

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

April 13, 2010

2:42 p.m.

MEMBERS PRESENT

Senator Albert Kookesh, Chair
Senator Linda Menard, Vice Chair
Senator Bettye Davis
Senator Kevin Meyer
Senator Joe Paskvan

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 357(FIN)

"An Act relating to the sale of land owned by the Alaska Railroad that is not necessary for railroad purposes."

- MOVED CSHB 357(FIN) OUT OF COMMITTEE

CS FOR HOUSE JOINT RESOLUTION NO. 42(JUD)

Proposing amendments to the Constitution of the State of Alaska creating a transportation infrastructure fund.

- MOVED SCS CSHJR 42(TRA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 357

SHORT TITLE: AK RAILROAD CORP. LAND SALES

SPONSOR(S): REPRESENTATIVE(S) STOLTZE

| | | |
|----------|-----|--------------------------------------|
| 02/19/10 | (H) | READ THE FIRST TIME - REFERRALS |
| 02/19/10 | (H) | TRA |
| 03/16/10 | (H) | TRA AT 1:00 PM CAPITOL 17 |
| 03/16/10 | (H) | Heard & Held |
| 03/16/10 | (H) | MINUTE(TRA) |
| 03/23/10 | (H) | TRA AT 1:00 PM CAPITOL 17 |
| 03/23/10 | (H) | Moved CSHB 357(TRA) Out of Committee |
| 03/23/10 | (H) | MINUTE(TRA) |
| 03/24/10 | (H) | TRA RPT CS(TRA) NT 5DP |

03/24/10 (H) DP: MUNOZ, T.WILSON, GRUENBERG,
PETERSEN, P.WILSON
03/24/10 (H) FIN REFERRAL ADDED AFTER TRA
04/01/10 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/01/10 (H) Heard & Held
04/01/10 (H) MINUTE(FIN)
04/02/10 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/02/10 (H) Moved CSHB 357(FIN) Out of Committee
04/02/10 (H) MINUTE(FIN)
04/05/10 (H) FIN RPT CS(FIN) NT 4DP 4NR
04/05/10 (H) DP: THOMAS, AUSTERMAN, FAIRCLOUGH,
STOLTZE
04/05/10 (H) NR: GARA, DOOGAN, KELLY, N.FOSTER
04/05/10 (H) LETTER OF INTENT WITH FIN REPORT
04/07/10 (H) TRANSMITTED TO (S)
04/07/10 (H) VERSION: CSHB 357(FIN)
04/08/10 (S) READ THE FIRST TIME - REFERRALS
04/08/10 (S) TRA, FIN
04/13/10 (S) TRA AT 1:00 PM BUTROVICH 205

BILL: HJR 42

SHORT TITLE: CONST. AM: TRANSPORTATION FUND

SPONSOR(s): TRANSPORTATION

02/05/10 (H) READ THE FIRST TIME - REFERRALS
02/05/10 (H) TRA, JUD, FIN
02/09/10 (H) TRA AT 1:00 PM CAPITOL 17
02/09/10 (H) Moved Out of Committee
02/09/10 (H) MINUTE(TRA)
02/10/10 (H) TRA RPT 6DP 1NR
02/10/10 (H) DP: JOHANSEN, MUNOZ, JOHNSON, T.WILSON,
PETERSEN, P.WILSON
02/10/10 (H) NR: GRUENBERG
02/17/10 (H) JUD AT 1:00 PM CAPITOL 120
02/17/10 (H) Heard & Held
02/17/10 (H) MINUTE(JUD)
02/22/10 (H) JUD AT 1:00 PM CAPITOL 120
02/22/10 (H) -- MEETING CANCELED --
03/01/10 (H) JUD AT 1:00 PM CAPITOL 120
03/01/10 (H) Moved CSHJR 42(JUD) Out of Committee
03/01/10 (H) MINUTE(JUD)
03/04/10 (H) JUD RPT CS(JUD) 1DP 4NR
03/04/10 (H) DP: LYNN
03/04/10 (H) NR: GRUENBERG, HERRON, DAHLSTROM,
RAMRAS
04/10/10 (H) FIN AT 9:00 AM HOUSE FINANCE 519
04/10/10 (H) Moved CSHJR 42(JUD) Out of Committee

04/10/10 (H) MINUTE(FIN)
04/11/10 (H) FIN RPT CS(JUD) 3DP 7NR
04/11/10 (H) DP: FAIRCLOUGH, AUSTERMAN, KELLY
04/11/10 (H) NR: THOMAS, GARA, DOOGAN, JOULE,
N.FOSTER, STOLTZE, HAWKER
04/12/10 (H) TRANSMITTED TO (S)
04/12/10 (H) VERSION: CSHJR 42(JUD)
04/13/10 (S) TRA AT 1:00 PM BUTROVICH 205

WITNESS REGISTER

REPRESENTATIVE BILL STOLTZE
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of HB 357.

WENDY LINDSKOOG, Vice President of Corporate Affairs
Alaska Railroad Corporation

POSITION STATEMENT: Testified that HB 357 highlighted concerns that customers have with ARRC, but that the model is worth protecting.

JEFFREY DAVIES, President
American Federation of Government Employees
Alaska Railroad Workers Local 183

POSITION STATEMENT: Testified in opposition to HB 357.

JOHN COOK, Board of Directors
Alaska Railroad Corporation

POSITION STATEMENT: Highlighted potential problems associated with HB 357.

PETER MACKSEY, Customer Relations
Steelfab
Anchorage, AK

POSITION STATEMENT: Testified in support of HB 357.

CARL ANDERSON, Owner
Cook Inlet Tug and Barge
Anchorage, AK

POSITION STATEMENT: Testified in support of HB 357.

MARK STEARNS
Alaskan Wood Molding
Anchorage, AK

POSITION STATEMENT: Testified in support of HB 357.

MARK HICKEY, representing himself
Juneau, AK

POSITION STATEMENT: Testified in strong support of HJR 42.

SHIRLEY MARQUARDT, Mayor
City of Unalaska and
2nd Vice President, Alaska Municipal league and
Board of Directors, Southwest Alaska Municipal Conference

POSITION STATEMENT: Testified in strong support of HJR 42.

KATHY WASSERMAN, Executive Director
Alaska Municipal League
Juneau, AK

POSITION STATEMENT: Provided supporting information to HJR 42.

LOIS EPSTIEN, Director
Alaska Transportation Priorities Project and
Alaska Licensed Engineer

POSITION STATEMENT: Testified in support of HJR 42.

DAVID LEVY, Executive Director
Alaska Mobility

POSITION STATEMENT: Testified in support of HJR 42.

JOHN MACKINNON, Executive Director
Associated General Contractors of Alaska

POSITION STATEMENT: Testified in support of HJR 42.

DAVE CRUZ, President
Associated General Contractors of Alaska

POSITION STATEMENT: Testified in support of HJR 42.

FRANK RICHARDS, Deputy Commissioner
Department of Transportation and Public Facilities (DOTPF)
POSITION STATEMENT: Provided information related to HJR 42.

ACTION NARRATIVE

[2:42:07 PM](#)

CHAIR ALBERT KOOKESH called the Senate Transportation Standing Committee meeting to order at 2:42 p.m. Present at the call to order were Senators Meyer, Davis, and Kookesh. Senators Menard and Paskvan arrived soon thereafter.

HB 357-AK RAILROAD CORP. LAND SALES

CHAIR KOOKESH announced the consideration of HB 357. [CSHB 357(FIN) was before the committee.]

[2:42:59 PM](#)

REPRESENTATIVE BILL STOLTZ, sponsor of HB 357, presented the bill speaking to the sponsor statement:

To spur economic development throughout the state, House Bill 357 adds a fourth clause to the existing language governing how the Alaska Railroad Corporation (ARRC) may dispose of land. House Bill 357 will enable the railroad to sell land that is not needed for essential railroad purposes. This bill does not ask for any irresponsible disposal of land, as the sale must be initiated by the board of directors on two conditions. The first condition is that the land is not essential to railroad operations, and the second condition is that the sale is in the best interest of the state of Alaska.

As support has shown, current leaseholders are very unhappy with the inability to purchase their leased properties from the railroad. In general real estate dealings, private purchases are made in mutually beneficial sales. House Bill 357 encourages these sales after determination by the board of directors of the railroad looks at each sale with the overall benefit to the state of Alaska as the key driver. Not only will the private sector benefit from this addition to state law, the railroad will also have increased ability to make decisions regarding their overall real estate portfolio.

The sale and relationship of private and public lands are vital to the economic growth of the state of Alaska. I ask for your consideration and support of House Bill 357 to promote Alaskan growth through the diversification of land ownership, increasing the tax base of the state, and encouraging responsible development of Alaskan land.

REPRESENTATIVE STOLTZE clarified that any leasehold sales would be permissive and considered on a case-by-case basis.

[2:46:23 PM](#)

SENATOR PASKVAN joined the meeting.

REPRESENTATIVE STOLTZE told the committee that ARRC Board Chair, John Binkley, has taken a leadership role in acknowledging that there have been problems in the way the railroad has dealt with communities and lessees. HB 357 would help to keep the conversation going, he said. In conclusion he restated that the bill is permissive and provides opportunities that don't currently exist.

[2:49:34 PM](#)

SENATOR MENARD asked if the current leaseholders would receive priority if the railroad decided to sell its land.

REPRESENTATIVE STOLTZE replied the bill specifies that current leaseholders would have first right of refusal, but it's a policy issue that is debatable.

SENATOR MENARD said she is torn because, although the lessees have a stake, it makes good business sense for the land to go to the highest bidder.

REPRESENTATIVE STOLTZE replied it's debatable, but he opted to protect leaseholder's time and money investments, some of which go back over 50 to 60 years.

CHAIR KOOKESH asked if this simply adds a fourth option governing how the railroad may dispose of its land.

REPRESENTATIVE STOLTZE confirmed that the bill was written to reflect that intent.

[2:52:06 PM](#)

SENATOR PASKVAN said he understands that the bill was written to give current leaseholders the right to match the highest bid.

REPRESENTATIVE STOLTZE responded that he believes it was written that way.

SENATOR PASKVAN expressed concern about unduly delaying the transaction and asked if there would be a limit on the time the leaseholder would have to meet the high bid.

REPRESENTATIVE STOLTZE said he believes that would be up to the railroad, but he believes ARRC would act in good faith.

SENATOR PASKVAN said he tends to agree with the sponsor. It would be in ARRC's best economic interest to act in good faith in these transactions.

[2:55:18 PM](#)

SENATOR MENARD asked if the railroad would argue for the status quo since it gets eight percent annual return from its leased land.

REPRESENTATIVE STOLTZE clarified that the proceeds would stay with the railroad and he believes ARRC could make an eight percent return on its money. The agency is unencumbered and outside the Executive Act, and in some instances it should lower interest rates to help certain small communities. It's not always about making the most on every dollar, he said.

SENATOR MENARD complemented Representative Stoltze for his due diligence.

[2:58:15 PM](#)

SENATOR MEYER asked him to elaborate on what would happen to the proceeds from the sale of the land.

REPRESENTATIVE STOLTZE said this legislation clarifies that the proceeds stay with the railroad and could only be spent in increments as interest accrues.

SENATOR MEYER asked if he's heard that the passage of this bill could impact the railroad's bond rating.

REPRESENTATIVE STOLTZE said he hasn't heard that and isn't sure how a permissive activity that may not happen could affect the rating. It begs the question of why some people are working so hard to kill the bill, he added.

[3:01:09 PM](#)

CHAIR KOOKESH asked if this bill could force the railroad to sell land.

REPRESENTATIVE STOLTZE said no; it's a gentle nudge.

CHAIR KOOKESH observed that the railroad's concern seems to hinge on the language that says the money in the account may be appropriated.

REPRESENTATIVE STOLTZE explained that an amendment in the House Transportation Committee substituted the word "use" for "appropriated" but legislative legal said that to comply with 45 U.S.C. 1207(a)(5) Alaska Railroad Transfer Act of 1982), "appropriated" was the right language.

CHAIR KOOKESH asked for clarification that the language was changed on the advice of legislative legal counsel; there was no intention to do harm.

REPRESENTATIVE STOLTZE said that's correct.

[3:03:12 PM](#)

WENDY LINDSKOOG, Vice President of Corporate Affairs, Alaska Railroad Corporation, thanked the sponsor for introducing HB 357 and bringing to light some of the frustrations that leaseholders have had with ARRC. She assured the committee that ARRC is discussing ways to address those concerns and is working to improve customer relations with its leaseholders. Real estate revenues are the bread and butter of the railroad and a vital part of what has made ARRC a successful operating entity. The model that allows ARRC to lease land is excellent and worth protecting, she said.

MS. LINDSKOOG said that it has never been the railroad's practice to sell land and there is concern that this bill will create an expectation that that practice may change. This may further frustrate customers, she said. Ms. Lindskoog referenced a letter to legislators from John Binkley articulating those concerns. She said she appreciates that Representative Stoltze clarified that his intent is not to mandate land sales because the board wouldn't necessarily take that path if this bill were to pass.

MS. LINDSKOOG informed the committee that the concern that was raised by ARRC's bond counsel centered on the word "appropriate." She noted that Bill O'Leary, acting CEO and CFO, could answer questions in regard to that potential problem. In conclusion she said, "We do understand this doesn't require the railroad to sell land, it is permissive at this point."

[3:07:59 PM](#)

CHAIR KOOKESH asked if she would greatly object if the committee passed the bill as currently drafted. There is no requirement; the bill simply provides the railroad a fourth option for disposing of land.

MS. LINDSKOOG replied they could live with it because the bill is permissive and does not require action.

SENATOR PASKVAN noted that the last sentence of the bill contains the word "appropriated" and a reference to federal law

and asked if compliance to that federal law is compulsory for ARRC.

MS. LINDSKOOG declined to answer a legal question and referenced a legal memo from the ARRC's general counsel that strongly recommended substituting another term for "appropriated" in the legislation. The terms "retained and managed" [and "used"] were suggested as viable alternatives. "Maybe it's just one of those instances where our legal team at the railroad has a little bit different take on the issue than the legislative legal team," she added.

SENATOR PASKVAN pointed out that any language the state might use would be preempted if 45 U.S.C. 1207(a)(5) is compulsory on the railroad.

[3:10:31 PM](#)

JEFFREY DAVIES, President, American Federation of Government Employees, Alaska Railroad Workers Local 183, said he represents 350 employees who are concerned about the effect that HB 357 might have on the railroad's ability to continue as a self-sufficient operation. In 2009 ARRC had to lay off many needed positions in response to rising operational costs and without real estate revenue to offset operational shortfalls the impact could have been greater, he said. The employees he represents believe these are necessary assets that continue to serve as intended. The model works; changing it could create uncertainty or lessen job stability and reduce the benefits that Alaskan jobs provide, he said.

[3:13:07 PM](#)

JOHN COOK, Board of Directors, Alaska Railroad Corporation, said he has a background in real estate development. He thanked the sponsor for introducing the bill and said it's brought to light some communication problems that ARRC has with the leaseholders. He's new to the board and welcomes discussion, but he does have certain concerns about the unintended consequences of this bill. The first relates to the right of first refusal because it will have the overall affect of depressing market rates.

The second concern is that developers would potentially lease pieces of property and then attempt to purchase and subdivide that property. That may be the property's highest and best use, but just that one person would garner the profit instead of all Alaska residents. He said he can also see situations where the lessee would ask to purchase the property under the right of

first refusal and have a preexisting agreement to sell to the developer for a profit when the title vests.

[3:16:56 PM](#)

PETER MACKSEY, Customer Relations, Steelfab, stated support for HB 357. He related that this family-owned business has been on the same ten-acre site for about 60 years. They pay taxes on the property, which would be tax free if the railroad didn't lease it. He noted that less than one percent of the land in Alaska is in private hands and he thinks that this is a chance to allow a viable business to expand. He expressed the view that the railroad seems to act like a state agency when it suits them and a private company when it doesn't. HB 357 doesn't push the railroad into selling its leasehold land, it offers the option.

[3:19:57 PM](#)

CARL ANDERSON, Owner, Cook Inlet Tug and Barge, said the company has been in the family since 1938. He is concerned that the railroad is in the transportation business, but when times are tough it can apply for subsidies or stimulus funds or raise rates. These options aren't available to other transportation companies, he said.

[3:21:28 PM](#)

MARK STEARNS, Alaskan Wood Molding, said he has been a leaseholder since 2001 and in that time his effective costs have increased from about \$10,000 per year to \$42,000 per year. Leaseholders have no recourse when the railroad decides to levy increases. HB 357 would provide some certainty and make it reasonable to make further investments in their buildings. Until recently his company was told that extending the lease wasn't possible, which hindered any desire to make improvements and the ability to get bank loans. He described the bill as a win-win for the railroad and its leaseholders.

[3:25:01 PM](#)

REPRESENTATIVE STOLTZE reiterated that the bill is permissive. It's spurred by a desire to be responsive to the majority of Alaskans who aren't involved with the railroad.

CHAIR KOOKESH closed public testimony and asked the will of the committee.

SENATOR MENARD moved to report HB 357 from committee with individual recommendations and attached fiscal note(s).

REPRESENTATIVE STOLTZE commented that it's puzzling that the railroad submitted an indeterminate fiscal note given that it isn't under the Executive Budget Act. The result is that it has a finance committee referral.

[3:27:58 PM](#)

SENATOR MEYER objected to state that he too is puzzled by the fiscal note. He suggested that to avoid a finance referral the committee could zero out the indeterminate part of the fiscal note.

CHAIR KOOKESH opposed the suggestion.

SENATOR MEYER removed his objection.

CHAIR KOOKESH announced that without further objection, CSHB 357(FIN) moved from the Senate Transportation Standing Committee.

HJR 42-CONST. AM: TRANSPORTATION FUND

CHAIR KOOKESH announced consideration of HJR 42. [CSHJR 42(JUD) was before the committee.]

[3:30:54 PM](#)

REPRESENTATIVE PEGGY WILSON, sponsor of HJR 42, said the Alaska Transportation Infrastructure Fund (ATIF) requires three pieces of legislation to put it into practice. HJR 42 is the first piece. It will put a constitutional amendment before the voters to allow a dedicated transportation fund. The enabling legislation, which will be taken up later, defines how the fund will be used and how the appropriations will be disbursed. The third piece is to appropriate seed money into the fund.

In FY10 Alaska received 87 percent of its transportation funding from the federal government, which is more per capita than any other state. This is not likely to continue under the new federal highway authorization bill, she said. In any event, state-funded projects that meet the same construction standards can be done faster and cheaper because state requirements are less stringent.

REPRESENTATIVE PEGGY WILSON told the committee that during the interim the House transportation committee met and looked at ways to improve the transportation infrastructure in this geographically diverse state. This involved travel to villages and urban areas to look at transportation challenges, safety

corridors, congested areas, and roads in need of repair. The committee also heard from the Alaska Municipal League and the Mat-Su Borough about jointly contracting an independent study on the fiscal challenges associated with transportation. She noted that Larry Persily also completed a study on the fiscal options for funding infrastructure upgrades. Day-long hearings were held to highlight issues and pose potential solutions.

[3:34:09 PM](#)

REPRESENTATIVE WILSON reminded the committee that the constitution grandfathered in two transportation funds: one for roads and one for water and harbors. She said she believes that it's time to reinstate a dedicated transportation fund to address the state's transportation needs. With a dedicated fund it will be clear exactly what funds are available from year-to-year for capital projects and major maintenance. For these reasons I think the voters will vote to reinstate a dedicated fund for transportation, she said.

CHAIR KOOKESH asked for a motion to adopt the proposed committee substitute (CS).

SENATOR MEYER moved to adopt the work draft Senate CS for CS for HJR 42, labeled 26-LS1411\T, as the working document. There being no objection, version T was before the committee.

REBECCA ROONEY, staff to Representative Peggy Wilson, explained three changes between the bill versions, one of which is substantive. The current version T has a small language change beginning on page 1, line 15, to clarify that the revenue would go into the fund after July 1, 2011 even though the enabling legislation isn't as yet following.

On page 2, line 1, the phrase "provided by law" is in a different position in the sentence to clarify that it applies just to the special registration fees provided by law and not all registration fees provided by law.

The substantive change occurs on page 2, lines 4-5 and relates to the annual appropriation to the fund. The version that passed the House said, "...the legislature may appropriate a percentage of the average market value of the fund" each year. The Senate CS says, "...the legislature may appropriate a percentage of the state fuel taxes and registration fees received by the fund in that year and a percentage of the average market value of the fund...".

MS. ROONEY directed attention to a spreadsheet in the packet showing two scenarios. Scenario 1 shows a \$1 billion initial appropriation, the annual appropriations, and the revenues realized from the vehicle registration fees and the motor fuel tax. Scenario 2 shows what happens if you allow for expenditures of 50 percent of those fuel taxes and vehicle registration fees each year. This demonstrates the importance of appropriating more up front, she said.

[3:40:23 PM](#)

SENATOR PASKVAN expressed a desire to see a table showing just the revenue coming from the fees. He said he wonders what policy concerns might arise out of allocating \$1 billion that can't be touched.

MS. RAINEY said she would provide that information.

[3:41:48 PM](#)

SENATOR MEYER asked what would happen to the appropriation if the fuel tax was repealed as it was two years ago.

REPRESENTATIVE WILSON said in that event just the vehicle registration fees would be appropriated. But for this to really work, it's important to seed the fund initially, she added.

SENATOR MEYER said he supports the bill, but he worries that that there might be pressure on the Legislature to increase the fuel tax in order to get more money into the fund.

REPRESENTATIVE WILSON said a future Legislature may look at that, but the federal government will be providing less revenue for transportation in the future so it's important to start planning for that. This is the best way we could think of to start that process, she said.

[3:45:31 PM](#)

MARK HICKEY, representing himself, stated that he is a former commissioner of transportation and he strongly supports HJR 42. He related that he has worked on this measure in one form or another since the mid '80s. He agreed with the sponsor that Alaska had this dedicated fund at statehood; but when the fuel tax was raised in the '60s the Department of Law (DOL) advised that changing the rate of taxation did away with the dedication. Based on that advice, the accompanying statute that said that these funds shall be used for highway and harbor purposes was amended to say that the funds may be used for those purposes.

MR. HICKEY said that since that time DOL's advice has been shown to be incorrect. In fact, in the mid 90s the tobacco tax was increased in the dedicated school fund and that has never been challenged. It's clear that the constitution framers did not intend for there to be a need for this measure and it's also clear that the Legislature in 1960 didn't intend as a policy to eliminate the dedication, he said. That Legislature thought it had no choice.

MR. HICKEY said changing the constitution to allow a dedicated fund isn't done lightly. To his knowledge the permanent fund is the only one that's been established since statehood. He said that it's been shown that for transportation there are strong arguments in favor of doing this. There is a strong understanding in the public that these are user fees and that as needs increase there may be a need to do something different with user fees. In the '90s there was a proposal to increase the fuel tax and the polling showed that over 70 percent of Alaskans supported an increase if the funds were dedicated. They did not support the increase without an assurance that the funds would be used for transportation purposes.

MR. HICKEY noted that Alaska is the only state that doesn't have a state-funded transportation program. HJR 42 provides that ability. This would be most helpful to small rural projects and would keep federal dollars for larger projects.

Responding to questions raised earlier, he said it's important to understand that the fuel tax was suspended and not eliminated. The record from the Constitutional Convention indicates that if this measure passes and then the Legislature eliminated the tax, the dedication would be lost. "I think it's clear from the record that a suspension probably wouldn't do that," he said. Referring to Senator Meyer's question he said he believes that the public would support a fuel tax increase if the funds were dedicated.

[3:51:57 PM](#)

SHIRLEY MARQUARDT, Mayor, City of Unalaska; Second Vice President, Alaska Municipal League (AML); and board of directors, Southwest Alaska Municipal Conference, said the conference passed a resolution in support of this type of stable funding for the infrastructure needs across the state. AML has made this a top priority for several years. She related that the City of Unalaska has a five-year capital budget plan and if funding opportunities for projects are up in the air, it is extremely risky and potentially expensive to go through the

permitting and design process. In the past the city have spent over \$1 million on design for roads and then not received funding, she said.

[3:53:43 PM](#)

KATHY WASSERMAN, Alaska Municipal League (AML), informed the committee about of the caliber of persons who were involved in the study that the sponsor mentioned. They had two prior commissioners of transportation on the study, which was funded by AML, the Municipality of Anchorage, Mat-Su Borough, the Alaska Truckers Association, and the Alaska General Contractors, she said. This is an issue that has been under work for many years and the people who conducted the study were knowledgeable. Everyone who has been involved with these organizations has spent time in Washington D.C. and could see the writing on the wall a couple of years ago that Alaska is in deep trouble and will be one of the states that suffers mightily.

[3:55:04 PM](#)

LOIS EPSTIEN, Alaska licensed engineer and Director, Alaska Transportation Priorities Project (ATPP), said ATPP works with a wide variety of organizations to promote sensible transportation policies in Alaska. ATTP supports addressing the upcoming decline in federal transportation money by creating a transportation infrastructure fund. However, the language in HJR 42 could mislead the public into thinking that only capital projects would be covered by the fund. ATPP supports this legislation if the language is amended to clarify that money from the fund could be used for major maintenance projects, she concluded.

[3:56:53 PM](#)

DAVID LEVY, Executive Director, Alaska Mobility Coalition, stated support for HJR 42. He said the mobility coalition is a private nonprofit that advocates for public and community transportation statewide. He echoed the comments of Mark Hickey and described HJR 42 as a creative way to deal with capital and maintenance transportation challenges statewide.

[3:58:27 PM](#)

JOHN MACKINNON, Executive Director, Associated General Contractors of Alaska (AGCA), said AGCA, which represents over 650 Alaska businesses, supports HJR 42. This would put a constitutional amendment question before the voters to provide dedicated revenue for a transportation infrastructure fund. This has been a priority of the AGCA for many years, he said. The proposed fund would encompass all modes of transportation

infrastructure, including maintenance. The collection of fuel taxes and vehicle registration fees directed into the fund is commensurate to a user-fee concept. The public understands and can support user fees as opposed to general taxation going into a general fund. He restated support for the legislation as well as the amended language in the committee substitute.

[3:59:54 PM](#)

DAVE CRUZ, President, Associated General Contractors of Alaska, stated full support for HJR 42 as a step in the right direction for Alaska to take control of its destiny.

[4:00:27 PM](#)

SENATOR PASKVAN asked his thoughts on the suggestion to amend the language to include maintenance as opposed to just capital projects.

MR. CRUZ expressed the view that maintenance should be included as opposed to building a road with state funds and then trying to get federal funds to maintain it.

SENATOR MENARD noted that the suggestion was for "major maintenance" and asked if there is a specific dollar amount over which a maintenance project becomes a major maintenance project.

[4:01:34 PM](#)

MR. CRUZ declined to state a threshold without consulting with members.

[4:02:13 PM](#)

FRANK RICHARDS, Deputy Commissioner, Department of Transportation and Public Facilities (DOTPF) explained that DOTPF is routinely funded for major maintenance activities under the capital program. This includes deferred maintenance and major bridge maintenance. Regular maintenance efforts are undertaken under annual operating costs. He stated the belief that it was the intent of the sponsor that HJR 42 would establish an infrastructure fund for capital projects that would include major reconstructions, major rehabilitation, and other major maintenance efforts.

SENATOR MENARD asked what would be included in a minor maintenance project.

MR. RICHARDS replied those would be the things that are done on an annual basis including sweeping streets, sealing cracks, and changing streetlight bulbs.

4:03:47 PM

SENATOR PASKVAN said if he would support amending the language to specifically include major maintenance.

MR. RICHARDS said he believes that it's a policy call by the Legislature that in the regular annual appropriations DOTPF normally receives capital project funds for major maintenance. The current language is sufficient.

CHAIR KOOKESH summarized that Mr. Richards believes that the phrase "capital projects" on page 2, line 6, would include major maintenance. He asked Representative Peggy Wilson to comment.

REPRESENTATIVE PEGGY WILSON stated her belief that the current language is sufficient to include major maintenance, but she wouldn't object to inserting "major maintenance" on page 2, line 6, following "transportation". If it would reassure the voters it might be a good idea, she said.

CHAIR KOOKESH said, based on the testimony from DOTPF, he is satisfied with the current language.

SENATOR PASKVAN concurred.

CHAIR KOOKESH closed public testimony and asked the will of the committee.

4:07:26 PM

SENATOR PASKVAN moved to report Senate CS for CS for HJR 42, version T, from committee with individual recommendations and attached fiscal note(s). There being no objection, SCS CSHJR 42(TRA) moved from the Senate Transportation Standing Committee.

There being no further business to come before the committee, Chair Kookesh adjourned the meeting at 4:07 p.m.