

ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE

March 25, 2008

2:15 p.m.

MEMBERS PRESENT

Representative Kyle Johansen, Chair
Representative Mark Neuman, Vice Chair
Representative Anna Fairclough
Representative Wes Keller
Representative Mike Doogan
Representative Woodie Salmon

MEMBERS ABSENT

Representative Craig Johnson

COMMITTEE CALENDAR

SENATE BILL NO. 158

"An Act designating the bridge on the George Parks Highway directly north of the Alaska Native Veterans' Honor Bridge as the Shirley Demientieff Memorial Bridge."

- MOVED SB 158 OUT OF COMMITTEE

HOUSE BILL NO. 106

"An Act repealing fees imposed on the sale of new tires, the sale of certain studded tires, and the installation of certain metal studs on tires; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 322

"An Act establishing the Alaska transportation fund and relating to the fund; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 314

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of state transportation projects; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 158

SHORT TITLE: SHIRLEY DEMIENTIEFF MEMORIAL BRIDGE

SPONSOR(s): SENATOR(s) KOOKESH

04/18/07 (S) READ THE FIRST TIME - REFERRALS
04/18/07 (S) TRA
04/24/07 (S) TRA AT 1:30 PM BUTROVICH 205
04/24/07 (S) Moved SB 158 Out of Committee
04/24/07 (S) MINUTE(TRA)
04/25/07 (S) TRA RPT 4DP
04/25/07 (S) DP: KOOKESH, WIELECHOWSKI, OLSON,
COWDERY
04/25/07 (S) FIN REFERRAL ADDED
02/19/08 (S) FIN RPT 7DP
02/19/08 (S) DP: HOFFMAN, STEDMAN, ELTON, THOMAS,
DYSON, HUGGINS, OLSON
02/19/08 (S) FIN AT 9:00 AM SENATE FINANCE 532
02/19/08 (S) Moved SB 158 Out of Committee
02/19/08 (S) MINUTE(FIN)
02/27/08 (S) TRANSMITTED TO (H)
02/27/08 (S) VERSION: SB 158
02/29/08 (H) READ THE FIRST TIME - REFERRALS
02/29/08 (H) TRA
03/25/08 (H) TRA AT 1:00 PM CAPITOL 17

BILL: HB 106

SHORT TITLE: REPEAL FEES FOR STUDED TIRES

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/22/07 (H) READ THE FIRST TIME - REFERRALS
01/22/07 (H) TRA, FIN
04/26/07 (H) TRA AT 1:30 PM CAPITOL 17
04/26/07 (H) Heard & Held
04/26/07 (H) MINUTE(TRA)
03/25/08 (H) TRA AT 1:00 PM CAPITOL 17

BILL: HB 322

SHORT TITLE: TRANSPORTATION FUND

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/17/08 (H) READ THE FIRST TIME - REFERRALS
01/17/08 (H) TRA, FIN
03/25/08 (H) TRA AT 1:00 PM CAPITOL 17

WITNESS REGISTER

SENATOR ALBERT KOOKESH
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As sponsor of SB 158, presented the sponsor statement and answered questions.

WILLIE LORD
Alaska Native Veterans Association
Military Order of the Purple Heart
Nenana, Alaska

POSITION STATEMENT: Spoke in support of SB 158.

JOANNA BALES, Deputy Director
Tax Division
Anchorage Office
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Offered testimony on HB 106.

JEFF OTTESEN, Director
Division of Program Development
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint titled, "Crossroads Ahead, Why a State Funded Transportation Program is Right for Alaska," and answered questions on HB 322.

NANCY SLAGLE, Director
Division of Administrative Services
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Answered questions on HB 322.

ACTION NARRATIVE

CHAIR KYLE JOHANSEN called the House Transportation Standing Committee meeting to order at [2:15:13 PM](#). Representatives Johansen, Keller, Fairclough, Neuman and Doogan were present at the call to order. Representative Salmon arrived as the meeting was in progress.

SB 158-SHIRLEY DEMIENTIEFF MEMORIAL BRIDGE

CHAIR JOHANSEN announced that the first order of business would be SENATE BILL NO. 158 "An Act designating the bridge on the

George Parks Highway directly north of the Alaska Native Veterans' Honor Bridge as the Shirley Demientieff Memorial Bridge."

[2:15:38 PM](#)

SENATOR ALBERT KOOKESH, Alaska State Legislature, sponsor of SB 158, informed the committee that Shirley Demientieff was an advocate for the Native community and addressed issues such as sexual exploitation, alcohol, and illegal drugs. He explained that she was instrumental in naming the Alaska Native Veterans' Honor Bridge and that she was in charge of the search and recovery program in the Interior. He reported that she died from cancer a few years ago. He noted that the Senate was unanimous in its support of this bill, and that he had heard of no opposition to the bill.

[2:19:53 PM](#)

WILLIE LORD, Alaska Native Veterans Association, Military Order of the Purple Heart, said that both organizations supported naming the bridge in honor of Shirley Demientieff for all the work she had done for Native veterans and for the Native communities in the Interior.

[2:20:50 PM](#)

CHAIR JOHANSEN closed public testimony. He expressed his belief that Ms. Demientieff sounds like a wonderful person.

REPRESENTATIVE DOOGAN offered that Ms. Demientieff was a fine woman from a good family and he thanked the sponsor for the opportunity to honor her.

REPRESENTATIVE FAIRCLOUGH moved to report SB 158 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, SB 158 was moved out of committee.

HB 106-REPEAL FEES FOR STUDED TIRES

[2:22:00 PM](#)

CHAIR JOHANSEN announced that the next order of business would be HOUSE BILL NO. 106 "An Act repealing fees imposed on the sale of new tires, the sale of certain studded tires, and the

installation of certain metal studs on tires; and providing for an effective date."

JOANNA BALES, Deputy Director, Tax Division, Anchorage Office, Department of Revenue (DOR), explained that the current administration believes this tax is a penalty on those who want heavier studs in their tires for safety.

CHAIR JOHANSEN closed public testimony.

[HB 106 was held over.]

HB 322-TRANSPORTATION FUND

CHAIR JOHANSEN announced that the next order of business would be HOUSE BILL NO. 322 "An Act establishing the Alaska transportation fund and relating to the fund; and providing for an effective date."

[2:23:49 PM](#)

JEFF OTTESEN, Director, Division of Program Development, Department of Transportation & Public Facilities (DOT&PF), directed attention to slide 19, titled "Other States" that illustrates various approaches for the funding of shortfalls that other states are experiencing. He explained that user pay mechanisms are becoming very common, and include tolls, public-private partnerships, county bonds, road and bridge leases to private concessions, and taxes on the miles driven within the state. He offered his belief that none of these are a means of generating large revenue in Alaska. He observed that the proposed transportation fund will generate an annual revenue of \$50 million, which is equivalent to the revenue created by a gas tax increase of 12 cents per gallon. He acknowledged that Alaska does not have the user density of other states, but still needs transportation facilities. He referred to slide 20, "State Fund Advantages", which reflects the advantages of a state fund. He offered his belief that projects will move faster with less "red-tape," explaining that the federal program is very rule bound and methodical. He pointed to slide 21, "State Funds Advantages", which compares the time necessary for state versus federal transportation projects. He explained that slide 22, "State Funded Successes", shows recent successfully funded state projects.

[2:28:27 PM](#)

MR. OTTESEN commented that slide 23, "Erratic State Appropriations to Transportation", shows the erratic appropriations for transportation funding, making it difficult to manage projects. He explained that an advantage of the state transportation fund is that the annual dividends are a more reliable revenue source.

CHAIR JOHANSEN asked if the money in the state transportation fund will be used to match federal funds.

MR. OTTESEN replied that the money will not be used to match, but, instead, will fund projects that benefit from full state funding.

[2:29:10 PM](#)

MR. OTTESEN referred to slide 24, "Federal Fund Limitations", and offered his belief that federal highway programs are not meeting the needs and expectations of Alaska. He called attention to a report stating that since the completion of the interstate project, the federal program has lost its central premise.

MR. OTTESEN explained that slide 25, "Alaska Transportation Fund", lists the core concepts of the fund: available to all modes of transportation; includes local and state projects; uses a programmatic versus a project approach; and uses existing mechanisms for transportation planning as listed in AS 44.42.050. He explained that the project selection relies on public involvement using a nationally recognized scoring methodology.

[2:31:21 PM](#)

MR. OTTESEN explained that slide 26, "Why this Approach", notes the ups and downs of funding, and he reminded the committee of the difficulties during the 1987-88 era when the price of oil dropped, construction firms left the state, and jobs disappeared. He mentioned that the user fee approach is impractical and improbable. He offered his belief that a \$1 billion fund will generate a \$50 million annual dividend, the annual equivalent of a gas tax increase of 12 cents per gallon.

MR. OTTESEN referred to slide 27, "AS 44.42.050", the long range state transportation plan. He described that the first step is to develop a comprehensive, intermodal, long-range

transportation plan with public involvement. The second step is for DOT&PF to develop every two years a list of projects which are consistent with the plan.

[2:33:31 PM](#)

MR. OTTESEN directed attention to slide 28, "What a Program Means" and explained the difference between a project approach and a program approach. He said that general fund dollars are directed to specific projects. Often the project will take many years, and while the money is not used, inflation causes a loss of the dollar value. He explained that the programmatic approach uses every dollar every year. The money is used for the different project levels, including planning, surveying, purchasing, right of way, and construction, and this minimizes the loss to inflation.

MR. OTTESEN pointed out that slide 29, "Funds applied annually to projects...", further illustrates the programmatic approach of dollars going to different stages of the project development cycle. He called attention to slide 30, "Initial Priorities-2 Years". He proposed that for the first two years the transportation fund spend dollars on immediate project priorities. These would include public safety, preservation and maintenance, and significant economic needs for development. During this time, the department will also more fully develop the regulations and the public process.

[2:36:17 PM](#)

MR. OTTESEN explained that slide 31, "Why Safety", details that safety is an important part of the department's business. He reflected that the societal cost in Alaska due to injuries and deaths is about \$500 million per year.

MR. OTTESEN discussed slide 32, "Why Preservation", and said that the state assets need to be maintained, to ensure their usefulness. He gave an example that \$1 in timely pavement maintenance can save \$4 in future expense. He allowed that the data is already available to guide when and where the allocations need to be applied. He noted that there is often an unfunded gap between the allowable use of federal funds and state maintenance and operation funds. He offered his belief that some of the federal rules are arcane, and that the state needs to manage around them.

[2:41:07 PM](#)

MR. OTTESEN brought the committee's attention to slide 33, "Why Congestion Relief?", and allowed that congestion can be a maddening problem. He reported that DOT&PF is doing a good job dealing with the congestion in Anchorage. He commented that congestion can cause frustration, anger, and poor decision making, all of which can be factors in accidents. He explained that an indicator of congestion is that the increase of lane miles is growing much more slowly than the number of miles driven.

MR. OTTESEN assessed slide 34, "Why Economic Development?", and noted that transportation investment is an essential element of economic development. He cited examples including the Red Dog Mine road and the airfreight road and utilities at the Ted Stevens Anchorage International Airport. He mentioned that the Alaska State Constitution provides for the legislature to make these investments, and these investments can lead to good jobs and good opportunities.

MR. OTTESEN mentioned that slide 35, "After First 2 Years", reflects that the scoring and nomination processes will be put in place to determine the use of the transportation dollars. He explained that slide 36, "Update all Needs Assessments", shows that an update of the needs assessments will take place. He reported that the needs assessments will help allocate the ratio of dollars to mode of transportation projects.

[2:44:43 PM](#)

REPRESENTATIVE NEUMAN asked whether the models for public nomination of needs assessments and economic development have been built.

MR. OTTESEN said that the department has examples of these [needs assessment] scoring systems, but that the department is considering changes to the current systems. He explained that the first two years he referenced earlier would be spent in public discussion of this proposed project regulation [scoring] process to address the four themes: preservation, congestion, economic development, and safety. The [needs assessment] scoring system would not be set in place until the third year.

[2:46:21 PM](#)

REPRESENTATIVE NEUMAN offered his belief that public nomination in an organized area of the state is going to have more public

input than an unorganized area. He asked how the department was going to ensure equitable economic benefits for all the communities and he asked to see a model of this scoring system.

MR. OTTESEN explained that the scoring system takes into account the rural and urban community projects.

REPRESENTATIVE NEUMAN observed that the committee has seen a lot of presentations showcasing DOT&PF operations. He said that he would like to see a scoring model before the committee makes any determinations for transportation funding.

MR. OTTESEN noted that HB 322 only establishes the transportation fund. He allowed that it is the legislature's decision for appropriation of the money. He offered his belief that the bill sponsors will make the [scoring] regulations the subject of a subsequent bill. He allowed that, in the meantime, the department would bring projects which meet the four criteria to the legislature for funding.

CHAIR JOHANSEN noted that all of the projects will have to be appropriated by the legislature.

[2:51:29 PM](#)

MR. OTTESEN stated he was done with the presentation and offered to bring the committee copies of the scoring systems.

CHAIR JOHANSEN noted that the fiscal note requested \$500 million dollars in FY 2008, and \$500 million in FY 2009. He inquired about the urgency of dollars for FY 2008.

MR. OTTESEN expressed his belief that \$500 million was to be included in the FY 2008 Supplemental Budget, and another \$500 million to be included in the FY 2009 Budget.

[2:52:44 PM](#)

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation & Public Facilities (DOT&PF), offered her belief that Governor Palin announced in her State of the State speech that she intended to put \$500 million for a transportation infrastructure fund into the FY 2008 Supplemental Budget, and another \$500 million in the FY 2009 Budget. She said that the fiscal note was written to reflect the governor's request.

CHAIR JOHANSEN asked why the money was placed in the FY 2008 budget.

MS. SLAGLE expressed her belief that the governor knew there was going to be a surplus of funds for FY 2008, and decided to put transportation funds into an endowment fund for future use.

[2:54:00 PM](#)

REPRESENTATIVE DOOGAN asked for more explanation of the desirability for a dedicated transportation fund rather than annual appropriations.

MR. OTTESEN said the dedicated transportation fund will create dividends to supplement the appropriations in lean funding years. He explained that most projects take many years to execute. He offered his belief that a dedicated fund that can create dividends will help smooth out the transitional funding patterns.

REPRESENTATIVE DOOGAN commented that dividends are only created if the investment strategy is good. He posed that the governor did not propose a constitutional dedication for the fund.

MR. OTTESEN replied that neither Department of Law (DOL) nor Department of Revenue (DOR) representatives knew why a constitutional dedication was not proposed.

[2:55:55 PM](#)

REPRESENTATIVE DOOGAN asked if the department would have an answer by the March 27, 2008, committee meeting.

REPRESENTATIVE FAIRCLOUGH suggested that a funding mechanism using a percent of market value formula will allow for more projects at a quicker pace. She noted that after an initial contribution to a fund, money is paid out as an annuity. She offered her belief that this would result in more construction and better maintenance than if a large amount of money was put into a dedicated fund that spent a specific dollar value. She asked if the committee was planning to discuss this.

CHAIR JOHANSEN offered for Representative Fairclough to chair a voluntary work session.

REPRESENTATIVE FAIRCLOUGH accepted the offer.

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REPRESENTATIVE NEUMAN expressed his belief that the governor had reported earlier to the House of Representatives caucus that the only administrative capital project in the FY 2008 Supplemental Budget would be for the Senior Benefits Program, however, he noted that the fiscal notes for HB 322 reflected \$500 million dollars from the FY 2008 Supplemental Budget.

[HB 322 was held over.]

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at [2:58:34 PM](#).