

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

March 11, 2003

2:13 p.m.

TAPE(S) 03-8

MEMBERS PRESENT

Senator John Cowdery, Chair
Senator Thomas Wagoner, Vice Chair
Senator Donny Olson

MEMBERS ABSENT

Senator Gene Therriault
Senator Georgianna Lincoln

COMMITTEE CALENDAR

CS FOR HOUSE CONCURRENT RESOLUTION NO. 2(MLV) am
Relating to the extension of the Alaska Railroad to Fort Greely
to serve the anti-ballistic missile launch facility.

MOVED SCS CSHCR 2(CRA) OUT OF COMMITTEE

SENATE BILL NO. 103

"An Act increasing certain motor vehicle registration fees; and
providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 106

"An Act relating to a fee on studded tires; and providing for an
effective date."

MOVED CSSB 106(TRA) OUT OF COMMITTEE

SENATE BILL NO. 112

"An Act increasing the motor fuel tax and repealing the special
tax rates on blended fuels; and providing for an effective
date."

SCHEDULED BUT NOT HEARD

SENATE BILL NO. 31

"An Act relating to a railroad utility corridor for extension of
the Alaska Railroad to Canada and to extension of the Alaska
Railroad to connect with the North American railroad system."

BILL HEARING POSTPONED TO March 18, 2003

PREVIOUS ACTION

SB 103 - No previous action to record.
SB 106 - No previous action to record.
HCR 2 - See Community and Regional Affairs minutes dated 2/26/03
and 3/5/03.

WITNESS REGISTER

Father Tom Moffatt
Staff to Representative Lynn
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Presented HCR 2 for the sponsor

Ms. Wendy Lindskoog
Alaska Railroad Corporation
PO Box 107500
Anchorage, AK 99510-7500
POSITION STATEMENT: Stated support for HCR 2

Mr. Pat Gamble
Alaska Railroad Corporation
PO Box 107500
Anchorage, AK 99510-7500
POSITION STATEMENT: Stated support for HCR 2

Mr. James Snyder
Fairbanks, AK
POSITION STATEMENT: Opposed to HCR 2

Dwayne Bannock
Division of Motor Vehicles
Department of Administration
PO Box 110200
Juneau, AK 99811-0200
POSITION STATEMENT: Explained the provisions of SB 103

Mr. Kevin Jardell
Department of Administration
PO Box 110200
Juneau, AK 99811-0200
POSITION STATEMENT: Introduced SB 103 for the Administration

Mr. Richard Schmitz
Staff to Senator Cowdery
Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Presented SB 106

Mr. Dennis Nottingham
Peratrovich, Nottingham, and Drage, Inc.
1506 West 36th Ave.
Anchorage, AK 99503

POSITION STATEMENT: Supported SB 106

Mr. John MacKinnon
Department of Transportation &
Public Facilities
3132 Channel Dr.
Juneau, AK 99801-7898

POSITION STATEMENT: Testified on SB 106

Mr. Larry Persily
Department of Revenue
PO Box 110400
Juneau, AK 99811-0400

POSITION STATEMENT: Answered questions on SB 106

ACTION NARRATIVE

TAPE 03-8, SIDE A

CHAIR JOHN COWDERY called the Senate Transportation Standing Committee meeting to order at 2:13 p.m. Senators Olson and Cowdery were present and Senator Wagoner arrived shortly thereafter. The first order of business to come before the committee was HCR 2.

HCR 2-EXTEND RAILROAD TO FT. GREELY/DELTA JUNCTION

FATHER TOM MOFFATT, staff to Representative Bob Lynn, sponsor of HCR 2, explained HCR 2 is a resolution in support of extending the Alaska Railroad for approximately 70 miles from North Pole to the new missile defense site at Fort Greeley. HCR 2 was co-sponsored by 25 House members. Member packets contain letters of support from General Pat Gamble, President of the Alaska Railroad Corporation (ARRC); General Craig Campbell, Alaska Adjutant General; Debbie Joslin, national committee woman of the majority party; and former Representative Jeanette James of North Pole. HCR 2 passed the House with a 37 to 1 vote. An extension of the railroad would help support and maintain the missile site, which is critical to national homeland defense and homeland security in Alaska. The railroad extension would also

help support the mining industry and agricultural operations in the area and increase economic development from North Pole to Delta Junction. It also puts the Alaska railroad 70 miles closer to a connection with the Canadian railway system for an eventual extension to the Lower 48.

FATHER MOFFATT said because HCR 2 is a resolution, no appropriations are required by its passage, nor are environmental studies. HCR 2 does, however, put the Twenty-third Alaska State Legislature on record in support of a railroad extension. He pointed out that Governor Murkowski set forth the rail extension as one of his goals in his state of the state address on January 23.

MS. WENDY LINDSKOOG, Director of External Affairs, ARRC, stated support for HCR 2 in its initial form and for the most recent committee substitute (CS), which expands the scope in terms of the different types of revenue available to support a railroad extension: military activities, resource development, and agriculture.

CHAIR COWDERY asked if other legislation was introduced to address right-of-way issues.

MS. LINDSKOOG said it has.

SENATOR OLSON asked for a description of the current industry standards for a railroad right-of-way and what it would be for the extension.

MR. PAT GAMBLE, Executive Director of ARRC, informed members that the industry standards are not the measurement that ARRC wants to use. It wants to use the standard that has been successful for the Alaska railroad, which is a 200-foot, fee simple right-of-way plus additional lands that provide for quarries and maintenance areas. He said this particular corridor is one quarter of the distance to the Canadian border so it is being considered as an Alaskan transportation, utility, and communication corridor, as well as a railroad right-of-way. He commented, "The determination of the width of that corridor has to be generous enough to serve several masters here." He said several discussions have taken place on this subject, including a discussion on innovative ways to divide the corridor so that the railroad right-of-way would be within a wider state corridor. He noted that Alaska's standard 200-foot fee simple right-of-way has served the railroad well because it allows for future expansion to build tracks and to make sure that access

across rights-of-way is done with proper attention to safety issues.

SENATOR OLSON said his understanding is that the anticipated right-of-way for a major portion of the corridor is 200 feet, but there will be a combination right-of-way for other portions. He asked how wide the combination right-of-way would be.

MR. GAMBLE said he has heard a width range from 200 feet to one-quarter mile. However, 500 feet is the number that is most frequently used for the corridor itself. He said he believes the width of the corridor will be controlled, to some degree, by the terrain.

SENATOR OLSON noted that one-quarter mile is 1,300 feet wide.

MR. GAMBLE said ARRC is not saying it needs a one-quarter mile corridor. The need for the corridor itself is a state need to accommodate transportation, a pipeline, fiber optic cable, and underground communication systems.

SENATOR OLSON asked whether the impacted communities commented and what their positions are. He pointed out he didn't see a letter of support from Delta Junction.

MR. GAMBLE said ARRC has received no correspondence from any of the impacted communities.

SENATOR OLSON asked Father Moffatt to address that question.

FATHER MOFFATT told members that Representative Lynn's office has had contact with those communities through Representative Harris, who represents the impacted communities. He said the communities support the proposal, although they have not stated their positions in writing.

SENATOR OLSON asked if the military submitted a written position on SCS CSHCR 2(CRA).

FATHER MOFFATT said that Adjutant General Campbell has testified in support of the resolution at all previous committee hearings.

SENATOR OLSON noted Adjutant General Campbell is affiliated with a state department, not the federal government. He said he was looking for a letter from the person in charge of the military bases.

FATHER MOFFATT said Representative Lynn has been in contact with the cantonment commander who indicated the extension would be beneficial, but that commander is a field grade officer. He pointed out that by the time the railroad extension is completed, the heavy construction of the missile site would be completed. The Department of Defense has no objection and would not normally lobby for such things.

CHAIR COWDERY pointed out this is a resolution to show unified support of a railroad extension so it is conceptual.

SENATOR OLSON said he wondered why the committee has not received any documentation in support of the resolution from the entities that will be impacted.

CHAIR COWDERY said that documentation would come forward with a railroad bill.

SENATOR OLSON stated, "I find it interesting that it comes from a representative that doesn't necessarily represent that area."

FATHER MOFFATT pointed out that Representative Lynn has a strong military background and is the chair of the House Committee on Military and Veterans Affairs.

CHAIR COWDERY said that although the voters of a specific district elect legislators, they represent the entire state.

2:30 p.m.

SENATOR OLSON said the railroad has operated "in the black" in the past and he wondered how this extension might impact the railroad operations in general in regard to profitability.

MR. GAMBLE said that question is uppermost on ARRC's mind. ARRC does not have all of the answers it needs from the military to determine what level of support would be required. For example, would mail support for contractors and the National Guard be necessary? Other supports have not been considered yet and may provide additional revenue opportunities for the railroad to pay for the operations and maintenance of the line. He pointed out the capital costs are extensive. He added that he is not aware of the costs associated with building the military base or expanding existing bases and believes those subjects are ripe for further discussion and analysis.

CHAIR COWDERY took public testimony.

MR. JAMES SNYDER told members he has watched booms, busts and boondoggles as a Fairbanks resident since 1959 and he considers the railroad extension to be a boondoggle. He does not believe any railroad has run in the black in North America since 1950. He said a railroad extension through Canada would affect the trucking and barge industries in Alaska. He believes the state should not compete with private industry, which has invested millions in this state. He said the U. S. Department of Defense should build the rail extension if it wants one.

CHAIR COWDERY pointed out this legislation is a resolution and has no cost associated with it. He then announced that Senator Wagoner joined the committee some time ago.

SENATOR WAGONER moved SCS CSHCR 2(CRA) from committee with individual recommendations. Without objection, the motion carried.

2:38 p.m.

SB 103-MOTOR VEHICLE REGISTRATION FEES

CHAIR COWDERY announced the committee would take up SB 103, but he did not plan to pass the bill out of committee today because several people wanted to testify on the bill and were unavailable today. He asked Mr. Jardell to present the bill.

MR. KEVIN JARDELL, Assistant Commissioner of the Department of Administration (DOA), explained that SB 103 establishes an increase in vehicle registration fees. DOA believes it is time to re-evaluate and update user fees. He said Mr. Duane Bannock was available to testify via teleconference.

MR. DUANE BANNOCK, Director of the Division of Motor Vehicles (DMV), DOA, told members SB 103 would update some of the standards on the books since 1970. Since that time, only two small increases in registration fees have occurred. He and the deputy director researched the fees in all 49 states to compare them with Alaska's fees. While some states have lower registration fees, it was difficult to track down the total amount of fees those states collect through other types of taxes. Clearly, the fees in SB 103 are still less than the nationwide standard.

CHAIR COWDERY asked Mr. Bannock to address the increase in registration fees for the semi-trailers and "big rigs."

MR. BANNOCK said Section 4 on page 3 is specific to commercial trailers. Typically that would be a container type of trailer, but specifically it is any trailer, whether a small flatbed trailer registered commercially or a 40-foot container. He said several years ago all 50 states did away with annual registration of commercial trailers and established a one-time permanent registration. SB 103 calls for a one-time fee, but the fee will be \$20 instead of \$10. Currently, about 10,000 of these trailers are on the ground. DMV projects about 1,000 new trailers will be registered in Alaska [next year] and pay the \$20 one-time fee.

CHAIR COWDERY asked if the fee has anything to do with the licensing of those trailers.

MR. BANNOCK said for all practical purposes, licensing and registering mean the same thing. Therefore, a person with a commercial trailer will get license plates with the one-time payment. Those plates will not have to be renewed year after year.

CHAIR COWDERY asked if the Legislature amended the law to increase the tractor fees but lowered the trailer fees four or five years ago.

MR. BANNOCK said the last major change took place in 1998 at which time legislation was enacted that eliminated \$1.6 million worth of commercial trailer registration fees and charged that amount equally amongst all registered commercial vehicles.

CHAIR COWDERY asked Mr. Bannock how DMV approaches registering vehicles with foreign licenses.

MR. BANNOCK said a trip permit fee for the tractor portion of the truck is charged but that is not addressed in SB 103.

SENATOR OLSON said it is his understanding that vehicles used for commercial purposes are considered to be revenue generating and are charged more. He asked why commercial trailers are charged a \$20 registration fee in Section 4 while in Section 1(b)(6), the fee is higher for "a trailer not used or maintained for the transportation of persons or property for hire or for other commercial use, including...a boat trailer."

MR. BANNOCK said the boat trailer registration that will cost \$30 every two years is most likely attached to a pickup truck that right now costs \$78 to register every two years. The container trailer is a one-time \$10 fee. That container trailer is attached to a semi-tractor that pays \$300 to register every year. He explained that when the state stopped collecting the \$1.6 million on commercial trailers, those fees were shifted to all vehicles registered commercially. The state had no net loss in revenue.

MR. JARDELL told members that policy was set by an earlier legislature. DOA has not addressed that policy, but is open to input from committee members. He said SB 103 does not restructure the fees.

CHAIR COWDERY pointed out that SB 103 would impact an Anchorage company, K&W, by charging an additional \$20,000 per year to register K&W's trailers. He said a lot of the trailers travel a very short distance. He then asked if a non-commercial trailer owner could register a trailer for up to five years at one time.

MR. BANNOCK said the registration for non-commercial vehicles is biannual.

SENATOR WAGONER asked Mr. Bannock if he compared the fees in SB 103 to the fees in other northwestern states. He noted that Washington State used to base registration fees on value, but now uses a set fee.

MR. BANNOCK repeated that he looked at the fees for all 49 states. The State of Oregon is the least expensive state; its automobile registration fee is \$15 per year. He said fees to register a two-year old gasoline powered car with an original retail price of \$25,000 and a current value of \$15,000 were compared and they range from \$15 to \$412.

CHAIR COWDERY asked about the fee for privately owned motor homes.

MR. BANNOCK said a motor home is currently categorized as a personal, non-commercial passenger automobile. SB 103 does not change that category. The fee is \$68 for a two-year registration for any class of motor home, the same as the fee for a personal vehicle.

SENATOR OLSON asked if DMV has discussed the licensing of four-wheelers.

MR. BANNOCK said not in association with SB 103. He pointed out that DMV is responsible for collecting registration fees for snow machines and motorcycles. However, all terrain vehicles (ATVs) have not been addressed.

SENATOR OLSON clarified that he wants to know whether trailers hauled by ATVs have to be registered, especially if they have to travel on an improvised trail. He said he received phone calls from constituents who want to know whether they will be required to license an ATV trailer or a sled being hauled by a registered snow machine.

MR. BANNOCK said DMV has no interest in licensing trailers that are being hauled behind ATVs or snow machines.

CHAIR COWDERY repeated that he planned to hold the bill in committee to hear more public testimony.

SB 106-FEES FOR TIRES

MR. RICHARD SCHMITZ, staff to Senator Cowdery, explained that the purpose of SB 106 is to enact a \$10 fee on every studded snow tire to offset the extra cost of repairing road damage done by studded snow tires. He said studded snow tires do not improve traction in many winter driving conditions. An Anchorage study showed that 52 percent of drivers use studded snow tires, of which 31 percent use lightweight studs. Studded tire use peaked in 1996, at 80 percent, and one million passes of studded tires wore road surface one inch. He showed members photos of pavement failure in Anchorage as the result of studded snow tire use. He said that for the sake of safety, road damage must be repaired quickly because rutted roads trap water, cause hydroplaning, and trap snow, which turns to ice. Studded tires increase fuel consumption and stopping distance on wet or dry pavement and provide a false sense of security after 5,000 miles of use.

MR. SCHMITZ said that studded snow tires do improve traction in many winter driving scenarios. However, many non-studded winter tires offer traction equal or better to studded tires. Some states now ban studded tires. About \$6 million per year is spent resurfacing roads in Anchorage, which equals about \$20,000 per lane, per mile. SB 106 also increases the fee for driving with studded tires out of season.

TAPE 03-8, SIDE B

CHAIR COWDERY noted that, according to a University of Alaska study, about 50 percent of drivers use studded snow tires. Of those drivers, about 98 percent drive on dry pavement. He pointed out that SB 106 definitely creates a user fee. He then asked Mr. Nottingham to testify.

MR. DENNIS NOTTINGHAM, President of Peratrovich, Nottingham & Drage, Inc., told members he is a long time resident of Alaska and has watched the roads deteriorate exponentially with time. He appreciates the committee taking up this issue. The Department of Transportation and Public Facilities (DOTPF) has conducted numerous studies to find alternative ways to reduce road damage, such as bringing in expensive aggregate. However, the fact of the matter is that tire rubber and treads have improved to the point that he has not used studded tires for many years. The cost of road damage from studded tire use is difficult to estimate but he has heard a high number of \$200 per car. He said that studded snow tires do provide for a shorter stopping distance, but only up to 5,000 miles of use so the safety issue is not as great as people think. He said that half of the drivers are causing all of the damage to the roads. He believes if people want to use studded tires, they should pay. The other 50 percent who are willing to pursue new technology would not have to pay and the roads would be better for that.

MR. NOTTINGHAM said that when registering a vehicle every two years, it would be easy to get a license plate sticker that entitles the use of studded tires. The fine for using studded tires out of season should be very high because many people are destroying the roads by using studded tires year-round.

3:10 p.m.

SENATOR OLSON asked if there is any advantage to using studded tires after 5,000 miles of use and whether studs could be worn to the point that they have no adverse effect on the pavement.

MR. NOTTINGHAM said he believes damage is a function of speed. The studs still have an effect on the pavement when a car is driven faster.

SENATOR OLSON asked Mr. Nottingham if he favors a ban on studded tires.

MR. NOTTINGHAM said he believes in allowing people to make their own choice and to pay for that choice. He said when this topic came up in the past, the issue of liability was raised if

studded tires are outlawed and someone has an accident and sues the state.

SENATOR WAGONER said he is not concerned about the liability issue, but he is concerned about the \$5 million worth of damage each year. The revenue from a fee on studded tires would only bring in \$2 million, while banning the use of studded snow tires would save \$3 million. He believes studded snow tires give people a false sense of security and cause more accidents because people drive faster. He suggested holding more hearings on banning the use of studded snow tires.

CHAIR COWDERY noted that lightweight studs still contain tungsten steel, which is what hits the pavement and does the damage.

MR. JOHN MACKINNON, Deputy Commissioner of DOTPF, provided a visual aid to illustrate the depth of the ruts caused by studded tire use.

SENATOR WAGONER asked how many years it took to do the damage to the road in the picture.

MR. MACKINNON did not know.

CHAIR COWDERY said he would like DOTPF to provide information on the different asphalt mixes and their life spans. He noted the pavement on some of the streets in Anchorage, such as Ingram, has held up for seven years while other streets have needed overlays every two years.

MR. MACKINNON said one problem in Alaska is the lack of hard aggregate sources. Recently, Egan Drive in Juneau was repaved with aggregate barged in from Haines. That aggregate made a tremendous difference. Another problem is the desire to use asphalt from state oil fields. That asphalt is not as hard as imported asphalt. He pointed out the studded tire fee would be collected at the source at the time the studs are inserted in the tire, not when the tire is purchased. Based on DOTPF's projection, the surcharge would raise an extra \$2 million per year. Businesses would be allowed to retain five percent of the surcharge up to \$300 per month to cover expenses. The Department of Revenue estimates its cost to administer the program at \$50,000 per year. He said studies have shown that one studded tire causes about \$50 worth of damage during the useful life of that tire. Since Alaska spends over \$5 million per year to repair ruts caused by studded tires, he believes it is in

Alaska's best interest to explore sources of hard aggregate and transport costs.

CHAIR COWDERY pointed out that five or six states have banned the use of studded snow tires.

MR. MACKINNON said when studded tires were an effective driving aid when they were first introduced in the 1950s or 1960s. However, a variety of other innovations have resulted in more effective safety measures, such as anti-lock brakes, all wheel drive, and better tires. In addition, DOTPF and the municipality maintenance programs have resulted in less ice build up on the roads. Studies have shown that 95 percent of the time, studded tires are hitting bare pavement. He asked committee members to support SB 106.

CHAIR COWDERY noted he spoke to trucking companies that use chains rather than studs on trucks; they sipe (ph) their tires to increase traction on ice. He asked if DOTPF uses studded snow tires on its vehicles.

MR. MACKINNON said no.

SENATOR WAGONER said the troopers use studded snow tires. He then pointed out that at \$10 per tire, the cost of damage that is not recovered would be \$160 per vehicle if the vehicle has four studded tires. He asked the cost of shipping asphalt and aggregate into the state versus using local products.

MR. MACKINNON said it would depend on the location of the paving project. It is not difficult to ship aggregate into Southeast Alaska from the Puget Sound area. Asphalt in the Interior is from that area. He said DOTPF could look at the cost benefit of using different asphalt mixes and part aggregate.

CHAIR COWDERY presented a committee substitute (CS) for SB 106, version H.

SENATOR WAGONER moved to adopt version H as the committee substitute. Without objection, the motion carried.

MR. MACKINNON explained the difference between the CS and the original bill is a fine increase for violating the seasonal restriction on studded tires.

SENATOR OLSON asked if the fee would be collected at the time the studs are inserted into the tire.

MR. MACKINNON said that is correct.

SENATOR OLSON said companies would have an inventory of studded tires that they have paid the fee for.

MR. MACKINNON explained the tires are not sold with studs; buyers opt to have studs inserted.

SENATOR OLSON asked how to guarantee these fees would be designated for road maintenance as opposed to other DOTPF projects.

CHAIR COWDERY said the money would go into the general fund and the legislature would appropriate it.

MR. LARRY PERSILY, Deputy Commissioner of the Department of Revenue, told members the \$10 per tire fee would show up on the invoice and once a month that money would be remitted to the state. Retailers would be allowed to keep five percent, not to exceed \$300 per month, for collecting and remitting the fee. The fee only applies to retail sales of new tires for motor vehicles. He added the CS exempts tires sold to local, state, and federal agencies.

SENATOR WAGONER said since there is no way to dedicate those funds, the department would have to provide an estimate of the amount received to the Finance Committee.

MR. PERSILY said that is correct and although there is no legally binding dedication of funds, there is the moral pledge of the legislature to appropriate the funds for highway maintenance. He suggested two small changes to the CS:

On line 8, page 1, delete the words "or other transfer for consideration" to clarify that the state is not looking to tax garage sale tires.

On line 13, page 2, insert "motor vehicle" in front of "tire" to clarify that this legislation does not apply to bicycle tires.

CHAIR COWDERY said he believes that tire companies will have a run on non-studded tires next year. He said this fee is small compared to the extra cost of studs and tire changes.

SENATOR WAGONER moved to adopt the proposed changes and to move CSSB 106(TRA) to the next committee of referral.

CHAIR COWDERY asked for unanimous consent. Without objection, CSSB 106(TRA) moved from committee.

CHAIR COWDERY announced he would hear SB 112 at the next meeting and adjourned the meeting at 3:30 p.m.