

**ALASKA STATE LEGISLATURE**  
**HOUSE TRANSPORTATION STANDING COMMITTEE**

March 27, 2008

1:06 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**

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."

- MOVED HB 106 OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 294

"An Act establishing the division of marine transportation; establishing the Alaska Marine Transportation Authority Board and the position of director of the division of marine transportation, and assigning the powers and duties of each; making conforming amendments; and providing for an effective date."

- MOVED CSSSHB 294 (TRA) OUT OF COMMITTEE

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."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

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
03/25/08	(H)	Heard & Held
03/25/08	(H)	MINUTE(TRA)
03/27/08	(H)	TRA AT 1:00 PM CAPITOL 17

BILL: HB 294

SHORT TITLE: MARINE TRANSPORTATION: BOARD & DIVISION

SPONSOR(S): REPRESENTATIVE(S) WILSON, LEDOUX, SEATON

01/04/08	(H)	PREFILE RELEASED 1/4/08
01/15/08	(H)	READ THE FIRST TIME - REFERRALS
01/15/08	(H)	TRA, FIN
02/25/08	(H)	SPONSOR SUBSTITUTE INTRODUCED
02/25/08	(H)	READ THE FIRST TIME - REFERRALS
02/25/08	(H)	TRA, FIN
03/11/08	(H)	TRA AT 5:00 PM CAPITOL 17
03/11/08	(H)	Heard & Held
03/11/08	(H)	MINUTE(TRA)
03/18/08	(H)	TRA AT 1:00 PM CAPITOL 17
03/18/08	(H)	Heard & Held
03/18/08	(H)	MINUTE(TRA)
03/27/08	(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
03/25/08	(H)	Heard & Held
03/25/08	(H)	MINUTE(TRA)
03/27/08	(H)	TRA AT 1:00 PM CAPITOL 17

BILL: HB 314

SHORT TITLE: G.O. BONDS FOR TRANSPORTATION PROJECTS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/16/08	(H)	READ THE FIRST TIME - REFERRALS
01/16/08	(H)	TRA, FIN
03/25/08	(H)	TRA AT 1:00 PM CAPITOL 17
03/25/08	(H)	Scheduled But Not Heard
03/27/08	(H)	TRA AT 1:00 PM CAPITOL 17
03/27/08	(H)	FIN AT 1:30 PM HOUSE FINANCE 519

**WITNESS REGISTER**

JERRY BURNETT, Director  
Administrative Services Division  
Department of Revenue (DOR)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on HB 106.

REPRESENTATIVE PEGGY WILSON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** During discussion of HB 294, answered questions as the sponsor of the bill.

CLIFF STONE, Staff  
to Representative Peggy Wilson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** During discussion of HB 294, answered questions of behalf of the sponsor, Representative Wilson.

MARY SIROKY, Legislative Liaison  
Office of the Commissioner  
Department of Transportation & Public Facilities (DOT&PF)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on HB 294.

FRANK RICHARDS, Deputy Commissioner of Highways & Public  
Facilities  
Office of the Commissioner  
Department of Transportation & Public Facilities (DOT&PF)  
Juneau, Alaska

**POSITION STATEMENT:** 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 314.

FRANK RICHARDS, Deputy Commissioner of Highways & Public  
Facilities  
Office of the Commissioner  
Department of Transportation & Public Facilities (DOT&PF)  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on HB 314.

### **ACTION NARRATIVE**

**CHAIR KYLE JOHANSEN** called the House Transportation Standing  
Committee meeting to order at [1:06:32 PM](#). Representatives  
Johansen, Fairclough, Doogan, Salmon, and Keller were present at  
the call to order. Representative Neuman arrived as the meeting  
was in progress.

#### HB 106-REPEAL FEES FOR STUDED TIRES

[1:06:55 PM](#)

CHAIR JOHANSEN announced that the first 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."

[1:07:07 PM](#)

JERRY BURNETT, Director, Administrative Services Division,  
Department of Revenue (DOR), said that the fiscal note reflects  
a small loss of revenue. He observed that collection of this  
tax is not a good use of the department's time and that it is  
not fair to penalize the public for using safer tires.

REPRESENTATIVE FAIRCLOUGH offered her belief that the tax is  
based on the increased road wear from the use of studded tires.

MR. BURNETT responded that this is correct. He reported that  
the Alaska State Troopers continue to use the heavy studded  
tires for safety. He noted that although there is tax revenue,  
the tax has not resulted in a decrease of the use of the heavy  
studded tires and the subsequent wear on the roads.

REPRESENTATIVE FAIRCLOUGH asked if the sale of studded tires is decreasing.

MR. BURNETT replied that the tax does not reflect an increase in the purchase of alternative tires. He offered that the department's belief is this tax penalizes people for having safer tires.

[1:09:53 PM](#)

REPRESENTATIVE FAIRCLOUGH asked how the department knows that more of the alternative tires are not being sold.

MR. BURNETT explained that DOR does track the tax, so they know how many of each type of tire is sold.

REPRESENTATIVE NEUMAN noted that the bill retracts the tax on all studded tires, and asked if this precludes the sale of studded tires.

MR. BURNETT pointed out that the bill eliminates this tax on all the tires, and it will have no effect on the availability of the tires.

[1:11:40 PM](#)

REPRESENTATIVE SALMON asked if the tax applies to all tires or just studded tires.

MR. BURNETT replied that the tax on studded tires is \$5 per tire and \$2.50 per tire on non-studded tires.

REPRESENTATIVE DOOGAN commented that there has been a lot of testimony on the bad effects of studded tires on road surfaces. He asked if the administration has decided that the \$1.5 million net profit on the tax is too insignificant an amount to use for repair.

MR. BURNETT responded that the administration has decided that \$1.5 million is insignificant to the total revenue.

REPRESENTATIVE DOOGAN allowed that this is true only as long as the price of oil stays high.

MR. BURNETT declared that this is an administratively inefficient tax as it is the only tax paid directly at the retail level.

REPRESENTATIVE DOOGAN posed that it is inefficient because the sales people have to collect the taxes and pay this to the DOR. He asked how gasoline is taxed.

MR. BURNETT responded that cigarette, alcohol, and fuel are all taxed at the wholesale level.

CHAIR JOHANSEN closed public testimony.

[1:14:35 PM](#)

REPRESENTATIVE KELLER recounted that a constituent who owns a tire store experimented with lightweight studs and found them to be worthless.

REPRESENTATIVE NEUMAN analyzed and compared the cost of road wear from studded tires to the costs of insurance, medical bills, and lives. He allowed that passage of this bill would put more money in the consumers' pockets.

REPRESENTATIVE DOOGAN testified that he is also a supporter of studded tires, but that the larger issue is the administrative arguing that the legislature spends too much money, while simultaneously proposing to rescind a revenue source.

[1:19:13 PM](#)

REPRESENTATIVE FAIRCLOUGH voiced support to the earlier comments, and asked what the administration is offering as revenue sources should the oil prices drop.

CHAIR JOHANSEN summarized that he is not a fan of taxes, especially safety taxes.

REPRESENTATIVE NEUMAN moved to report HB 106 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 106 moved out of committee.

The committee took an at-ease from 1:21 PM to 1:24 PM.

HB 294-MARINE TRANSPORTATION: BOARD & DIVISION

[Due to technical difficulties the recording is not available from 1:24:54 PM to 1:27:21 PM.]

CHAIR JOHANSEN announced that the next order of business would be SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 294 "An Act establishing the division of marine transportation; establishing the Alaska Marine Transportation Authority Board and the position of director of the division of marine transportation, and assigning the powers and duties of each; making conforming amendments; and providing for an effective date." [Before the committee was CSSSHB 294, Version 25-LS12220\0, Kane, 3/18/08, the working document.]

REPRESENTATIVE PEGGY WILSON, Alaska State Legislature, referred to her memorandum to Representative Johansen, dated March 25, 2008. She offered her objection to the proposed change to Version 0 on page 1, line 9 as that language has been in the statute since 1992.

[1:27:21 PM](#)

REPRESENTATIVE WILSON offered her objection to the proposed changes on page 2, lines 4-31 and page 3, line 1. She allowed that, as the sponsor, she is amenable to an amendment increasing the board membership to include residents from the Railbelt.

REPRESENTATIVE NEUMAN related his understanding that page 2, lines 4-31, and page 3, line 1, remain unchanged.

REPRESENTATIVE WILSON agreed, but allowed that one or two board members could be residents of the Railbelt region.

REPRESENTATIVE NEUMAN asked if this is the current board composition.

REPRESENTATIVE WILSON replied that it is not exactly the same, but that there are people from that area.

REPRESENTATIVE NEUMAN said that similar language now exists for the Marine Transportation Advisory Board (MTAB).

CLIFF STONE, Staff to Representative Peggy Wilson, Alaska State Legislature, explained that there is still regional representation and the intent is to have a broad representation of the coastal communities.

[1:29:27 PM](#)

REPRESENTATIVE NEUMAN suggested that the board member demographic include representation from many different industries.

CHAIR JOHANSEN asked if the seats on the board have a term.

MR. STONE said that the bill language is broad enough to include many business community members.

REPRESENTATIVE NEUMAN asked if the maximum service would be one three-year term.

MR. STONE said that the board members could be reappointed at the governor's prerogative.

REPRESENTATIVE DOOGAN asked to clarify that Version 0 designates six members from coastal communities and five at-large appointments, whereas the possible amendment would make two of the at-large appointments be from the Railbelt.

[1:33:42 PM](#)

REPRESENTATIVE WILSON referred to page 2, lines 5-6, and said that, as the sponsor, she is agreeable to an amendment to delete "confirmed by a majority of the members of the legislature in joint session."

MR. STONE mentioned that there are two legal opinions in the members' packets that address this.

REPRESENTATIVE WILSON referred to page 3, lines 29-31 and said that she will support an amendment to replace the existing language with:

After one or more nominees for the position of director or deputy commissioner of the Alaska Marine Highway System have been considered by the commissioner of transportation and public facilities, the commissioner shall confer with the board on that nominee before making an appointment to that position.

[1:35:08 PM](#)

REPRESENTATIVE FAIRCLOUGH asked for the legal definition of "nominee."

REPRESENTATIVE WILSON said that she is agreeable to an amendment to change page 4, lines 3-4, which would delete the following after the word "affiliation": "and the nominees must have experience in the field of marine engineering or maritime operations."

[1:36:48 PM](#)

REPRESENTATIVE WILSON recommended the addition of a subsection (d) on page 4, line 12, which would read:

After consultation with the Department of Transportation & Public Facilities, the board may issue a request for proposal to consider the design and development of a two year ferry schedule.

REPRESENTATIVE NEUMAN asked how that proposal will affect the fiscal notes. He offered his belief that it is the responsibility of the board to develop a two-year schedule.

MR. STONE expressed his belief that the committee members want Department of Transportation & Public Facilities (DOT&PF) to consult with the board on a two year ferry schedule.

[1:40:51 PM](#)

REPRESENTATIVE NEUMAN stated that if the amendment is offered, he will ask DOT&PF why there is not a two year schedule.

CHAIR JOHANSEN closed public testimony.

[1:41:17 PM](#)

REPRESENTATIVE FAIRCLOUGH moved that the committee adopt Amendment 1, as follows:

Page 3, line 1, following "Borough":  
Insert "and at least two members from non-coastal communities in the Railbelt region of Alaska."

CHAIR JOHANSEN objected for discussion.

REPRESENTATIVE FAIRCLOUGH said that she is most interested in changing the committee task force to operate for the betterment of the system by providing affordable transportation to communities that need it. This amendment will broaden the representation to include communities other than coastal

communities. She expressed her belief that the non-coastal communities are not always going to agree with the coastal communities and they will add a voice to ensure that the requests are cost effective and good investments. She allowed that this will draw more communities into the request for funding process and will help ensure success.

1:43:08 PM

REPRESENTATIVE NEUMAN noted his agreement with Representative Fairclough and he suggested adding representation from those communities off the road system.

1:44:03 PM

REPRESENTATIVE DOOGAN expressed concern that the amendment language seems to remove some Railbelt communities, including Anchorage, Seward, and Kenai, from consideration as they are not "non-coastal."

REPRESENTATIVE WILSON suggested that Amendment 1 should read "areas that are not served by the Alaska Marine Highway System (AMHS)."

REPRESENTATIVE SALMON said that it would be better for diversity if Amendment 1 didn't refer to the "Railbelt."

CHAIR JOHANSEN asked the amendment sponsor for an "elegant solution."

REPRESENTATIVE FAIRCLOUGH clarified that her intent is to include non-ferry users who have a statewide interest in transportation. Therefore, she suggested amending Amendment 1 so that the board will look at a balanced transportation system.

REPRESENTATIVE FAIRCLOUGH amended her earlier motion such that she moved that the committee adopt a conceptual amendment to Amendment 1, such that it would read as follows:

Page 3, line 1, following "Borough":

Insert "and at least two members not served by the ferry system who have statewide transportation needs."

REPRESENTATIVE DOOGAN suggested that Conceptual Amendment 1 should use the following language: "not directly served by the

ferry system" because the ferry docks at places from which patrons can drive to Anchorage.

REPRESENTATIVE FAIRCLOUGH related her acceptance of Representative Doogan's suggested change.

[1:48:42 PM](#)

REPRESENTATIVE FAIRCLOUGH withdrew her conceptual amendment to Amendment 1.

REPRESENTATIVE NEUMAN advised that Matanuska-Susitna will soon have a ferry to Anchorage.

[1:49:54 PM](#)

CHAIR JOHANSEN related his understanding that the ferry running across the Knik Arm will not be part of the AMHS.

CHAIR JOHANSEN then moved that the committee adopt an amendment to Amendment 1, such that it would read as follows:

Page 3, line 1, following "Borough":  
Insert "and at least two members from areas not directly served by the Alaska marine highway system."

There being no objection, the amendment to Amendment 1 was adopted.

REPRESENTATIVE KELLER asked if [the committee] has any desire to include language regarding board members having an understanding of the statewide system.

CHAIR JOHANSEN pointed out that page 2, lines [23-30], addresses the experience and qualification of the members.

[1:51:57 PM](#)

REPRESENTATIVE DOOGAN, in further response to Representative Keller, stated that the only people who don't need any specific qualifications are the two at-large public members listed on page 2, line 30, paragraph (6).

REPRESENTATIVE NEUMAN suggested that the governor will look at the qualifications when the people are appointed. He then pointed out that on page 2, line 4, the legislation specifies

that the board will consist of 11 members, but [New] Amendment 1 would add two more members.

1:53:55 PM

CHAIR JOHANSEN clarified that the amendment does not add two more members, but rather specifies the area from they reside.

CHAIR JOHANSEN removed his objection to Amendment 1, as amended.

There being no objection, Amendment 1, as amended, was adopted.

1:54:29 PM

CHAIR JOHANSEN moved that the committee adopt Conceptual Amendment 2, as follows:

Page 2, lines 5-6:

Delete "and confirmed by a majority of the members of the legislature in joint session."

REPRESENTATIVE NEUMAN objected for discussion.

CHAIR JOHANSEN related his preference for the executive branch to retain control of the appointments rather than have the legislature get involved.

REPRESENTATIVE DOOGAN offered his belief that whether the legislature actually had the authority to confirm the type of appointee specified in the legislation was addressed by the Division of Legal and Research Services in a March 19, 2008, memorandum from Brian Kane, and also by a Department of Law memorandum from Richard Walsh on March 20, 2008.

REPRESENTATIVE WILSON indicated that to be the case and said that she didn't have a problem with [proposed Conceptual Amendment 2].

REPRESENTATIVE NEUMAN asked if the current members of the Alaska Marine Transportation Advisory Board are confirmed by the legislature.

CHAIR JOHANSEN said that this is done by executive order.

1:57:32 PM

REPRESENTATIVE NEUMAN removed his objection to Conceptual Amendment 2.

There being no objection, Conceptual Amendment 2 was adopted.

[1:57:43 PM](#)

CHAIR JOHANSEN moved that the committee adopt Conceptual Amendment 3, as follows:

Page 4, lines 3-4:

Delete the language ", and the nominees must have experience in the field of marine engineering or maritime operations"

REPRESENTATIVE NEUMAN objected.

CHAIR JOHANSEN opined that the experience level for the position should be left open.

REPRESENTATIVE NEUMAN removed his objection.

There being no objection, Conceptual Amendment 3 was adopted.

The committee took an at-ease from 1:59 p.m. to 2:00 p.m.

CHAIR JOHANSEN announced that he wouldn't offer Amendment 4 at this time.

[2:00:11 PM](#)

REPRESENTATIVE FAIRCLOUGH moved that the committee adopt Amendment 5, as follows:

Page 1, line 9:

Delete "and improvement"

REPRESENTATIVE FAIRCLOUGH stated that she supports the AMHS and improved support to that system, but there should not be a mandate to improve a system. Instead, there should be a mandate to efficiently and effectively operate and provide good service. She offered her belief that mandating improvement can be left open to wide misinterpretation.

[2:01:45 PM](#)

REPRESENTATIVE DOOGAN objected, although he noted that he shared many of the concerns of Representative Fairclough. He said that the DOT&PF should have offered a better explanation as to how it developed the last ferry schedule. He opined that [mandatory improvements] doesn't seem to imply a commitment to purchase new ferries as there are much simpler and less expensive solutions to effectuate improved service.

REPRESENTATIVE NEUMAN related his support for Amendment 5. He expressed his belief that without the amendment there needs to be an evaluation of the existing system to verify improvement. He noted that "improvement" is in the eye of the beholder.

REPRESENTATIVE KELLER offered to substitute the language "efficient quality of service" for "improvement", as this will allow a statement of quality.

[2:04:59 PM](#)

REPRESENTATIVE WILSON clarified that this language has been in statute since 1992, and, as the sponsor, she has no intention to change this language. She offered that her intention is to improve the ferry system, not to change the existing statute. She related her opposition to proposed Amendment 5.

CHAIR JOHANSEN expressed his belief that it would appear unlikely that litigation will result since this language has been in statute since 1992.

REPRESENTATIVE DOOGAN pointed out that the bill only commits DOT&PF to consult with the Alaska Marine Transportation Advisory Board on a long-range plan. There are no new duties or changes to the system, with the exception of adding the advisory board as a consultant. He offered his belief that the bill is not committing to any new course of action.

CHAIR JOHANSEN agreed.

A roll call vote was taken. Representatives Salmon, Neuman, and Fairclough voted in favor of Amendment 5. Representatives Keller, Doogan, and Johansen voted against it. Therefore, Amendment 5 failed by a vote of 3-3.

[2:08:22 PM](#)

REPRESENTATIVE FAIRCLOUGH moved to adopt Amendment 6, as follows:

Page 3, lines 29-31 through page 4, lines 1-2:

Delete subsection (a)

Insert "After one or more candidates for the position of director or deputy commissioner of the Alaska Marine Highway System have been considered by the commissioner of transportation and public facilities, the commissioner shall confer with the board on that candidate before making an appointment to that position."

CHAIR JOHANSEN objected for discussion.

[2:09:25 PM](#)

REPRESENTATIVE WILSON asked for a clarification.

REPRESENTATIVE FAIRCLOUGH explained that this is the same wording offered by Representative Wilson, with the substitution of "candidate" for "nominee".

REPRESENTATIVE NEUMAN agreed with the use of "candidate" and asked for a further clarification of the position described as "director or deputy commissioner."

MR. STONE explained that both the director and deputy commissioner titles are maintained in the wording to allow for whichever of these positions an administration decides to appoint.

REPRESENTATIVE NEUMAN asked who selects the candidates.

MR. STONE clarified that the commissioner will first consider the candidates, who then forwards the qualified applicants to the board for its suggestions. The commissioner will make the final hiring decision.

REPRESENTATIVE NEUMAN offered his belief that it is good to have public involvement.

[2:14:08 PM](#)

REPRESENTATIVE DOOGAN asked for clarification of the substitution of "candidate" for "nominee" in Amendment 6.

REPRESENTATIVE FAIRCLOUGH explained that a nominee is introduced by the administration, whereas a candidate is one who applies

for a position. The main distinction between the two terms, she opined, is that the advisory board isn't being asked to find individuals but rather there will be an in-take process by the commissioner.

CHAIR JOHANSEN asked if the intent is to delete subsection (a) in its entirety and replace it with the amendment language.

REPRESENTATIVE FAIRCLOUGH replied yes.

[2:16:24 PM](#)

[A discussion ensued about the amended wording of subsection (a).]

The committee took an at-ease from 2:18 p.m. to 2:19 p.m.

[2:19:05 PM](#)

REPRESENTATIVE FAIRCLOUGH withdrew Amendment 6.

REPRESENTATIVE FAIRCLOUGH moved to adopt Amendment [7], as follows:

Page 3, lines 29-31 through page 4, lines 1-2:

Delete subsection (a)

Insert "After one or more candidates for the position of director or deputy commissioner of the Alaska Marine Highway System have been considered by the commissioner of transportation and public facilities, the commissioner shall confer with the board on that candidate before making an appointment to that position. The selection of the candidate shall be without regard to political affiliation."

There being no objection, Amendment [7] was adopted.

[2:20:16 PM](#)

REPRESENTATIVE WILSON said that she, as the sponsor, would still like to see the development of a 2 year ferry schedule.

[A discussion ensued to determine that all the earlier concerns with HB 294 had been addressed.]

CHAIR JOHANSEN said that the agreement on Amendment 1 to include members outside the communities served by the AMHS has addressed all the earlier concerns.

[2:22:07 PM](#)

REPRESENTATIVE NEUMAN asked if a representative from DOT&PF was going to speak.

MARY SIROKY, Legislative Liaison, Office of the Commissioner, Department of Transportation & Public Facilities, said that the amendments and changes are acceptable to DOT&PF, and should result in a zero fiscal note.

[2:23:37 PM](#)

REPRESENTATIVE KELLER asked Representative Wilson, the sponsor, if a sunset clause should be added to HB 294.

REPRESENTATIVE WILSON replied that she did not think that would be of any benefit.

CHAIR JOHANSEN asked DOT&PF if the zero fiscal note is prepared.

MS. SIROKY said that the zero fiscal note is forthcoming.

REPRESENTATIVE NEUMAN moved to report CSSSHB 294, Version 25-LS12220\O, Kane, 3/18/08, as amended, out of committee with individual recommendations and the accompanying zero fiscal notes. There being no objection, CSSSHB 294(TRA) was reported out of the House Transportation Standing Committee.

The committee took an at-ease from 2:26 p.m. to 2:31 p.m.

HB 322-TRANSPORTATION FUND

[2:31:39 PM](#)

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."

REPRESENTATIVE FAIRCLOUGH said that she supports the governor's \$1 billion transportation plan as there are \$1 billion worth of transportation needs in Alaska, which include projects, deferred maintenance, and future needs to address a gas pipeline. She

offered her belief that an endowment approach with an annuity payout was worthy of discussion. She referred to a spread sheet titled "The Transportation Fund with a 10 year Annuity Payout" [included in members' packets] that shows an annuity payout that would put \$1.2 billion into projects over 10 years. She remarked that the flip side to this spread sheet, "The Transportation Fund with an endowment approach" reflects that a 5 percent annual payout will erode the buying power and allow less opportunity to make a substantial inroad into the shortcomings of deferred maintenance and projects. She offered her belief that \$50 million is too small an amount of money to spend for maintenance that has been deferred for so long. She expressed her belief that the annuity approach allows for a larger annual appropriation.

[2:36:06 PM](#)

REPRESENTATIVE FAIRCLOUGH explained that the model can be adjusted for stock market fluctuations, commodity prices, and inflation. This allows the state the ability to more quickly respond to any needs.

REPRESENTATIVE NEUMAN remarked that this is a totally different funding plan than the administration's plan. He asked if it is possible to do a side-by-side comparison of the two funding plans. He declared that he wants to see a Department of Transportation & Public Facilities (DOT&PF) project plan before he will consider a fund.

[2:39:34 PM](#)

REPRESENTATIVE FAIRCLOUGH offered to do a side-by-side comparison, and she explained more about the analysis that her plan provides. She explained that after ten years the annuity plan will have spent its entirety, putting \$1.2 billion into transportation projects; whereas, the administration plan will still have \$945 million in the fund, but it will only have generated \$507 million spent for projects. She expressed her desire to contain the discussion to an annuity versus an endowment approach, which she likened to the percent of market value (POMV) and the permanent fund. She explained that the POMV system will secure a fund and allow it to endure, whereas an annuity will zero out but will put more money more quickly into transportation projects. She offered her belief that the primary concern is fiscal planning and sustainability, not prioritization of projects.

CHAIR JOHANSEN asked that DOT&PF be prepared to compare and contrast the two proposals during the next House Transportation Standing Committee meeting on Tuesday, April 1, 2008.

REPRESENTATIVE DOOGAN requested DOT&PF prepare a statement of the annual appropriations for transportation projects from the general fund for the last few years to allow a comparison of the appropriation funding style to the two other approaches.

[2:43:33 PM](#)

FRANK RICHARDS, Deputy Commissioner of Highways & Public Facilities, Office of the Commissioner, Department of Transportation & Public Facilities (DOT&PF), asked if Representative Doogan would like a list of all the capital appropriations from all the fund sources.

REPRESENTATIVE DOOGAN explained that he wanted to know the state funds appropriated from the capital budget for each of the last five years to allow a comparison with these other proposed funding programs.

[2:44:32 PM](#)

MR. RICHARDS offered his belief that a comparison of the fund appropriations is in Mr. Ottesen's presentation.

REPRESENTATIVE DOOGAN asked if it is possible to receive a copy.

MR. RICHARDS offered a copy to Representative Doogan.

[HB 322 was held over.]

HB 314-G.O. BONDS FOR TRANSPORTATION PROJECTS

[2:45:18 PM](#)

CHAIR JOHANSEN announced that the final order of business would be 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."

[Chair Johansen passed the gavel to Vice Chair Neuman.]

FRANK RICHARDS, Deputy Commissioner of Highways & Public Facilities, Office of the Commissioner, Department of

Transportation & Public Facilities (DOT&PF), explained that the primary goals of the general obligation bond projects are to increase safety, promote economic development, reduce congestion, and preserve existing assets. He directed attention to the Powerpoint entitled "Alaska Department of Transportation & Public Facilities-GO Bond Projects-". He described the first project listed, slide 2, "Dowling Road: Old Seward Highway to Minnesota Drive", which is a \$22.1 million congestion relief project. He explained that this project is part of the Anchorage Municipality's long range transportation plan, the Alaska State Transportation Improvement Plan (STIP), and the Anchorage Metropolitan Area Transportation Solutions (AMATS) transportation improvement plan. He reported that the funding will come from federal, state, and local funds.

MR. RICHARDS referred to slide 3 which reflects the two phases of the project. He allowed that the general obligation bond will pay for Phase 1. He further explained the project and the ways it will relieve congestion.

[2:48:40 PM](#)

REPRESENTATIVE DOOGAN mentioned that no one has discussed this project with him even though it is in his district.

VICE CHAIR NEUMAN made the same observation.

MR. RICHARDS asked if the committee would prefer an overview of HB 314, instead of a project specific review.

VICE CHAIR NEUMAN agreed.

[2:49:55 PM](#)

MR. RICHARDS said that this bill identifies \$121.1 million for DOT&PF transportation projects, \$10 million for a Department of Commerce, Community, and Economic Development (DCCED) project to expand the Port of Anchorage, and \$8.9 million to the Department of Natural Resources (DNR) to fund the South Denali Access Road Design and Construction project.

[2:50:32 PM](#)

[Vice Chair Neuman returned the gavel to Chair Johansen.]

MR. RICHARDS explained that this bill is a bond package that will be presented to the voters this fall. He noted that the

goal of the bill is to allow the voters to approve the projects, and that the capital budget will not be increased by the total bill package request of \$140 million.

REPRESENTATIVE DOOGAN posed that if a specific project is removed from the bill and put into the capital budget, would the bond request be reduced by that amount.

MR. RICHARDS replied that these projects are only on this bond list, and not in the capital budget. He offered his belief that the intent is to separate these projects into a bond proposal and not to include them in the capital budget.

REPRESENTATIVE DOOGAN asked to clarify that if a specific project in this bill is dropped, would the bond amount be reduced by that amount.

MR. RICHARDS offered his belief that the bill is project specific.

REPRESENTATIVE DOOGAN wanted to clarify how the money would be allocated if the projects change.

MR. RICHARDS expressed his belief that the bill is project specific.

[2:53:59 PM](#)

REPRESENTATIVE NEUMAN asked if the money would come from FY 2008 funds.

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation & Public Facilities (DOT&PF), said that the bond proceeds would be put into a transportation fund entitled "2008 transportation project fund." She clarified that the fund is from the bond proceeds. She explained that the process will be to ask the voters for approval, offer the bonds for sale, place the proceeds into the "2008 transportation project fund," and allocate the money for the specific projects.

CHAIR JOHANSEN clarified that the fund is titled "2008 transportation project fund."

MS. SLAGLE agreed.

[2:57:07 PM](#)

CHAIR JOHANSEN offered his belief that having a date in the fund title creates confusion.

REPRESENTATIVE DOOGAN asked how these specific projects are selected.

MR. RICHARDS explained that DOT&PF looks at the list of statewide projects that reflect the four primary goals mentioned earlier, and presents to the governor's office a list of projects that can be accomplished with either bond or general fund proceeds in a timely and cost effective manner.

[2:58:04 PM](#)

REPRESENTATIVE DOOGAN expressed his belief that some of the projects are specific and some are very general, and that it is unclear what is proposed for the general projects.

MR. RICHARDS said that there are specific projects for each of those broad categories.

REPRESENTATIVE DOOGAN replied that this is not clear in the information.

MR. RICHARDS responded that this information is not included in the presentation, but that he will supply it.

[3:00:07 PM](#)

REPRESENTATIVE SALMON asked if it is possible to change these projects.

MR. RICHARDS replied that the legislature has the authority to present projects.

REPRESENTATIVE SALMON asked if there is another list.

MR. RICHARDS replied that there is a substantial list of needed projects and he will make the list available.

REPRESENTATIVE SALMON expressed his belief that the list only reflects a few select projects in a small area of the state.

[3:01:37 PM](#)

CHAIR JOHANSEN asked if there is a larger list that was submitted to the governor.

MR. RICHARDS replied that there is a larger list.

CHAIR JOHANSEN said that the committee would like to see the list.

REPRESENTATIVE NEUMAN asked if the projects can be changed after the bond vote.

MR. RICHARDS said that the voters will be voting on a specific list of projects, so there can not be a change after that vote.

[3:03:09 PM](#)

REPRESENTATIVE NEUMAN related his understanding that once the voters have voted on a project, it cannot be changed.

MS. SLAGLE explained that once the legislature passes a bill for general obligation bonds, the governor can only veto the entire bill, but not any of the specific projects. She reported that after the vote by the people, there is not any option for veto or change.

REPRESENTATIVE NEUMAN asked for the road mile specifics of the "Parks Highway: Weight Restriction Elimination" project. He asked if DOT&PF has followed its list of goals for prioritizations when making these project recommendations.

MR. RICHARDS said that the Parks Highway project includes miles 72-90.

[3:06:42 PM](#)

REPRESENTATIVE NEUMAN repeated his earlier question regarding the prioritization for project recommendations.

MR. RICHARDS responded that these were followed.

REPRESENTATIVE NEUMAN asked how these are compared to each other.

CHAIR JOHANSEN remarked that the "Southeast Alaska: Pavement Rehabilitation" project seems to be an odd project for a general obligation bond.

MR. RICHARDS replied that preservation is one of the primary criteria for project selection. He explained that maintenance is much cheaper than reconstruction.

[3:09:16 PM](#)

REPRESENTATIVE DOOGAN expressed his belief that the traditional use of general obligation bonds is to build new projects, so this project does not meet that criteria. He asked if there is a problem with regional balancing in the bill, and that this project helps to address that.

MR. RICHARDS replied that the department looks at the project needs in SE Alaska and what can be accomplished with the funding, while allowing for some geographical distribution.

REPRESENTATIVE DOOGAN asked if the bill project selections would have been different without geographical distribution. He posed that new projects might have been proposed for the bond funding, while the maintenance projects could have been paid for through another funding source.

MR. RICHARDS explained that the selection process factors in the public-expressed needs, and includes projects that rely solely on a STIP that is not available in the near term. He reported that utilizing bond funds allows the department to accomplish a lot of the work in a more expeditious manner than having to follow the federal regulations. The department identifies a list and the governor's office selects the projects to include in the bill.

REPRESENTATIVE SALMON asked why these projects are not proposed in the capital budget.

REPRESENTATIVE NEUMAN observed that the state will sell general obligation bonds and pay for them through the general fund. He commented that he has not had any representatives from the DOT&PF ever come to his office to talk with him about any of these bills.

[HB 314 was held over.]

#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at [3:14:54 PM](#).