FY89</u>
Project Construction Contract Costs	\$71.80	\$ 63.00
In-house Project Costs (chargeable)	25.35	25.14
Consultant Fees (chargeable)	3.11	2.14
% of Chargeable Costs to Contract Costs	39.6%	44.3%

This chart indicates that, contrary to Legislative Intent included in DOTPF's budgets, D&C's use of private sector design consultants is declining.

The chart's figures also indicate that design and construction administration costs for FY88, including consultants but excluding General Fund (non-chargeable) costs, totaled \$28.5 million (\$25.4 plus \$3.1 million) or 40%. This means that for every construction dollar, D&C spends 40 cents on design and administration.

In September 1988 the Central Region director prepared a memorandum comparing FY87 and FY88 payments to consultants, and the costs associated with in-house (core staff) for the same kinds of work performed. The consultant utilization rate showed the amount of work performed by the consultants as a percentage of similar work done by core staff. The results were as follows:

<u>MODE</u> <u>(FY88)</u>	<u>CONSULTANT</u> <u>UTILIZATION</u> <u>(FY87)</u>	<u>CONSULTANT</u> <u>UTILIZATION</u>
Highways	22.33%	19.54%
Aviation	8.61%	5.15%
Buildings	100.00%	100.00%
Composite Total	96.46%	75.00%

The widely differing use patterns reflect differing functions among sections. The Public Facilities section, for instance, does not do any in-house design, although, like all other sections, it does construction contract administration. Almost all highway design is now done in-house (in contrast to previous years when major projects, such as the six-lane Glenn Highway section, were designed by consultants). Numerous environmental and reconnaissance reports and substantial contract right-of-way work is performed by consultants.

These figures are included in the highways figure. We noted that consultant use by the aviation section is much higher in the Northern Region. When that region assumed aviation planning and design responsibilities, core aviation staff remained in Anchorage, which is in the Central Region.

Again, it appears that some degree of retrenchment toward in-house staff is occurring. D&C philosophy, as expressed by some employees, is that "The only reason for contracting any design work was that there was simply too much work to handle in-house. Any excess work is sent to the private sector only by necessity." It follows that if the volume of design work shrinks to the point that in-house forces can handle all designs, then contract designers will no longer be used.

The chart below deals with the total State Capital Appropriation for FY87 through FY89:

<u>FY</u>	<u>TOTAL CAPITAL BUDGET</u>	<u>DOT & PF ENGINEERING STAFF</u>
87	620.6 mil.	934
88	343.8 mil.	940
89	385.4 mil.	943

This illustration shows the decline of capital dollars spent and the growth of D&C design staff. The total of salaries for Engineering staff for FY89 comes to \$31,135,342.66. In our discussions with D&C management, we were shown charts indicating that not all 943 staff positions are utilized. However, both the long-form FY89 DOTPF budget and Legislative Budget and Audit indicate that all 943 positions are funded.

Recommendations:

1. The Legislature should initiate an independent audit to determine the productivity and per-hour costs of D&C staff. Common Sense for Alaska believes that capital project design charges can be compared with contract value, by ranges of total construction contract costs, and that charges accrued by the public sector can be compared with those of the private sector.
 - A. D&C's per-hour rate should include total costs. The private sector's per-hour wage should also include the same items, plus a 10% profit. To make the comparison equitable, the costs of submitting requests for proposals and the fees for negotiating contracts should include values for both D&C and the private sector.
 - B. Audit the Construction Division, which traditionally avoids using contractual construction managers. Comparisons would have to be made between DOTPF costs and costs incurred on similar projects where contract managers were used. Numerous contract consultant project managers are in the state.

2. Transfer a much larger proportion of both design and construction management work to private firms. We believe audit results will show that private sector costs for both design work and construction management are less than public sector costs.
3. Reduce design staff. This is a reasonable act, judging from the chart showing total capital dollars and total employment.

MAINTENANCE AND OPERATIONS *

M&O management extends from the three regional offices through sub-offices and stations located throughout Alaska. M&O activities have a direct impact on Alaskans, as this section is responsible for safe transportation, acceptable working conditions and the operation of rural airports and boat harbors.

M&O funding has not kept pace with a greatly increased facility inventory. In addition, the department has not implemented appropriate management practices and training programs needed to effectively manage this activity. The failure of state government to recognize the increased maintenance liability generated by new construction, and the department's inefficient management practices have resulted in unacceptably low levels of maintenance.

The department has not effectively used federal funds made available to reduce maintenance costs through replacement of facilities experiencing high maintenance costs. Nor has DOTPF managed its own facilities so revenues help offset maintenance and operations costs. This is especially evident in DOTPF's failure to adjust lease rates at rural airports since 1968. The failure to increase lease rates or charge tie-down fees (except at Birchwood) resulted in a deficit of over \$13 million in FY88, when revenues are compared to the maintenance and operations costs at rural airports.

The department has failed to establish levels of service for airport and highway maintenance. This leaves individual regions responsible for providing services, with no clear guidelines as to what is appropriate or expected. Those responsible for reviewing and approving maintenance budgets are left with no real method of determining requirements. Nor is there any means of evaluating accomplishments. This absence of established maintenance standards apparently results from the department's concern that, if they fail to maintain those standards, lawsuits against the department could result. Other states and Canadian provinces recognize the need for standards as a basis for budgeting and evaluating performance. The failure to provide standards also was identified by the Highway Users' Federation in their December 1987 "Alaska Highway Program Review."

The department still has no formal statewide maintenance management program, despite the legislative intent of DOTPF's FY87 budget. The intent to establish a DOTPF-funded maintenance management plan has gone ignored. The need to improve maintenance management was also recognized by the Highway Users' Federation study.

The Transportation Research Record 951, "Maintenance Management Systems in Evolution," published by the Transportation Research Board in 1984, provides a wealth of information concerning management systems. More than 200 maintenance management systems (software) are on the market today. The federal government, other states, and Canadian provinces are successfully using these systems.

While the state needs a computerized maintenance management system, we must avoid spending money to develop a system unique to the department when other tested systems are readily available.

Responsible management today in either the private or public sector requires that work be accomplished in the most efficient manner possible. The administration has not recognized the need to remove cost-ineffective clauses from the Local 71 Agreement. Nor has the Department made any significant efforts to reduce duplication of effort and maintenance costs through contracting out work to local governmental agencies or private firms. The department is stalling when it claims a gas tax increase is needed to fund this contract effort. Money now being spent to provide this maintenance would be more than adequate to fund contract accomplishment if contracting out was determined to be cost effective.

A group was formed to study transfer of responsibilities from the State of Alaska to local government, but we have not yet been able to obtain minutes from any of these meetings. The Highway Users' Federation study also identified the need to determine local government responsibilities. Contracting with local governments and private firms in small communities also has the beneficial effect of providing local residents employment opportunities and a chance to develop marketable skills.

The Province of British Columbia recently contracted out the entire maintenance and operations of all highways which are the responsibility of the Province. According to the Province's Minister of Transportation, the privatization effort has been quite successful. The legislature should investigate the success of this venture with regard to the awarding of contracts to private sector bidders, not excluding state employees from the bidding process, the posting of performance bonds, and cost savings. A full report is available in the Common Sense for Alaska office.

The department uses staff to handle virtually all maintenance activities regardless of cost. The absurdity of this practice was reflected last winter in the management of a rural airport's snow removal needs. The snow removal problem developed because the labor agreement (Local 71) requires rigid advance scheduling of the 37.5 hour work week, and overtime pay for all additional hours worked. Snow removal is not an activity which can be scheduled. Local residents complained that snow wasn't being removed, so the department hired another employee (temporary for 20 weeks) to help staff the station. This was not a cost effective solution.

When considering the following analysis, it is necessary to understand that the State Equipment Fleet charges users a fixed rate to cover equipment replacement costs, and an operating rate to cover expenses such as gas and equipment repair. Incidentally, this small airport is located in a town with a

population well under 2,500 residents. There are no union restrictions on contracting out the M&O for this station, or for that matter, on many of the state owned facilities throughout the state. In other words, no reason exists why the maintenance at this and other stations is not currently contracted out.

STATION COST ANALYSIS *

PERSONNEL
COSTS

EMPLOYEES

1 FULL TIME 37.5 x 48 = 1800 HRS.
 1 PART TIME 37.5 x 20 = 750 HRS.
2550 HRS.

\$75,642 (TOTAL PERSONNEL COSTS) = \$29.66/HR.
 2550 HRS.

ACTUAL HRS. OF EQUIPMENT OPERATIONS = 1342 HRS.**

TOTAL ON DUTY HOURS = 2550
 OPERATOR MAINTENANCE - 255*
 TRAINING/ADMIN. - 100*
 INSPECTIONS - 365*
AVAILABLE FOR OPERATIONS 1830 HRS.

AVAILABLE 1830
 ACTUAL 1342 x 29.66/HR. = \$40.34/HR

ACTUAL OPERATOR COST \$40.34/HR.

* ESTIMATED

** ESTIMATED AS THE DEPARTMENT COULD ONLY PROVIDE 6
 MONTH USAGE FIGURES.

COST COMPARISON

UNIT	STATE COSTS			TOTAL	PRIVATE COST RENTAL WITH OPERATOR	SAVINGS PER HOUR
	FIXED FEE/HR. USED	USAGE RATE	OPERATOR			
10-12 YD DUMP TRUCK	\$12.00	\$24.00	\$40.34	\$ 76.34	\$50.50	\$25.84
3 YARD LOADER	\$31.07	\$34.00	\$40.34	\$105.41	\$78.25	\$27.16
GRADER	\$49.40	\$28.00	\$40.34	\$117.74	\$75.66	\$42.08

ANNUAL SAVINGS

	TOTAL HOURS		SAVINGS PER HOURS	=	TOTAL SAVINGS
10-12 YD. DUMP TRUCK	660	x	\$25.84	=	\$17,054
3 YARD LOADER	258	x	\$27.16	=	\$ 7,007
GRADER	206	x	\$42.08	=	<u>\$ 8,668</u>
					\$32,729

$$\frac{\text{SAVINGS } (\$32,729)}{\text{TOTAL STATION EXPENDITURES } (\$183,339)} = 17.9\%$$

SALARIES/WAGES AND BENEFITS

Common Sense for Alaska compared salary ranges for public transportation workers in Alaska with equivalent job classifications in five other Western states. The five states included California, Idaho, Montana, Oregon and Washington. Twenty-one different job classifications were identified and cross-referenced among the states. Some 7,425 observations (individual salaries) were used for the study. The salaries used were current as of July 1, 1987.

Salary ranges for three job classifications were compared between DOTPF personnel and private Alaska architect/engineering employees. Thirty-six private firms were included in the survey. Their salary data was current as of October 1987.

Observations

Comparisons of mid-range salaries between Alaska and the five Western states show that Alaska's public transportation workers are paid a "premium," which is defined as salary in excess of an assumed 25 percent Alaska cost of living allowance (COLA). When a 40 percent COLA is assumed, the premium still exists in 17 job classifications.

Alaska pays an average premium of 51% over that of the Western states when the highest salaries paid in the 21 job classifications are compared. While this analysis does not address salary ranges within each job classification, it does demonstrate that Alaskans paid at the upper salary range are receiving a premium far in excess of many of their co-workers.

While only three job classifications were compared between DOTPF and Alaskan A&E firms, a premium ranging from 12% to 48% still was being paid to the public employees. Much of this salary disparity is manifested in the lower salaries that private architectural/engineering and land survey (A/E/LS) firms are currently able to pay. Also, a survey conducted in February 1988 shows that cuts in statewide spending have resulted in a 67 percent reduction in Anchorage's locally based private sector A/E/LS firms. Meanwhile, the number and salaries of equivalent public sector employees have not decreased.

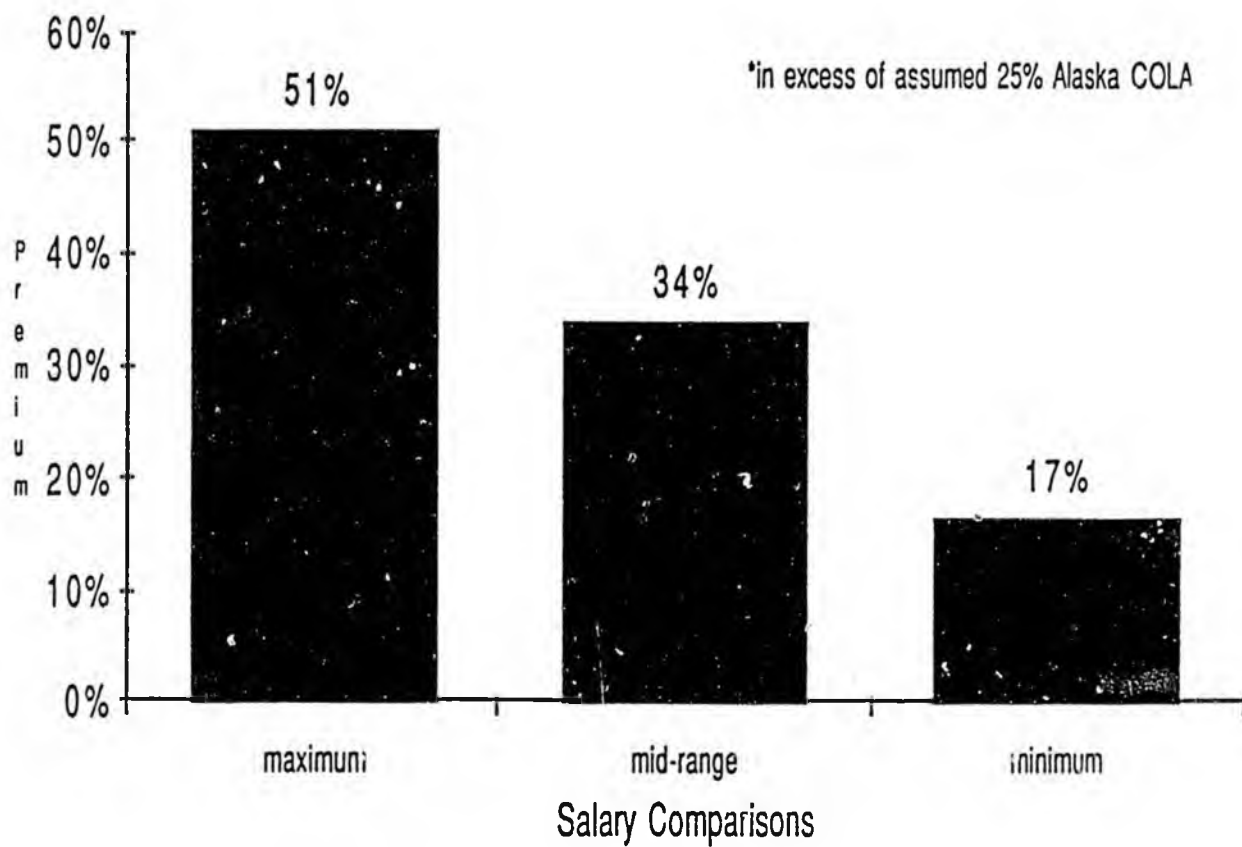
Of the Western states investigated, Alaska was the only one in which its public transportation employees had a base work week of less than 40 hours.

Following are charts and graphs showing detailed information regarding the salaries for Alaska DOTPF staff and the staffs of equivalent agencies in the other states. In addition to the above study, the group examined state per diem rates. While short term rates are easy to justify in Alaska, long-term rates are overly generous. These should be managed more effectively by changing staff duty stations. The most obvious problem is with employees on long term assignments involved with construction management. Since many of these jobs last for the eight month construction season -- and longer in some instances -- the employee is paid an extra \$50 per day for the entire period.

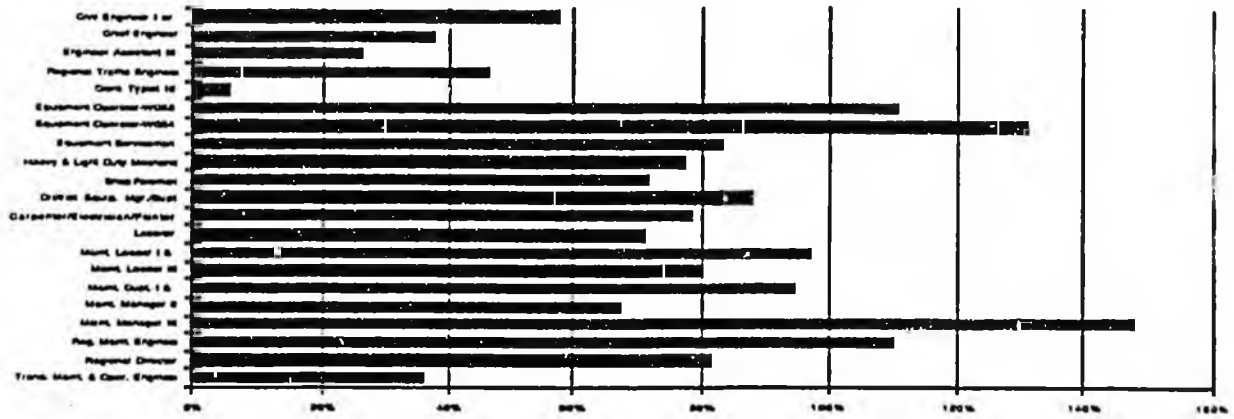
Recommendations:

1. Decrease salaries paid to Alaska's public transportation workers (keeping in mind Alaska's COLA) to the average wage paid to public employees for equivalent jobs in the western states. Also, the number of employees should be adjusted (as is done by the private sector) as capital project oversight and planning work load changes. These recommendations would tend to moderate the salaries of the remaining (and necessary) employees, while delivering service that is more in line with "real" needs.
2. Increase DOTPF's work week to a 40-hour base without increasing salaries.
3. Review salary premiums paid for different job classifications. In most cases premiums should be reduced. Because salary premiums vary with job classification, we do not advocate across the board cuts.
4. Establish realistic per diem rates and procedures for long-term temporary assignments associated with construction management.
5. Several states, as well as private groups including the United States Chamber of Commerce, have tried with no success to determine the total personnel costs for state employees including those associated with: base wages or salaries; health benefits; paid time off including annual leave, sick leave and holidays; cashed in leave time as opposed to using the leave for its designated purpose; retirement benefits including health insurance; and spouse and dependent benefits. Common Sense incurred the same problem in attempting to obtain this information for state employees in Alaska. It is the public's right to know the total cost for each employee, and it is the legislature's responsibility to have this information available to properly evaluate the budget. Common Sense recommends that the legislature contract for an independent study to determine the actual personnel costs including costs of temporary employees to fill in during the absence of a permanent employee as a cost to maintain that position, per diem rates, particularly on a long term basis, subsidized housing in areas where the employee is already receiving a geographical pay differential, and any other benefits that state employees receive. Common Sense further recommends that the State use the information from the independent study in negotiations with state employees to reduce costs.

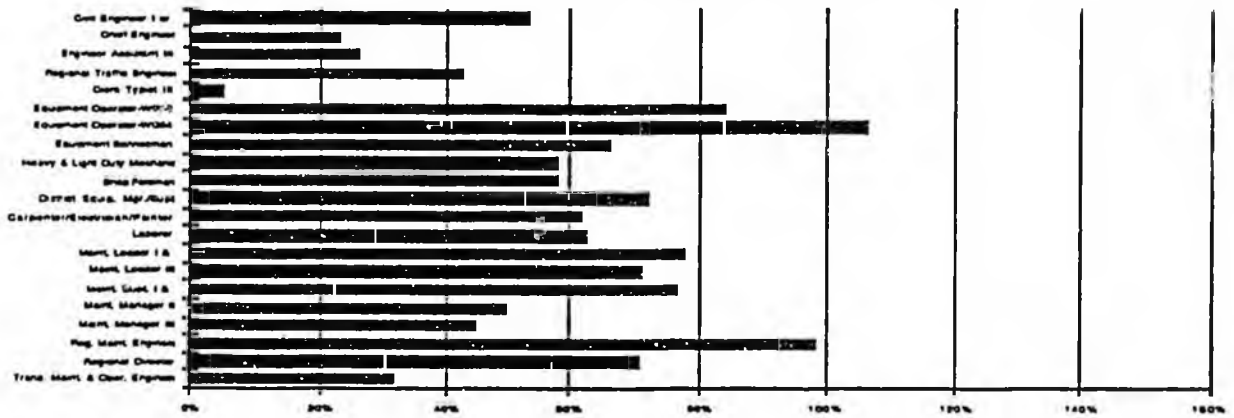
SALARY PREMIUMS*
ALASKA VS. 5 WESTERN STATE AVERAGE
21 JOB CLASSIFICATIONS



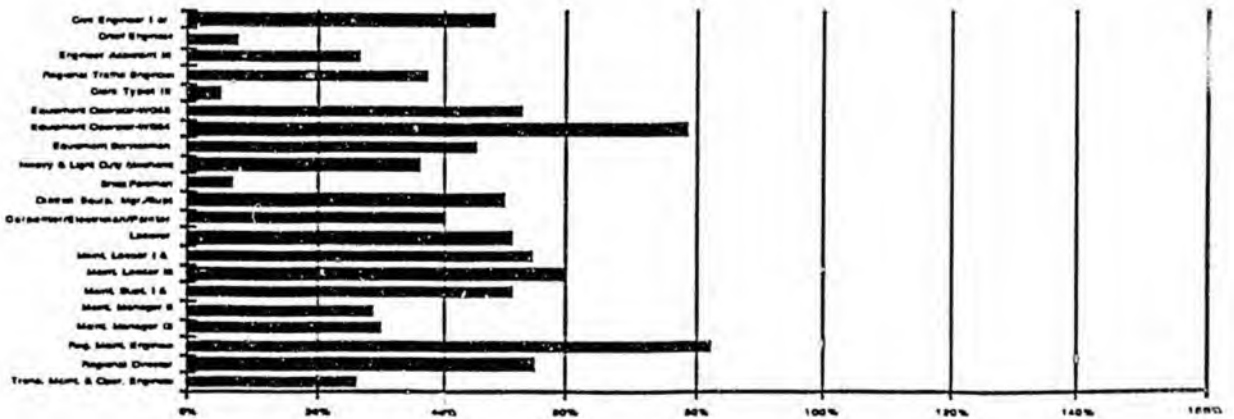
COMPARISON OF MAXIMUM SALARIES
ALASKA VS. 5 WESTERN STATE AVERAGES



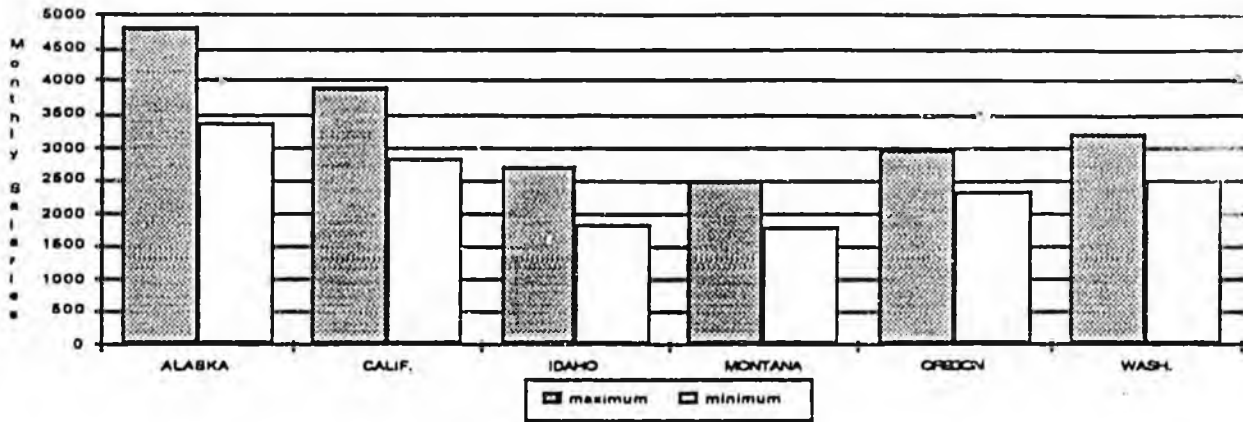
COMPARISON OF MID-RANGE SALARIES
ALASKA VS. 5 WESTERN STATE AVERAGES



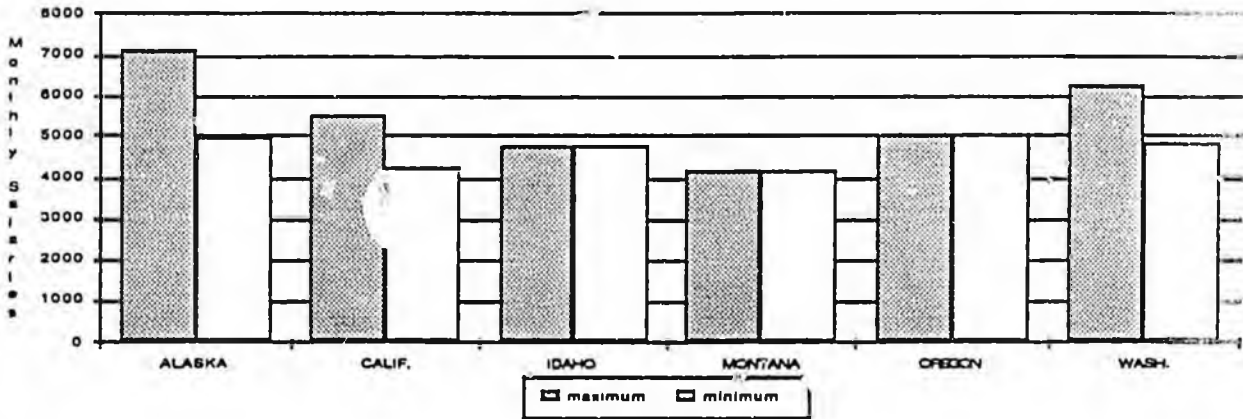
COMPARISON OF MINIMUM SALARIES
ALASKA VS. 5 WESTERN STATE AVERAGES



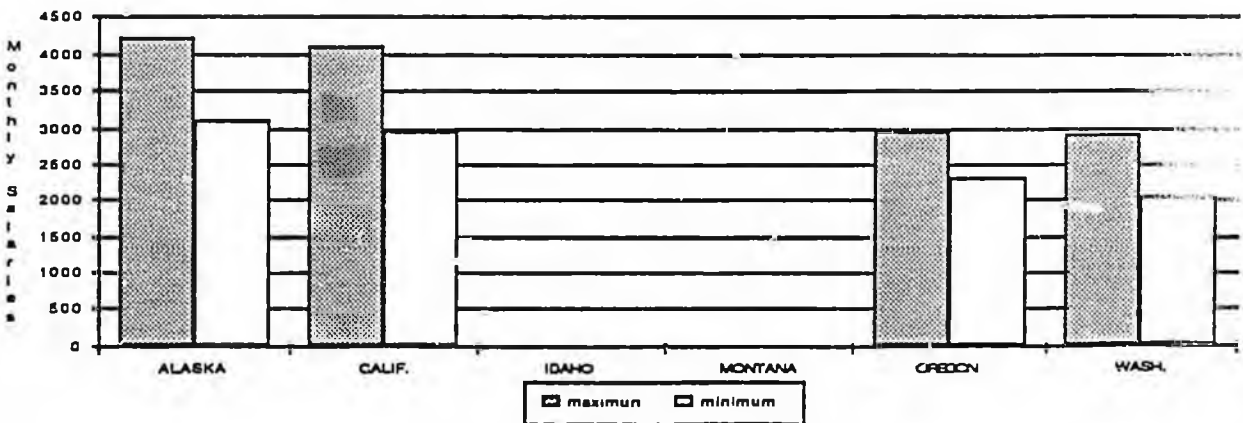
Civil Engineer I or II



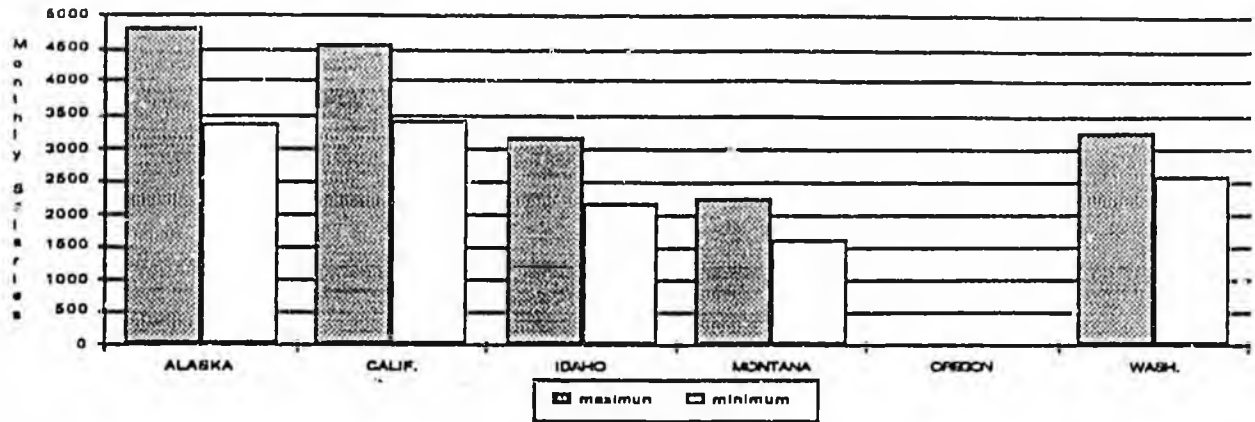
Chief Engineer



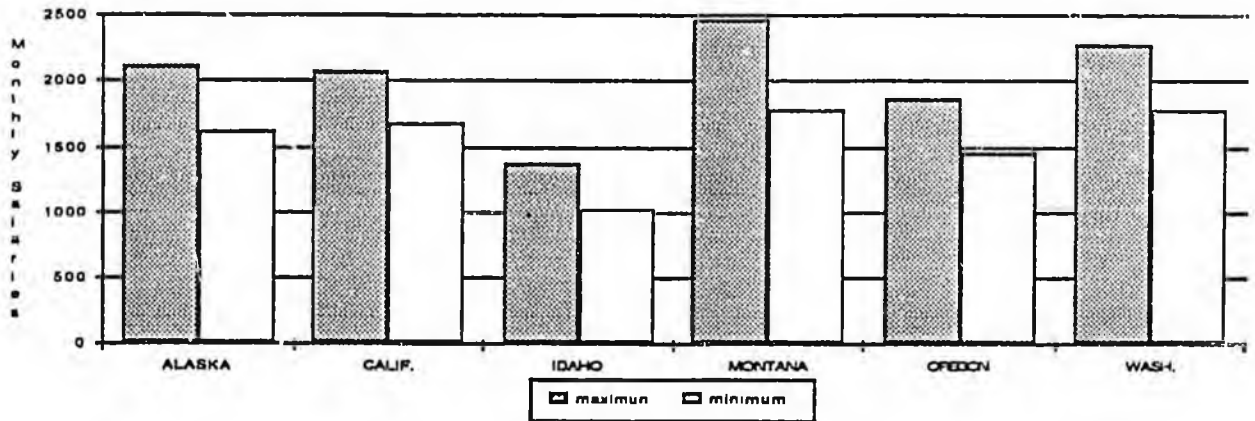
Engineer Assistant III



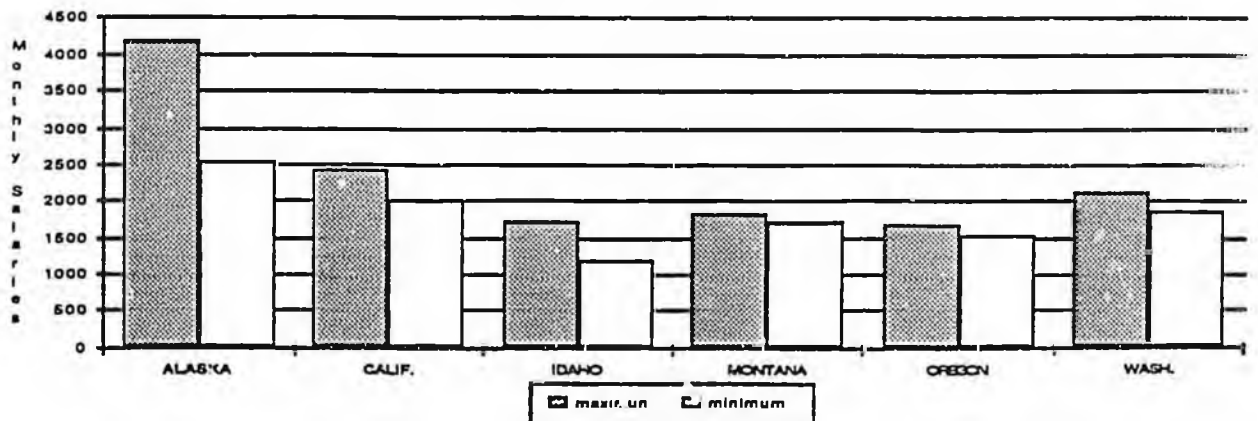
Regional Traffic Engineer



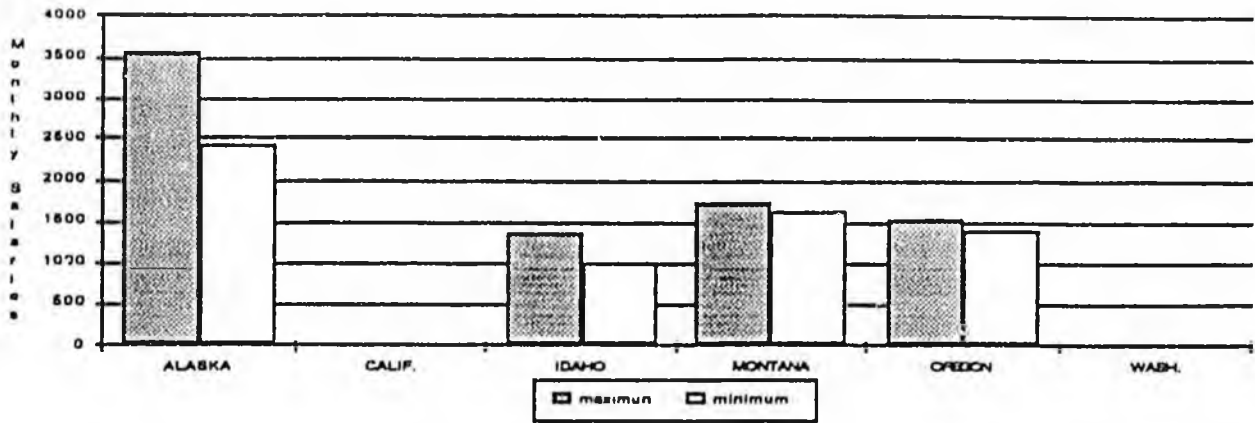
Clerk Typist III



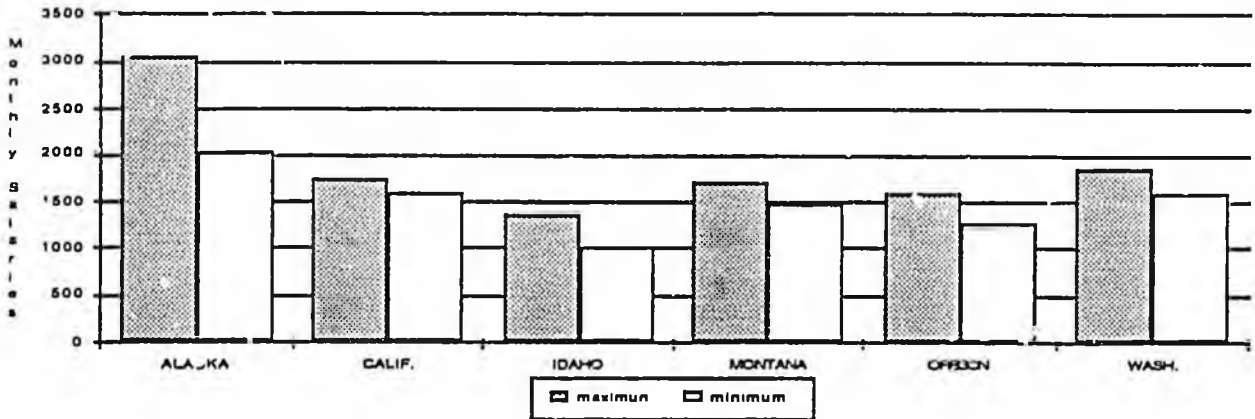
Equipment Operator-WG53



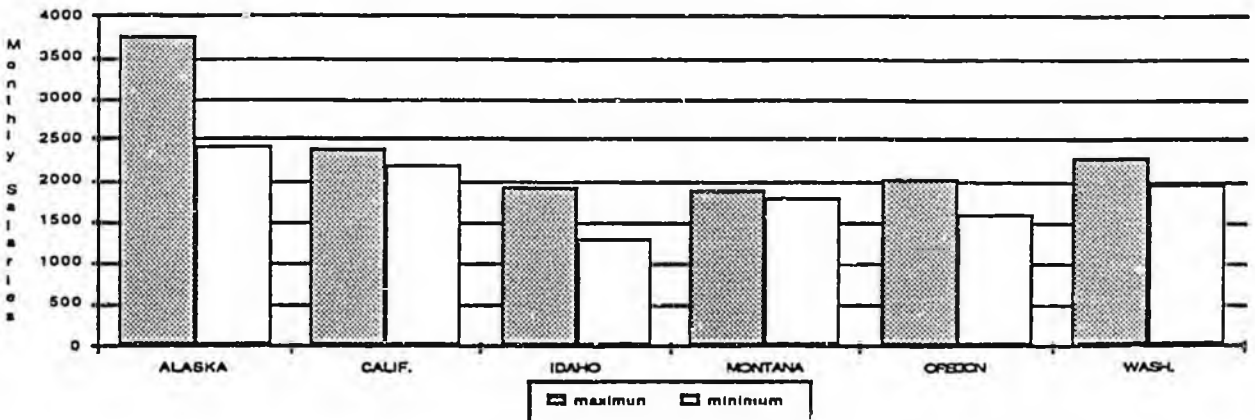
Equipment Operator-WG54



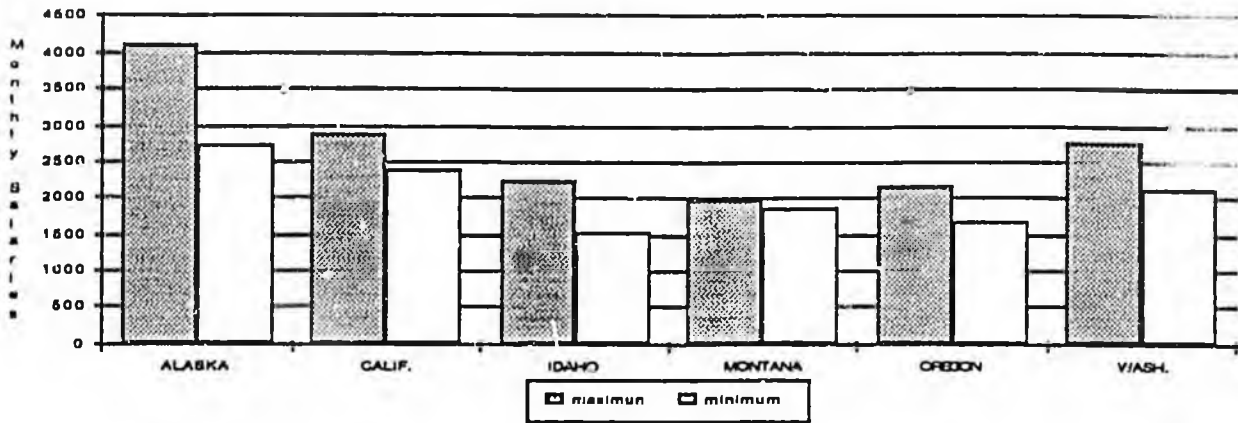
Equipment Serviceman



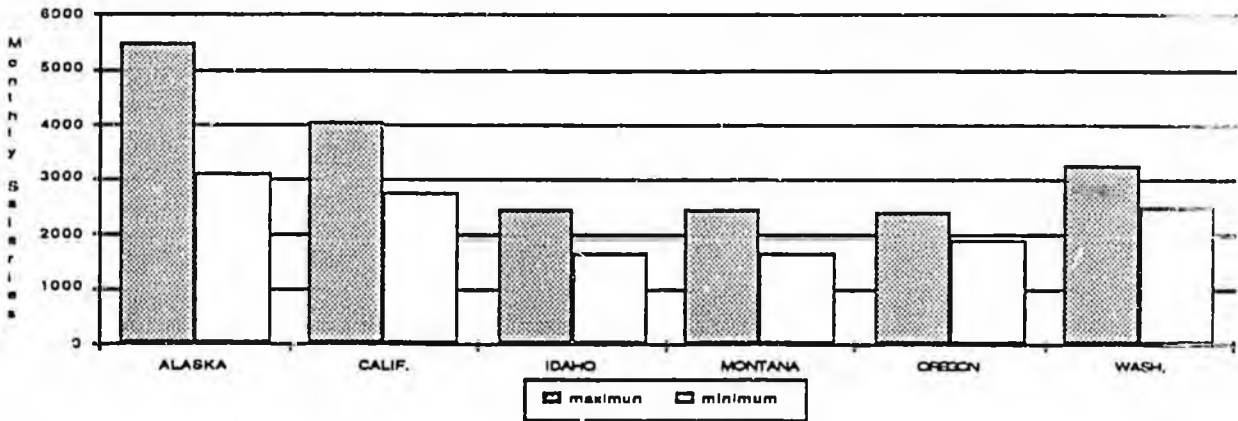
Heavy Duty/Light Duty Mechanic



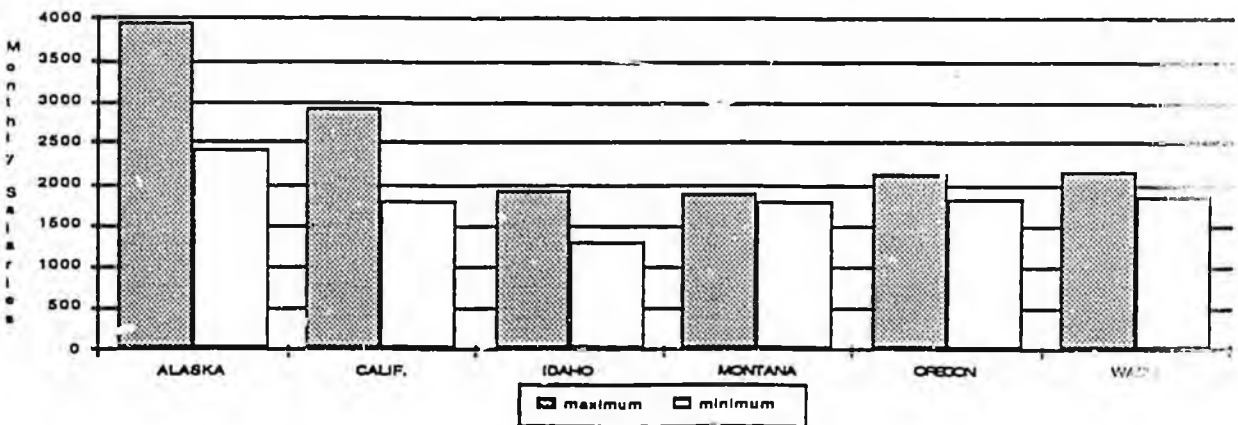
Shop Foreman



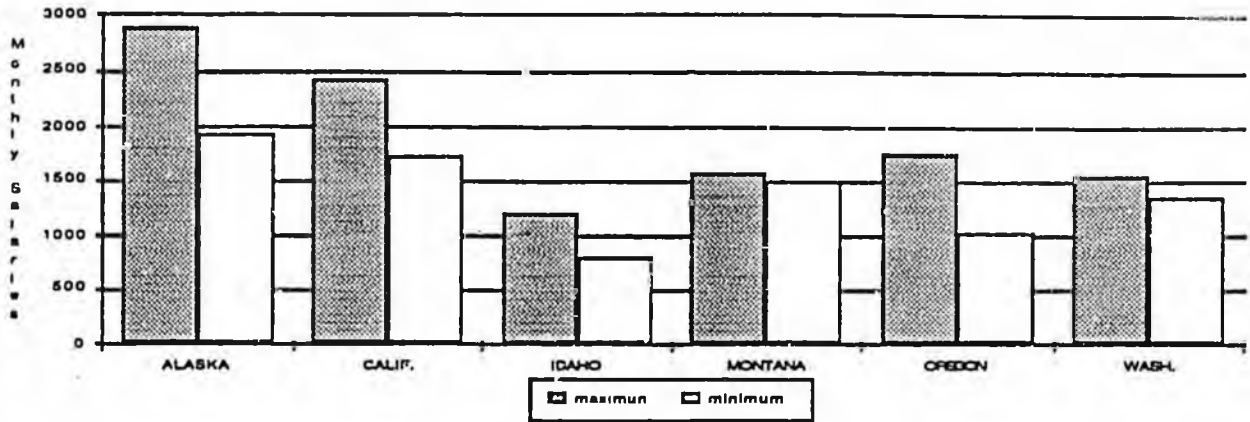
Distribution Equip. Manager/Superintendent



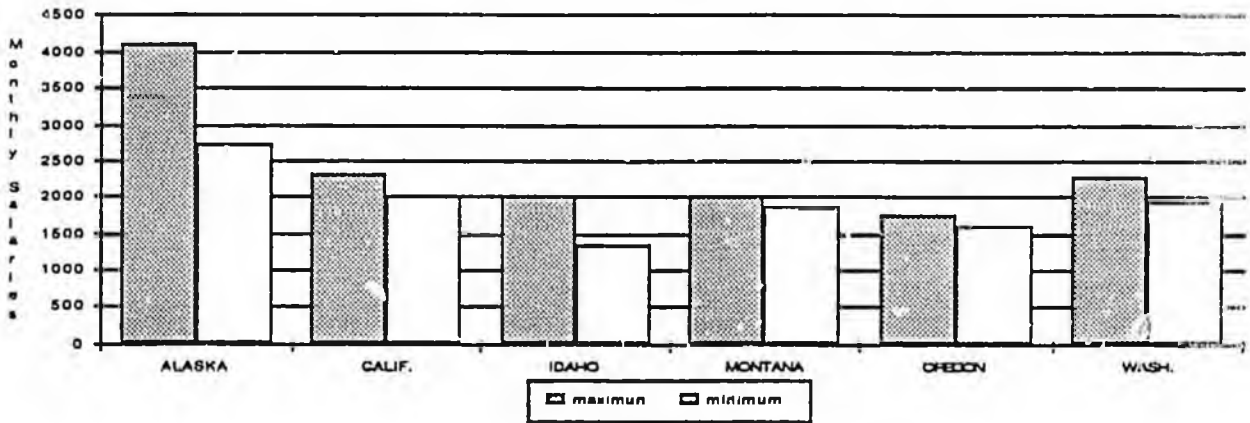
Carpenter/Electrician/Painter



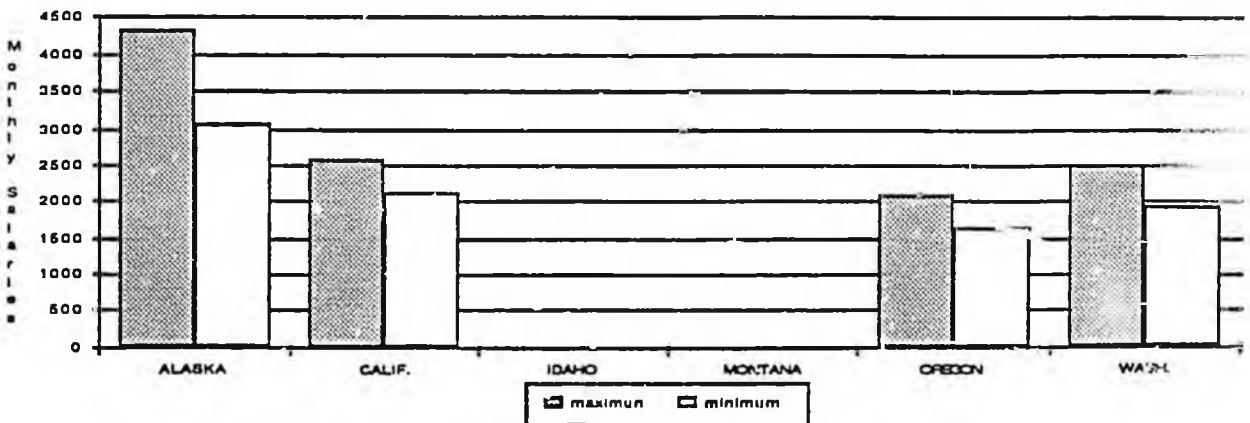
Laborer



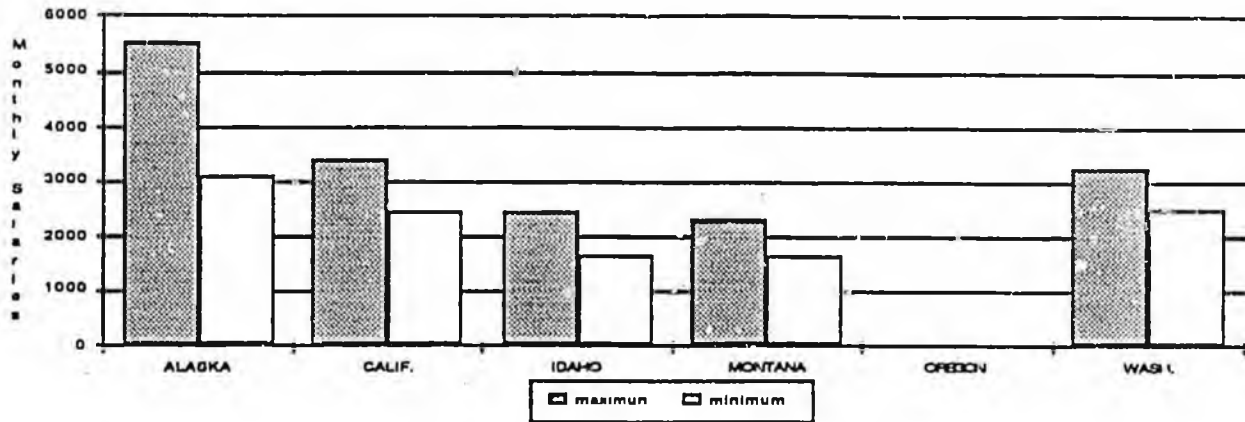
Maintenance Leader I & II



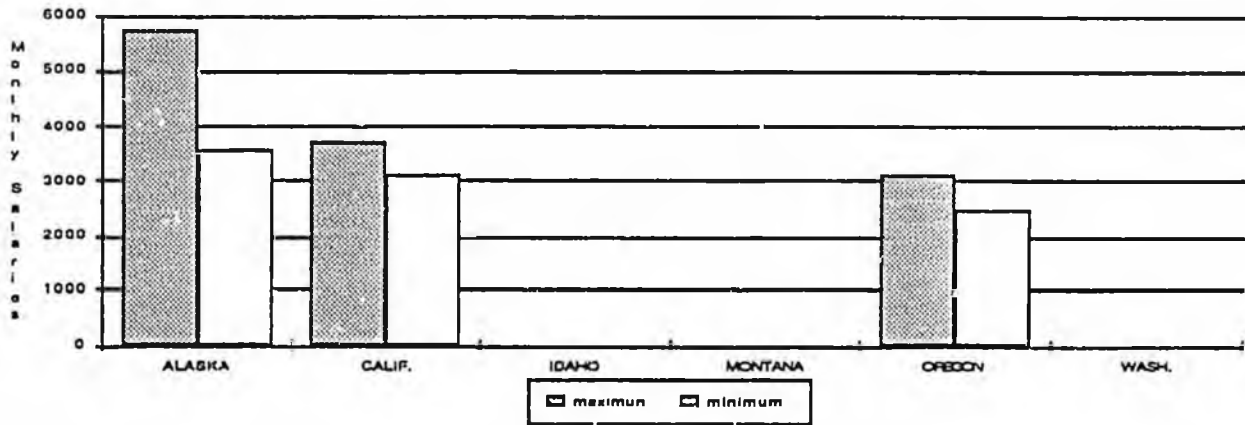
Maintenance Leader II



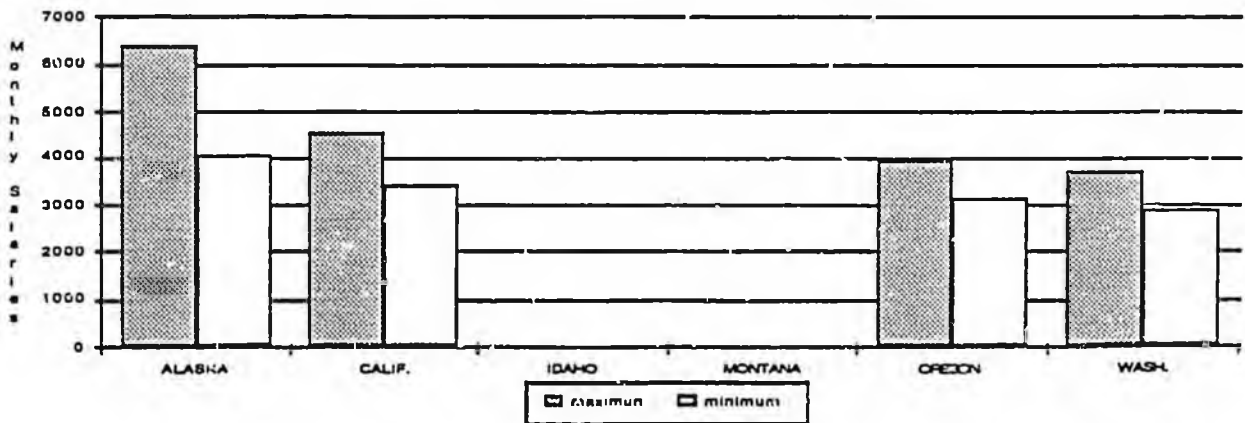
Maintenance Superintendent I & II



Maintenance Manager II



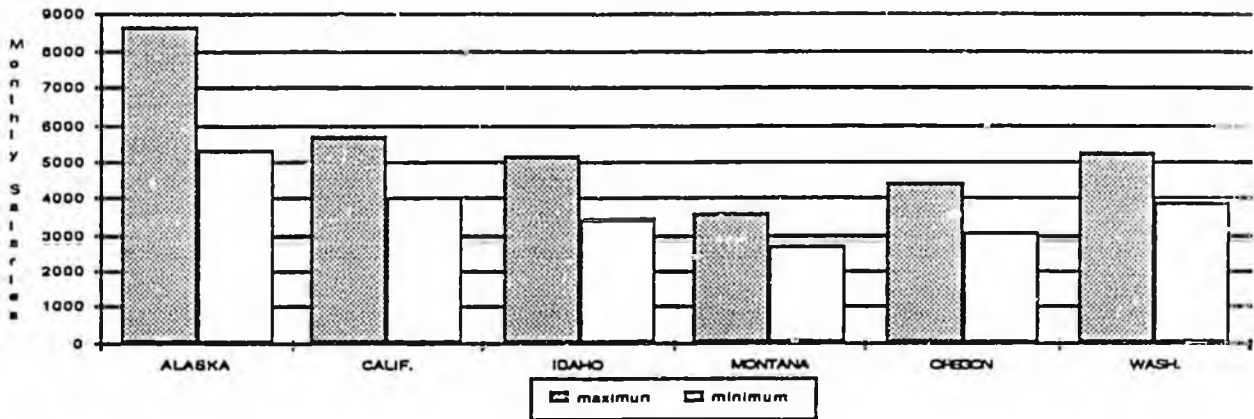
Maintenance Manager III



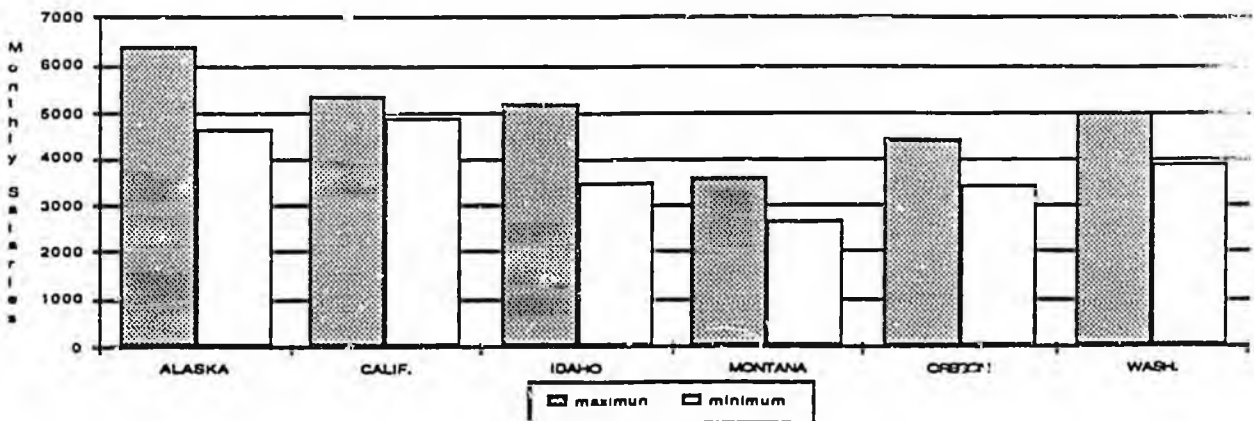
Regional Maintenance Director



Regional Director



Transportation Maintenance & Oper. Engineer



SUGGESTION PROGRAM *

The department requested cost-reduction suggestions from staff during the last two administration transitions. Both times the program apparently originated in the governor's office, and was supported by the commissioner.

We obtained some suggestions from the most recent exercise. Most were well thought out. If implemented, the ideas would result in some savings, and perhaps more importantly, staff would recognize a positive new attitude on the part of state government. Staff would see that government seriously desires cost-effective management.

Unfortunately, we obtained no information indicating that any of these suggestions were adopted, or even evaluated. This is counter-productive and sends the wrong message to all who participated in the program.

Private industry and the federal government both recognize the expertise that exists in the work force. Both have formal programs to encourage suggestions and recognize those who participate. They learned from experience that all good ideas do not originate with top management. The "Japanese System of Management" also recognizes the importance of input from the shop level if cost effectiveness and quality are to be improved.

Programs asking for input only as a means of demonstrating a false concern serve only to erode the credibility of the department's management.

Recommendations:

1. Establish a suggestion and incentive program for saving costs. Recognition should be provided for contributions which result in validated cost savings. The program should acknowledge all suggestions received, and assign each a control number to insure that it is fully evaluated. The results should be provided to the contributor.
2. Review and evaluate all responses received from the last request. The initial evaluation should be accomplished by working-level people with knowledge in the area involved.

CONSIDERATION OF AN ALASKA TRANSPORTATION COMMISSION

OBJECTIVE

The concluding portion of this Common Sense for Alaska Study on DOTPF is the consideration of establishing a "Transportation Commission" for Alaska. The Alaska Railroad Corporation seems to function reasonably well with a seven-member Board of Directors, five of whom are citizens appointed by the Governor. Many other states have some form of commission controlling state transportation policy. We reviewed how some of those states have approached the organization of such a Commission and why, as well as why and how such an organization may better serve the transportation needs in Alaska.

One concern is to provide more stability and continuity of programs and other benefits. Another is to ensure more regional input into the development of statewide transportation policy and to foster long term planning with respect to Alaska's transportation system, including its very important yet often overlooked counterpart, maintenance and operations, and the associated costs.

The direct and indirect costs of any state board or commission can be significant. It would not make sense to have an Alaska Transportation Commission and divisions within DOTPF, duplicating staffs and performing identical functions. There are several approaches in other states to this problem of dividing duties and responsibilities between a Commission and the Department.

BACKGROUND

1. The Alaska Railroad Corporation

We start with a review of how the Legislature has structured the Alaska Railroad Corporation.

In 1984, the Alaska Legislature established the Alaska Railroad Corp. (AS 42.40) as a public corporation. It has a legal existence independent of and separate from the State, but is an instrumentality of the State within the Dept. of Commerce and Economic Development.

The Corporation is managed by a Board of Directors, with certain powers and duties delegated to its chief executive officer, who serves at the pleasure of the Board. The Board consists of two state commissioners and five public members appointed by the Governor, confirmed by the Legislature, for staggered five year terms.

The Legislature detailed specific qualifications for the appointed members and precluded any state officer or employee from appointment, (AS 42.40.020). For example, at least one member shall be from each judicial district served by the railroad. One must have been an executive official of a railroad, one must have at least five years experience as an owner or manager of a business in Alaska, and one must be a member of a bargaining unit representing employees of the Corporation.

Appointed members are paid \$400 each day they are engaged in the actual performance of duties as a member of the Board, plus per diem and travel expenses as authorized by law for other state boards and commissions.

The Board is responsible for managing the financial and legal obligations of the railroad; to operate it on a self-sustaining basis; to seek appropriations, with the concurrence of the Governor, to provide particular services that require subsidies; to "provide for safe, efficient, and economical transportation to meet the overall needs of the state"; to raise needed capital through the issuance of corporate bonds; to review all land disposal proposals with an eye toward future expansion of "transportation services"; and to ensure that the procurement and accounting procedures of the corporation respectively meet accepted railroad industry standards and generally accepted accounting principles consistent with industry standards for comparable railroads (AS 42.40.100).

The Corporation enjoys the many general powers as set forth in AS 42.40.250. For example, it may determine the routes, schedules, and types of service to be provided and prescribe the rates to be charged for those services. In general, its powers are nearly as broad as those to a private railroad, with the primary difference being the oversight required here by the Governor and the Legislature.

It must submit annual reports to the Governor and the Legislature, following independent audit, and must provide state oversight reports before undertaking significant changes in service or starting non-self-sustaining services. Prior legislative approval is required of such actions.

The Corporation must adopt a long-range capital improvement program plan, looking at least five years ahead, (AS 42.40.290). The plan must be updated annually and submitted to the Governor and the Legislature.

The Corporation was directed to take title from the United States to all rail property being transferred to Alaska, and may acquire additional property under certain restraints. It may exercise the power of eminent domain, with the prior approval of the Governor. The liability of the Corporation is limited to its assets or revenue and no right of action lies against the state because of a debt, obligation, or liability of the Corporation, (AS 42.40.500 & 900).

In general, the Alaska Legislature enacted a thoughtful comprehensive legislative scheme to establish and empower the Alaska Railroad Corporation. Not all of the components of the Alaska Railroad Corporation Act (AS 42.40) would be useful in the context of an Alaska Highway Commission, but many are worthy of serious consideration as guidelines.

2. Commissions in Other States

In some states, a state transportation commission was written into the state constitution. In Michigan, for example, the state constitution was amended in 1978 to include the following:

..."There is hereby established a state transportation commission, which shall establish policy for the state transportation department, transportation programs and facilities...", "The state transportation commission shall consist of six members, not more than three of whom shall be members of the same political party..." "The director of the state transportation department... shall be the principle executive officer of the state transportation department and shall be responsible for executing the policy to the state transportation". (Mich. Const., Art. 5, 28).

In New Mexico, the state highway commission consists of six members appointed by the governor with the consent and advice of the senate for staggered six year terms. The commission has the power to determine all matters of policy, (N.M. Stat. Ann. 67-3-2). No more than four of the commissioners may be members of the same political party. The New Mexico legislature created six highway commission districts and required that one member of each district be appointed to the six-member commission (N.M. Stat. Ann. 67-3-3).

A state highway and transportation department within the executive branch exercises all the power, authority and duty granted to the commission, except for certain powers reserved exclusively to the commission, (N.M. State. Ann. 67-3-6). The state highway department is under the control of an executive officer known as the state highway engineer, who must devote his entire time to his highway duties. He receives a salary set by the commission, serves as the chief staff officer of the commission, and is responsible to the commission for the operations and management of the work of the state highway department.

More specifically, the commission is in charge of all expenditures from the state road fund in the construction, improvement, and maintenance of public roads, bridges and all things necessary to the exercise of such supervision. The commission has the authority to employ, remove, and fix the salaries of engineers, experts, clerks and other employees as are necessary to carry on its work.

The commission promulgates rules and regulations governing the method of construction, improvement and maintenance of any highways and bridges which receive state road funds.

Oklahoma places the construction and maintenance of its state highway system, and all work incidental thereto, under the supervision and control of a transportation commission.

The California Highway Commission consisted of seven members who served four year terms following appointment by the governor with the advice and consent of the senate. The director of public works served as the administrative officer, prepared the agenda, and conveyed the recommendations of the divisions for action along with his own recommendations. The members of the commission received their actual and necessary traveling expenses incurred in discharging their duties. The past tense is used here because in 1978, the California Highway Commission was abolished and succeeded by the California Transportation Commission.

California has given its Transportation Commission possession and control of all licenses, permits, leases, agreements, contracts, orders, claims, judgements, records, papers, equipment, supplies, bonds, monies, funds, appropriations, buildings, land and other property, real or personal, held for the benefit, use or obligation of the California Highway Commission.

Oregon has the Oregon Transportation Commission. It has five members appointed by the governor, confirmed by the senate. The members must be appointed with consideration of the different geographic areas, with one member from east of the Cascades. No more than three may belong to the same political party. They serve three year terms, (ORS 184.612). The commission is to meet at least once each month.

Oregon has a Department of Transportation which includes separate divisions for aeronautics, highways, motor vehicles, public transit, parks and recreation, and the Oregon Board of Maritime Pilots, (ORS 184.617). It spells out the respective duties of the commission and the department. The commission is to set policy relating to the administration of the highway division, (ORS 366.205). The commission has the general power to coordinate and administer programs relating to the various divisions of the department. The department is the recipient of all federal funds for the programs and services that the department provides.

The primary duty of the commission is to develop and maintain a state transportation policy and a comprehensive, long range plan for a multimodel transportation system. The plan is to encompass economic efficiency, orderly economic development, safety and environmental quality (ORS 184.618).

The highway division within the department is run by a director who is to appoint, with the approval of the commission, the state highway engineer. The engineer may have such staff engineers, engineering and technical assistants and such other help as are necessary in the highway engineer's judgement, and as the director may authorize. The state highway engineer is given a laundry list of detailed responsibilities in ORS 366.155,

including investigating and determining the methods of road construction best adapted in the various areas of the state and to prepare surveys, plans, specifications, and estimates for the construction, reconstruction, improvement, maintenance, and repair of any bridge, street, road, and highway. The engineer is also responsible for keeping a detailed accounting of all monies expended on the foregoing.

The commission has general supervision and control over all matters relating to the administration of state highways, the letting of contracts therefor, materials used therein, and all other matters and things it considers necessary for the accomplishment of its purposes. In other words, the commission has general supervisory control of each of the many detailed responsibilities of the state.

In Wyoming, there is a state highway department which consists of a state highway commission and a state highway superintendent. The commission has seven members, appointed by the governor, with the advice and consent of the senate, for six year terms (Wyo. Stat. 24-2-101). Seven districts were created by the legislature and one member of the commission must be appointed from each district. Each commissioner is paid a salary of \$600.00 a year.

The commission appoints a state highway superintendent and fixes his salary (Wyo. Stat. 24-2-105). The superintendent is to be experienced and skilled in highway and bridge construction and maintenance, and is to give his entire time to the duties of his office. Under the supervision of the commission, he has complete charge of laying out and establishing highways where any state funds are involved. With the approval of the commission he may purchase materials, supplies, equipment and road building machinery and may employ engineers, superintendents, and employees at salaries approved by the commission, as are necessary for the performance of his duties.

The state superintendent is to make an annual report to the commission, which in turn is to report to the governor. The commission is to adopt rules and regulations for the letting of bids and other aspects of awarding contracts.

The last state that the Common Sense for Alaska study group reviewed is Washington. In 1977 it created a unified Department of Transportation which took over the former duties of the Department of Highways, the Highway Commission, the Toll Bridge Authority, the Aeronautics Commission, and the Canal Commission (Wash. Rev. Code 47.01.010).

At the same time, Washington created a transportation commission. The executive head of the Transportation Department is appointed by the transportation commission and is its chief executive officer, is responsible to and guided by policies established by the commission (Wash. Rev. Code 47.01.041).

The commission has seven members appointed by the governor with the consent of the senate. No elected state official, state officer or employee may be a member of the commission. No more than four members may belong to the same major political party.

Four are to reside in the western part of the state and three from the eastern side. No more than two may reside in the same county. Commissioners shall not be removed from office by the governor unless for disqualifying change of residence or for cause such as incompetence, neglect of duty or malfeasance in office. No member may be appointed for more than two consecutive terms. The commission is to meet at least once a month.

The commission is to set the policy to be followed by the department. The commission must approve and propose to the governor and to the legislature a recommended budget for the operation of the department. It is otherwise given broad supervisory duties (Wash. Rev. Code 47.01.071).

Recommendations:

1. Common Sense for Alaska recommends that the Legislature create an Alaska Transportation Commission along the lines and for the purposes set forth herein:

- Seven members; all from the public.
- The public members should be appointed by the Governor with the consent of the Legislature in joint session.
- They should serve staggered five year terms with state officers and employees being ineligible for the appointed positions.
- Detailed qualifications should be spelled out, including appointments from each judicial district (four) in conjunction with additional requirements such as one individual with at least 10 years prior experience in transportation related management, one with at least five years experience in Alaska as an owner or manager of a business, and, although having no direct parallel in the railroad act, at least one with an engineering degree, certified as a professional engineer in Alaska, and at least one with five or more years experience in maintenance management.
- Compensation for the appointed members should be commensurate with that of public members of the Railroad Board.
- The Commission should have a chief executive officer titled as the "State Transportation Commissioner" with a support staff selected by the chief executive officer, with the approval of the commission.
- The Commission would be charged with setting policy for design, contracting, accounting, maintenance and other operational functions within DOTPF, and with supervisory control over all contracts for materials, equipment, and services relating to the department's responsibilities.

- The Commission should be empowered to review and change or approve, as it sees fit, the department's budget proposals to the Governor and the Legislature for all department expenditures.
 - The Commission should be empowered to review and approve or reject all DOTPF proposed applications to the federal government for grants or other funding for transportation projects in Alaska.
 - The Commission should be empowered to freeze the funding of any project proposed or underway at the time the Commission is established.
 - The Commission should be authorized to adopt rules and regulations pursuant to the Administrative Procedure Act to accomplish the purposes for which it was created and empowered.
 - Two years following creation of the Commission, it should be required to complete a long-term plan for the transportation system in Alaska, including such matters as new projects and the operation and maintenance costs projected for existing and proposed improvements. "Long-term" is intended to be at least as long as five years and such longer period as may be called for by any federal planning requirements. The Commission must update the long-term plan at least biennially, and the plan and its biennial updates should be submitted to the Governor and the Legislature for informational purposes.
 - The Commission's approval should be required prior to the sale, exchange, or lease of lands or interests therein held by the state for transportation purposes.
2. Maintenance, operations, purchasing, routes and all other above mentioned matters which pertain to the Alaska Marine Highway System are also worthy of consideration for including within the above mentioned powers of the Commission.

3/16

8:35

HJR 11

HJR 17

Common Sense

HJR 17

055 Motion

056 Grosse name HJR 17 name out I/R
SO added.

HJR 11

070 Rep CAG read to two IS and make a ~~change~~
Article #2 (Debra Library).

089 Letter moved to select ^{and} #2 for paper of
committee work.

100 Letter Ullrich
D.C. 1404 Green Hwy.
(Short)

128 Rep Hilda moved

133 Rep Loran name HJR 11 out of name I/R.

Next Subject was rehearsal

~~144~~
153

~~Norma Phillips~~

163 Norma Phillips
Article #3

70% DOTPF useful

3 Separate Divisions.

325 Carter

485- Hedson

Pr: all cost was wages & benefits included
in to cost.

500 Leman - Eg. purchasing & leasing

What has been done pertaining to Vendor issue

516 ^{Mark} Hickey - Fleet Mgmt.

529 Hedson -

576 Hickey - Friction needs to Mgt. out of Truman rusted
& Arch.

590 Foster - Market price

600 Leman - How long is waiting list for Floto plan ^{Leases were at}
^{late hour and costs spread}

610 Hedson - Duke Structure should be pass

611 ^{Mark} Hickey - Downed plane -

625 SIMMONS - 1900 yr. current Fair market value.
Plant have.

~~622~~ ~~Hedson~~ Cato - Leasing changed on Reed Airports?

~~622~~ ^{Mark} Hickey - Not still working on the proposal Parts should be replaced

679 Hedson - pass Budget on projects but work with telephone for
years.