

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

March 8, 2011

1:04 p.m.

MEMBERS PRESENT

Senator Albert Kookesh, Chair
Senator Joe Thomas, Vice Chair
Senator Dennis Egan
Senator Linda Menard
Senator Charlie Huggins

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 37

"An Act relating to the transportation infrastructure fund, to local public transportation, to motor fuel taxes, and to the motor vehicle registration fee; and providing for an effective date."

- MOVED SB 37 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 37

SHORT TITLE: TRANSPORTATION INFRASTRUCTURE FUND

SPONSOR(s): SENATOR(s) THOMAS

01/19/11	(S)	PREFILE RELEASED 1/14/11
01/19/11	(S)	READ THE FIRST TIME - REFERRALS
01/19/11	(S)	TRA, FIN
02/24/11	(S)	TRA AT 1:00 PM BUTROVICH 205
02/24/11	(S)	Bills Previously Heard/Scheduled
03/01/11	(S)	TRA AT 1:00 PM BUTROVICH 205
03/01/11	(S)	Bills Previously Heard/Scheduled
03/08/11	(S)	TRA AT 1:00 PM BUTROVICH 205

WITNESS REGISTER

GRIER HOPKINS, Staff to Senator Thomas
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Introduced SB 37 on behalf of the sponsor.

JOHN MACKINNON, Executive Director
Associated General Contractors of Alaska
Anchorage, AK

POSITION STATEMENT: Testified in support of SB 37.

JERRY BURNETT, Deputy Commissioner of Treasury
Department of Revenue (DOR)
Juneau, AK

POSITION STATEMENT: Stated a preference for a 5 percent pay out methodology rather than six percent as it relates to SB 37.

BARBARA HUFF-TUCKNESS, Director
Governmental and Legislative Affairs
Teamsters Local 959
Anchorage, AK

POSITION STATEMENT: Testified in support of SB 37.

JOHN DUFFY, representing himself
Anchorage, AK

POSITION STATEMENT: Testified in support of SB 37.

WALT WREDE, Manager
City of Homer
Homer, AK

POSITION STATEMENT: Testified in strong support of SB 37.

RACHAEL PETRO, Executive Director
Alaska State Chamber of Commerce
Anchorage, AK

POSITION STATEMENT: Testified in support of SB 37.

WHITNEY BREWSTER, Director
Department of Motor Vehicles
Department of Administration
Anchorage, AK

POSITION STATEMENT: Testified that DMV has no position on SB 37 but she would point out that the division is funded by program receipts.

DAVE TALERICO, Mayor
Denali Borough
Healy, AK

POSITION STATEMENT: Testified in support of SB 37.

JACK SHAY, Board Member

Alaska Municipal League
Ketchikan, AK

POSITION STATEMENT: Testified in support of SB 37.

TOM GEORGE
Alaska Regional Representative
Aircraft Owners and Pilots Association
Fairbanks, AK

POSITION STATEMENT: Testified in support of SB 37.

WILLARD DUNHAM, Mayor
City of Seward
Seward, AK

POSITION STATEMENT: Testified in support of SB 37.

ACTION NARRATIVE

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CHAIR ALBERT KOOKESH called the Senate Transportation Standing Committee meeting to order at 1:04 p.m. Present at the call to order were Senators Huggins, Menard, Egan, Thomas, and Kookesh.

SB 37-TRANSPORTATION INFRASTRUCTURE FUND

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CHAIR KOOKESH announced the consideration of SB 37 relating to a transportation infrastructure fund.

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SENATOR JOE THOMAS, sponsor of SB 37 said this legislation seeks to strengthen the Alaska transportation system. He spoke to the following sponsor statement:

Senate Bill 37 proposes to establish the transportation infrastructure fund within the general fund. This fund would help to levelize the funding streams for Alaska's transportation infrastructure and begin to get our state off of its boom and bust spending cycles. SB 37 allows our state, municipalities, local contractors and construction workers to more adequately plan for their future, strengthening Alaska's economy in the process.

Six percent of the earnings from this fund would be available for appropriation by the legislature each year for capital projects and major maintenance. These projects would undergo a prioritization process based on the scoring of a fund council who then recommend

projects to the legislature for funding, similar to the current State Transportation Improvement Plan process. In addition to the capitalization money revenue from the motor fuels tax and vehicle registration fees will also be appropriated to the fund. This funding stream would begin to chip away at the many backlogged projects that would open up new development and growth opportunities for our communities and state.

As one of the few states in the nation with no state funded transportation program, SB 37 would begin to prepare Alaska for decreased federal funding, a potentially detrimental reauthorization of the federal transportation bill and show Congress that Alaskans are willing to pay our own way. While SB 37 does not create a dedicated fund, it would allow our state greater flexibility in maintaining and expanding our marine highways, airports and road system.

A state transportation fund is supported by numerous groups including the Alaska State Chamber of Commerce, the Associated General Contractors, the Alaska Trucking Association and the Alaska Municipal League.

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GRIER HOPKINS, staff to Senator Thomas, said the purpose of SB 37 is to build new transportation infrastructure statewide and address the nearly \$1 billion backlog in deferred maintenance and requested projects. He provided the following sectional analysis:

Section 1 lays out the legislative intent, which is to appropriate \$1 billion into the transportation infrastructure fund once it is established. This fund will reside within the general fund. The earnings from this fund will provide a stream of revenue for transportation projects statewide. He clarified that SB 37 does not create a dedicated fund.

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Section 2 states that the vehicle registration fees that are collected will be deposited into this new fund.

Section 3 describes how the fund will operate and the funding mechanisms, which are the motor fuel tax, vehicle registration fees, the original \$1 billion appropriation, and any future appropriations. The commissioner of the Department of Revenue

(DOR) will invest the fund to return a minimum of six percent on a five-year average and report the return at the end of each fiscal year. These transportation projects are loosely defined and can include trails, boat launches, recreational facilities, airports, roads, and marine ports. Up to ten percent of the earnings could go toward federal matches. The advisory council that's established consists of eight members as follows: the chairs of the House and Senate transportation committees; the commissioner of Department of Transportation and Public Facilities or his/her designee; a public member from each of the four judicial districts each of whom are appointed by the governor for a staggered four-year term; and one public member appointed by the governor.

Section 4 deals with reimbursements to municipally-owned airports. Currently 60 percent of the proceeds from the taxes on aviation can be refunded to the municipality.

Section 5 lays out the marine tax carve-out; these funds would go into a special watercraft fuel tax account within the general fund.

Section 6 lays out the partial exemption of the fuel tax when it's used to operate an internal combustion engine that is not operated on public ways.

Section 7 lays out the fuel reimbursements that will be paid out of the fund.

Section 8 tells DOTPF to develop criterion that is similar to the Statewide Transportation Improvement Program (STIP) process for long-range planning.

Section 9 deals with the public disclosure that the lieutenant governor will develop and supervise.

Section 10 repeals [AS 43.40.010(g) and 43.40.010(j).]

Sections 11-14 lay the groundwork for transitioning toward having the fund.

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MR. HOPKINS cited the extensive list of companies, associations, and individuals statewide that have voiced support for transportation funds.

SENATOR MENARD asked if other states have passed similar legislation and if the funds had proved successful.

MR. HOPKINS said the bill packets contain a research report from the National Council of State Legislatures (NCSL) describing how each state funds its transportation system. It points out that Alaska is the only state that doesn't have an exclusive dedication of fuel tax revenue for highway purposes. The Alaska Constitution doesn't allow funds to be dedicated. While all states are falling behind on transportation upkeep, Alaska is potentially in a worse position now that SAFTEA-LU [Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users] is due for reauthorization. Currently there's more support for urban centers as opposed to more rural areas. This portends trouble for Alaska since it receives about 80 percent of its transportation funding from the federal government.

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SENATOR MENARD asked the sponsor if the Knik Arm Crossing toll bridge was part of the conversation for developing this fund. She noted that Wilber Smith Associates estimated that by 2019 the toll bridge would generate about \$40 million in Title 23 money.

SENATOR THOMAS replied he didn't recall having a conversation that considered what might come from tolls.

SENATOR MENARD said she brought it up because she and Senator Huggins are very involved in that project.

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CHAIR KOOKESH agreed that it might be a good idea to look at that because the toll bridge money either goes into the general fund or some fund for transportation. He then cautioned the sponsor against opting for an advisory board because those don't have teeth. The marine transportation advisory board (MTAB), for example, doesn't have the authority to make decisions at the board level to tell the Department of Transportation and Public Facilities what direction it wants to go in terms of the marine highway system.

SENATOR THOMAS acknowledged the suggestion.

JOHN MACKINNON, Executive Director, Associated General Contractors (AGC) of Alaska, stated that a state-funded transportation program is critical to address the transportation needs of Alaska and this bill contains most of the essential elements. First, it provides substantial, predictable and

regular state funding. The idea is to use motor fuel taxes and vehicle registration fees. This will be more palatable to the public because there's a connection to what they're used for. Another essential element that's described in the bill is programmatic development so the money can be allocated as it's needed. This is very efficient. The final element that the bill describes is prioritization of projects based on need and facts, not politics. This will help avoid the kind of planning processes that are not the most efficient use of the public's money.

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SENATOR MENARD asked if he would give examples of projects that weren't an efficient use of the public's money.

MR. MACKINNON said the 1998-2004 T-21 federal highway authorization required spending a minimum of \$40 million over six years on transportation enhancements like bike paths and trails. During that time the state spent \$160 million on those things. While all the projects were good, that additional \$120 million could have been put to better use for the state if it had gone toward things like safety improvements, congestion relief, or new roads.

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JERRY BURNETT, Deputy Commissioner of Treasury, Department of Revenue (DOR), stated that DOR will handle the money in whatever manner the Legislature chooses, but the proposed six percent real rate of return on the investments is a concern. Assuming three percent inflation, DOR would need to invest for a nine percent return. To achieve that in the current capital market it would probably be necessary to rely on highly volatile exotic investments. Trying to achieve a five percent payout methodology would allow DOR to invest with far less risk to the state.

SENATOR THOMAS said he appreciates the comments and he would look into it.

BARBARA HUFF-TUCKNESS, Director, Governmental and Legislative Affairs, Teamsters Local 959, stated that local 959 represents about 8,000 working and retired teamsters in every industry but fishing and they support SB 37 and its concept. The state would be very remiss if didn't proactively plan the future funding for its transportation needs, she said. The reauthorization of SAFTEA-LU has everyone rightfully concerned about the potential loss of federal funds. SB 37 is a proactive approach to address this issue at the state level.

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JOHN DUFFY, representing himself, said he's been involved in transportation planning and project development and financing for many years, primarily when he was working for the Mat-Su Borough. The primary benefit of this long overdue bill is that it will create a stable capital fund and replace the over reliance on federal dollars. It will also provide stability to long-term capital improvement planning. Placing all existing transportation-related fees and taxes into this fund is an excellent idea, he said. The proposal provides a good nexus between facility costs and revenue sources and is in tune with the results of many national surveys. These have found strong support for transportation fees and taxes that are dedicated to transportation purposes. As proposed, the regionally diverse advisory council will provide recommendations of proposed capital transportation projects using objective criteria as a means of ranking. These investments should be made objectively and with as much transparency as possible. SB 37 accomplishes these goals.

In 2008 the Mat-Su Borough, the Alaska Municipal League, and DOTPF completed a study of the transportation funding needs of the state and recommended creating an Alaska transportation fund similar to the one described in SB 37. He agrees that the funds should be used for capital investments only but he believes that the amount available on an annual basis is on the low side, particularly when considering the large cost of transportation improvements.

WALT WREDE, City Manager, City of Homer, said the city strongly supports passage of SB 37 for the reasons that the sponsor highlighted in his opening statement. He thanked Senator Thomas for bringing the bill forward. It will provide tremendous benefit to the City of Homer and other communities in Alaska.

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RACHAEL PETRO, President and CEO, Alaska State Chamber of Commerce, said the Chamber represents hundreds of diverse businesses and thousands of working Alaskans. Transportation infrastructure has long been an important issue to members and the Chamber has made the creation of an Alaska transportation infrastructure fund one its top three legislative priorities this year. Investing in transportation infrastructure is critical for the long term growth of Alaska's economy. The current infrastructure is dilapidated and lacks a consistent funding mechanism to address the billions of dollars of

multimodal needs. New transportation infrastructure development will provide access to resources, reduce barriers for communities to participate in the economy, and it will allow safe and more efficient transportation for all Alaskans. State highway and airport infrastructure is largely funded by federal dollars and those are under threat of significant reduction. Additionally, there are no consistent federal programs for harbors and ports, both of which are critical in Alaska.

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WHITNEY BREWSTER, Director, Division of Motor Vehicles, Department of Administration, said the DMV doesn't have a position on the bill, but she would point out that the DMV uses program receipts to operate and deposits any excess into the general fund. SB 37 would require most of the fees collected by the DMV to be deposited into the transportation infrastructure fund and it provides no funding mechanism for the DMV. If the bill is implemented as currently written, the DMV would need about \$229,000 in general funds on an annual basis for operating and future capital requests.

DAVE TALERICO, Mayor, Denali Borough, said SB 37 will be a tremendous help to Alaska's economy in the future since much of the economy is based on the transportation infrastructure. Future improvements to airports, ports, harbors, and the highway system will allow municipalities to enhance emergency response, which is particularly important to Alaska residents.

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JACK SHAY, Board Member, Alaska Municipal League (AML), said the AML represents about 98 percent of the population of the state. Transportation is vital to this state and the AML has long supported creating a transportation infrastructure fund. He thanked the sponsor; the legislation is on the right track.

TOM GEORGE, Alaska Regional Representative, Aircraft Owners and Pilots Association (AOPA), said AOPA has about 4,800 members in Alaska who use aircraft for everything from recreation to business transportation. AOPA supports the concept of a state funded transportation program as described by SB 37. Capital programs for the aviation system in Alaska are typically 95 percent federal dollars with the state paying only five percent. The FAA reauthorization program - including airport funding, is currently being debated in Washington D.C. and there are efforts to reduce the overall funding in that program so state support is clearly needed. Because federal funding can have strings

attached, it can be less expensive for DOTPF to provide a facility than to follow all the federal process and standards.

MR. GEORGE cautioned the committee to not only create a state-funded program but also to look carefully at the details on how the program is defined because it needs to complement rather than just supplement the federal funding sources. Furthermore, this should not take pressure off the state to adequately fund the maintenance and operation of existing transportation facilities.

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WILLARD DUNHAM, Mayor, City of Seward, said he is speaking in strong support of SB 37. The state has long been amiss in not having a transportation fund and it will suffer badly if it doesn't step up and show that it isn't always dependent on others. Federal SAFTEA-LU dollars may end and the state needs to have some backup plan before that happens. This bill is a way to do that.

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

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SENATOR THOMAS moved to report SB 37 from committee with individual recommendations and attached fiscal note(s). There being no objection, SB 37 moved from the Senate Transportation Standing Committee.

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There being no further business to come before the committee, Chair Kookesh adjourned the meeting at 1:46 p.m.