

Legislative Priorities

The Alaska State Chamber of Commerce has adopted three state legislative priorities for the 2011 legislative session. The three statewide legislative priorities are:

Review and Reform Oil Tax Policy to Encourage New Oil Production

Concise and Predictable Permitting in Alaska's Coastal Zone

Create an Alaska Transportation Infrastructure (ATIF) That Will Invest in Alaska's Economy, Safety and Mobility

More than 70 State Chamber members considered over 33 proposals to develop the state and federal positions and priorities. In addition to these priorities, the State Chamber developed positions on a number of other critical issues facing the State of Alaska. The board ratified both the priorities and positions at a meeting Thursday, October 28, in Anchorage.

The legislative priorities will be delivered to the Governor and all sixty members of the State Legislature. "Legislative priorities brought forward are aimed at advocating for a competitive and attractive business climate in Alaska to spur investment and business growth," said Kip Knudson, Chair of the State Chamber. "More than ever, the State Chamber will take a lead role in advocating for a competitive business climate in Alaska and economic growth," Knudson said.

State Chamber members employ the vast majority of private sector workers. The State Chamber established its priorities and positions supported by concise action items needed to achieve each position. Alaska businesses are increasingly challenged by rising energy and logistics costs, burdensome state and federal regulations, lack of sufficient workforce, infrastructure deficiencies, and domestic and global competition. "The Alaska State Chamber is Determined to Improve our 'Dead Last Business Ranking' for Alaska," said Knudson.

The Alaska State Chamber is gravely concerned about the ability of the State of Alaska to continue to grow programs and services at a time when oil supply is dwindling dramatically. Our Legislative positions speak to the need to limit the growth of government programs. These positions and priorities encourage the State to find new streams of revenue to pay for any future expansion of government programs. Government services are an important source of funding for Alaskans businesses, as such a statewide sales and income tax would negatively affect all Alaskan

businesses. However, as government growth continues, Alaskans must prioritize the services they receive or be willing to fund them into the future.

ALASKA MUNICIPAL LEAGUE 2011 STATEWIDE PRIORITIES

- **REVENUE SHARING:**

We recommend the Governor include in his budget recommendation, a one-time COLA to Revenue Sharing, based on the cumulative Anchorage CPI for 2007 through 2010, with appropriation of said funds.

- **UNFUNDED MANDATES:**

We believe that any state or federal legislation, or rule, that requires an implementation or operation cost, shall be fully funded by the implementing agency. This includes "optional" exemptions handed down to local governments that will diminish the local tax base.

- **ENERGY:**

We believe the Legislature must aggressively facilitate affordable energy for all Alaskans through:

1. The support of oil and gas, as it remains the primary source of energy for most of Alaska;
2. The encouragement of connectivity between communities, as well as incentives for energy project funding;
3. An actual time certain process that selects and prioritizes projects;
4. Full funding of the PCE (Power Cost Equalization) Endowment fund through joint congressional and state appropriations;

- **PERS:**

We support a sustainable salary base to pay off the PERS unfunded obligations. AS 39.35.625, and any other similar statutes or regulations that require termination studies, should be repealed. Simply following AS 39.35.255(a)(2), amended with inflation adjustment language, will provide a more efficient, cost effective and equitable method of ensuring that the required PERS salary base is maintained.

- **TRANSPORTATION:**

We believe the Legislature should implement:

1. The dedication of funds for the Alaska Transportation Infrastructure Fund;
2. A matching grant component for acquiring federal funds and to help local governments to develop otherwise financially difficult projects;
3. A local government seat at the table during allocation considerations of the Transportation Infrastructure Fund.

**ALASKA MUNICIPAL LEAGUE
2011 FEDERAL PRIORITIES**

- **PAYMENT IN LIEU OF TAXES (PILT):**
We support full funding of the PILT program, to the authorized levels of P.L. 103-379 (over 300 million nationwide).
- **SECURE RURAL SCHOOLS AND COMMUNITY SELF-DETERMINATION ACT (SRS/TIMBER RECEIPTS):**
We support the reauthorization and enhancement of the Secure Rural Schools program (PL 110-343). Reauthorization should maintain coupling between payments to boroughs and active natural resource management; and the connection between sustainable natural resource management and the stability and well being of forest boroughs and communities.
- **CLEAN WATER ACT:**
While supporting Clean Water Act provisions that protect wetland habitats and rivers and streams of Alaska, we do not support federal efforts to change the definition of the Clean Water Act from navigable waters to "waters of the United States," and also oppose federal efforts to further expand the authority and responsibilities of the federal agencies in regard to these waters.
- **ARCTIC ISSUES:**
We support ratification of the United Nation's Convention on the Law of the Sea. Until that ratification takes place, the US cannot participate in deliberations which affect the national security; environmental concerns relating to the use of the seas; and to economic development for Alaska's coastal communities.
- **LAND USE DESIGNATIONS:**
We oppose decisions on land use designations that are not completely reviewed through the proper Congressional system already in place.
- **ENERGY EFFICIENCY GRANTS:**
We support full funding of the Energy Efficiency and Conservation Block Grant (EECBG) Program to state and local governments.
- **DENALI COMMISSION:**
We support reauthorization and appropriation of the Denali Commission to further construct and improve much-needed infrastructure throughout the State, especially in rural areas.

February 9, 2011

The Honorable Peggy Wilson
Alaska State House
State Capitol Room 408
Juneau, AK 99801

Dear Representative Wilson:

The undersigned business associations, working together under the banner of the Business Advocacy Committee, represent hundreds of firms and tens of thousands of employees from every major industry in Alaska. Our organizations share a common vision for Alaska's future – one in which a thriving private-sector economy creates good jobs for Alaskans and attractive economic opportunities for investors. State government, focused on the right issues, can help make this vision a reality.

Our organizations have identified five priority areas to be dealt with during this legislative session. Progress on each of these priorities will make Alaska a better place for business by encouraging private-sector investment and job creation. We urge you and your colleagues to address these issues.

OIL TAX REFORM

Taxes on the oil industry account for nearly nine out of every ten dollars in revenue the state collects. While current oil prices are exceedingly high relative to historic standards, North Slope oil production is only one-third the level of its peak. Alaska's taxation policy should encourage more investment to reverse this dramatic, continuing production decline. We support meaningful reform of Alaska's oil production tax system that reduces the state's tax burden on all Alaska oil and gas exploration and development activities and encourages increased production.

REGULATIONS

The Alaska Coastal Zone Management Program (ACMP) is due to sunset in 2011. We are comfortable renewing the program in its current form. *However, we oppose any changes to the ACMP that diminish the program's ability to provide concise, streamlined, and predictable permitting in Alaska's coastal zone.*

LITIGATION REFORM

Alaska's resource industries are ongoing targets of anti-development groups utilizing the court system and the state and federal appeals processes to stop and delay responsible resource development. Other businesses, local governments and community development projects can also be subject to frivolous lawsuits. Meanwhile, state agencies are forced to spend inordinate amounts of staff and financial resources dealing with third-party lawsuits at the expense of their mission to serve the public at-large. *We support efforts to bring more accountability to the appeals and litigation processes for community and resource development projects.*

FISCAL RESPONSIBILITY

Unrestricted general fund spending within the state's operating budget has increased from \$3.1 billion in fiscal year 2006 to \$4.8 billion in fiscal year 2011. We do not believe such spending growth is sustainable especially in light of the continuing decline in North Slope oil production. The Legislature and Governor must do more to control growth in the operating budget. *We recommend the Legislature*

hold unrestricted general fund spending in the operating budget to \$3.5 billion – a level of spending equal to fiscal year 2010. With regard to the capital budget, we encourage the state to focus on strategic investments that help generate new private sector investment.

STRATEGIC TRANSPORTATION INFRASTRUCTURE

There is strong agreement the long-term economic benefits derived from investment in Alaska's transportation infrastructure far exceed the cost of the initial investment. Considering the vastness of Alaska, the state's current transportation infrastructure is inadequate and requires continued planning, upgrades, and expenditures to assure Alaska citizens are provided with essential services. *We support a state funded transportation program that is adequately and predictably funded, provides continuity between succeeding administrations, and addresses all modes of transportation.*

Working together we can improve Alaska's business climate. We request an opportunity to meet with you to discuss these matters in more detail. A representative from the Business Advocacy Committee will be in touch with your office to schedule a meeting.

Sincerely,

Steve Borell, Executive Director
Alaska Miners Association

John MacKinnon, Executive Director
Associated General Contractors – Alaska

Marilyn Crockett, Executive Director
Alaska Oil and Gas Association

Mike Satre, Executive Director
Council of Alaska Producers

Rachael Petro, President & CEO
Alaska State Chamber of Commerce

Scott Hawkins, President
Prosperity Alaska

Rebecca Logan, General Manager
Alaska Support Industry Alliance

Jason Brune, Executive Director
Resource Development Council for Alaska, Inc.

Aves Thompson, Executive Director
Alaska Trucking Association

LEGISLATIVE RESEARCH UNIT

April 20, 2009

PATRICK D. O'GRADY, EXECUTIVE DIRECTOR

ROAD FUNDS FOR NON-ROAD USES

asked us on your behalf about other states that use some motor fuel tax revenues to fund non-road transportation, such as public transit. He said that Maryland has a "transportation fund" that supports public transit as well as roads, and asked whether other states have similar funds. He also asked whether any other state has a fund called "Transportation Fund" rather than "Road Fund." Most of the states listed below call their main fund supported by motor fuel tax revenues and vehicle license fees a "Transportation Trust Fund" or a similar name.

We contacted the Maryland Department of Transportation to ask about funds of other states that are similar to its Transportation Trust Fund. Its chief financial officer provided a report done in 2004 by the Maryland Department of Legislative Services that identifies nine states with transportation funds similar to Maryland's: Connecticut, Delaware, Florida, Louisiana, Pennsylvania, Tennessee, Vermont, Virginia, and Wisconsin. The report said those states and Maryland had "multi-modal transportation funds"—defined as funds supporting multiple transportation modes, including highways, mass transit facilities, ports, airports, and/or state police departments. The report also identified California and New Jersey as states funding public transit from motor fuel tax revenues. Alaska prohibits dedicated-purpose funds. The other 37 states have transportation funds primarily for roads—although some provide public transit funding at lower levels than in the states with multi-modal transportation funds.¹

We describe below multi-modal transportation funds in the 10 states identified in the Maryland report. We also used a Federal Highway Administration publication² to find five other states that appear to provide significant public transit funding from motor fuel tax revenues. Some other states provide funds for public transit, but generally in small amounts.

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States With Multi-Modal Transportation Funds

Connecticut

The Special Transportation Fund was established in 1984 as a dedicated fund for the state's transportation system and its Department of Transportation operating costs. Its primary revenue source is the motor fuel tax, but it also receives proceeds of motor vehicle fees and miscellaneous income. In fiscal year 2002 (the last year for which the Department of Transportation published a report on the Fund) some revenues from the Fund were used to operate two passenger rail services, 15 urban bus services, and five rural bus services, and to support Dial-A-Ride services. The Fund provided over \$1.7 billion³ for transit projects in fiscal years 1985 through 2002.³

Delaware

The Transportation Trust Fund is used to finance roads, highways, and other transportation facilities⁴—including airports, turnpikes, ports, bridges, tunnels, subways, or parking facilities, and all equipment, machinery, buildings, and land needed to provide transportation services.⁵

Florida

At least 15% of all state revenues to the State Transportation Trust Fund must be used for public transportation projects, including seaports, airports, and public transit systems.⁶ At least 10% of fuel sales tax receipts deposited into the Fund must be used for public transit and rail capital projects unless otherwise provided by law.⁷

Louisiana

The state Constitution says that funds in the Transportation Trust Fund are to be used first for debt service and then for roads and bridges, the Statewide Flood Control Program, ports, airports, transit, traffic control purposes of the state police, and the Parish Transportation Fund. At least 1¢ per gallon of the state tax on gasoline and diesel fuels must be appropriated to the Parish Transportation Fund⁸ and distributed to parishes (similar to counties) for costs of public transit, including transit operating expenses and buying rolling stock.⁹

Maryland

Maryland's Transportation Trust Fund receives revenues from motor fuel taxes; motor vehicle registration, title, license, and other fees; some corporate income tax revenues; some transit operating revenues, such as fares and airport fees; bond proceeds; and federal aid. Most such revenues are distributed to the Department of Transportation to go to counties and municipalities.¹⁰ All of those entities may use the funds to finance "transportation facilities"¹¹—defined as airports, highways, ports, railroads, bridges, tunnels, subways, rolling stock, stations, terminals, parking areas, equipment, buildings, and other property or services related to rendering transit service.¹² The Department of Transportation provides funds to various state transportation agencies, including the Highway Administration, Transit Administration, Port Administration, Aviation Administration, and Motor Vehicle Administration.¹³

Pennsylvania

The state's Motor License Fund, supported mainly by fuel tax revenues and vehicle fees, provides most state transportation funding. It funds highway and bridge improvements, airports, Department of Transportation administrative expenses, State Police highway patrol operations, and aid to local governments for transportation projects. General Fund appropriations subsidize mass transit and rail freight transport.¹⁴

Tennessee

Most motor vehicle fees and fuel taxes go to the Highway Fund.¹⁵ About 10% of its revenues are used for waterways, airports, railroads, public transit, and bicycle and pedestrian areas.¹⁶ Each year \$3 million is appropriated from the Fund for mass transit projects.¹⁷

Vermont

The Transportation Fund receives motor fuel tax proceeds, vehicle fees, revenues from the sales tax on aviation jet fuel, receipts from pilot and aircraft license fees, and miscellaneous sources.¹⁸ Money appropriated from the Fund to the Vermont Agency of Transportation must be used for building and maintaining state highways, railroads, and airports; aid to municipalities for highways and bridges; general administration of the Agency; debt service on highway bonds; operating the public transit system, railroads, and airports; and Department of Motor Vehicles operations.¹⁹ Three-eighths of 1¢ per gallon of the gasoline tax is used for conservation and maintenance of natural resources.²⁰

Virginia

There are two main transportation funds: the Highway Maintenance Operating Fund (HMOF) and the Transportation Trust Fund (TTF). Both receive some proceeds of the state gasoline tax, vehicle sales and use tax, and vehicle registration fee. The TTF also receives 0.5% of state sales tax proceeds.²¹

The HMOF is the primary source of state funding for road maintenance and operations. The TTF is the primary source of state and federal funds for highway construction, mass transit, airports, and seaports. Funds in the TTF are used for highways (78.7%),²² mass transit (14.7%), ports (4.2%), and aviation (2.4%).²³

Wisconsin

The Transportation Fund may be appropriated for purposes including planning, construction, maintenance, and operation of highway, airport, harbor, ferry, railroad, bicycle, or pedestrian facilities or services; aid to local governments for transportation purposes; state enforcement of traffic laws; Department of Transportation administrative costs; and tourism marketing services.²³

Almost half of the Fund goes for highway construction and maintenance. About one-third is distributed to local governments to help with maintaining and improving roads, public transit systems, railways, harbors, airports, and bicycle and pedestrian facilities. The remainder helps finance operations of the Department of Transportation, Department of Motor Vehicles, and State Police.²⁴

Other Funds for Transportation in Five States

California

The Public Transportation Account (a part of the State Transportation Fund) is available only by appropriation for transportation planning and mass transportation purposes.²⁵ The Account receives a portion of revenues from the state sales tax on motor fuel.²⁶ Funds are used for bus and passenger rail services; funding public transit capital improvement projects in the state transportation improvement program; public transportation research; and support of some state agencies and local transportation planning agencies.²⁷

All state funds that are available for capital improvement transportation projects must be divided between projects administered by the state (25%) and those administered by regional authorities (75%). Of the state-administered funds, 60% must be dedicated to highways outside urban areas and to

intercity rail improvements; at least 15% of that 60% (9% of the state-administered funds) must go to intercity rail. The state-administered funds must be used for transportation projects for moving people and goods, including state highways, intercity passenger rail, mass transit projects, and grade separation projects. Locally administered funds are allocated among counties, and may be used for state highways, local roads, public transit, intercity rail, pedestrian and bicycle roads, and other projects to improve transportation in a region.²⁸

Michigan

The Michigan Transportation Fund receives most motor fuel and vehicle taxes. One-tenth of the Fund's income each year (plus some general sales tax receipts²⁹) goes to the Comprehensive Transportation Fund.³⁰ The Comprehensive Transportation Fund must be used, after payments for debt service and administrative costs, for grants to local governments or transportation authorities for public transportation projects.³¹ Each year, at least 10% of these funds must be distributed for intercity passenger and freight transportation purposes.³²

New Jersey

The state Constitution says the Transportation Trust Fund is to be used for costs of planning, acquisition, engineering, construction, repair, and rehabilitation of the state's "transportation system."³³ The Fund receives revenues from motor fuel taxes, vehicle registration fees, and part of the state sales tax. Funds for capital projects are allocated among the Department of Transportation; NJ Transit (the state's public transportation corporation); and local governments.³⁴

New York

New York finances public transit mainly from two funds dedicated for that purpose:

The Dedicated Mass Transportation Trust Fund is to be appropriated for mass transit facilities, vehicles, and rolling stock; debt service or operating expenses for mass transit operating agencies; rail projects; and helping small and minority- or women-owned businesses in transportation construction projects.³⁵ It is funded mainly by a portion of the petroleum business tax.³⁶

The Mass Transportation Operating Assistance Fund provides funding for transit system operations. It is supported mainly by a portion of the petroleum business tax, and a corporation tax and sales tax imposed in the Metropolitan Transportation Authority region.³⁷

Rhode Island

All motor fuel tax proceeds go to the Intermodal Surface Transportation Fund. The Rhode Island Public Transit Authority receives 7.25¢ (about 25%) of the tax on every gallon of motor fuel sold in the state, and the Department of Transportation gets 20.75¢.³⁸ The law does not specify the uses for these funds. But another law charges the Department of Transportation with preparing plans and implementation programs for transportation; for port and waterway facilities if the principal purpose is transportation and management of port properties; warehouses, and state piers used primarily as transportation facilities; and for maintaining an adequate level of rail passenger and freight service.³⁹ In 2007, the Department of Transportation provided funds for commuter rail services and bicycle and pedestrian areas.⁴⁰

We hope this information is helpful. Please let us know if you need anything further.

Sincerely,



Sarah E. Franklin
Senior Research Associate

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Notes

1. Maryland Department of Legislative Services, *Maryland Department of Transportation Fiscal 2005 Budget Overview*, "Transportation Funding Among the 50 States" (provided by Dave Fleming, Chief Financial Officer, Maryland Department of Transportation and also available on Maryland General Assembly Internet site).
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3. Connecticut Department of Transportation, "State Funding: Special Transportation Fund" (FY 2002, downloaded from Connecticut Department of Transportation Internet site).
4. Del. Code, tit. 30, sec. 5119.
5. Del. Code, tit. 2, subsec. 1303(u).
6. Fla. Stat., subsec. 206.46(3).
7. Fla. Stat., sec. 206.606.
8. La. Const., Art. 7, sec. 27.
9. La. Rev. Stat., sec. 48:753.
10. Maryland Department of Transportation, "Transportation Trust Fund" (downloaded March 30, 2009 from Maryland Department of Transportation Internet site).

11. Md. Transp. Code, secs. 3-202 and 8-408.
12. Md. Transp. Code, subsecs. 3-101(k) and (l).
13. Maryland Department of Transportation, "Transportation Trust Fund."
14. Pennsylvania Department of Transportation, "Transportation Financing" (downloaded April 1, 2009 from Pennsylvania Department of Transportation Internet site).
15. Tenn. Code, secs. 55-6-107, 67-3-901, and 67-3-905.
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18. Vt. Stat., tit. 19, sec. 11.
19. Vt. Stat., tit. 19, sec. 12.
20. Vt. Stat., tit. 23, subsec. 3106(d).
21. Virginia Department of Transportation, "Transportation Fact Book: Transportation Budget" (2007, downloaded from Virginia Department of Transportation Internet site).
22. Va. Code, sec. 33.1-23.03:2.
23. Wis. Stat., subsec. 25.40(3).
24. Wisconsin Department of Transportation, "Transportation finance issues: How is transportation money spent?" (rev. Oct. 31, 2007, downloaded from Wisconsin Department of Transportation Internet site).
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26. Cal. Rev. & Tax. Code, sec. 7102.
27. Cal. Pub. Util. Code, secs. 99312 and 99315.
28. Cal. Sts. & High. Code, secs. 163 and 164; California Department of Transportation, "Transportation Funding in California" (2008, downloaded from California Department of Transportation Internet site).
29. Mich. Comp. Laws, subsec. 205.75(4)(a).
30. Mich. Comp. Laws, subsec. 247.660(1)(f).
31. Mich. Comp. Laws, sec. 247.660d.
32. Mich. Comp. Laws, subsec. 247.660e(4)(b).
33. N.J. Const., Art. 8, sec. 2, par. 4.
34. New Jersey Transportation Trust Fund Authority, "NJDOT/NJ Transit Capital Program" (rev. Feb. 27, 2008, downloaded from New Jersey Transportation Trust Fund Authority Internet site).
35. N.Y. State Fin. Law, sec. 89-c.
36. New York Department of Transportation, "Public Transportation Bureau—State Transit Operating Assistance" (downloaded April 2, 2009 from New York Department of Transportation Internet site).
37. N.Y. St. Fin. Law, sec. 88-a; New York Department of Transportation, "Public Transportation Bureau—State Transit Operating Assistance."
38. R.I. Gen. Laws, subsec. 31-36-20(a).

39. R.I. Gen. Laws, subsec. 42-13-1(a).
40. Rhode Island Department of Transportation, "2007 Annual Report" (downloaded from Rhode Island Department of Transportation Internet site).