

HOUSE FINANCE COMMITTEE
February 4, 2014
8:33 a.m.

8:33:13 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 8:33 a.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Lindsey Holmes
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Peggy Wilson; Becky Rooney, Staff,
Representative Peggy Wilson; Jeff Ottesen, Director,
Division of Program Development, Department of
Transportation and Public Facilities; John MacKinnon,
Executive Director, AGC of Alaska; Barbara Huff Tuckness,
Teamsters; Tom Brice, Alaska District Council of Laborers.

PRESENT VIA TELECONFERENCE

Sarah Lefebvre, Fairbanks, Chair Fairbanks Chamber of
Commerce; Karl Gohlke, Fairbanks, Frontier Supply Company;
Tony Johansen, Fairbanks, Great Northwest; Christine Klein,
Anchorage, Calista Corporation; David Levy, Anchorage,
Alaska Mobility Coalition.

SUMMARY

HB 122 TRANSPORT. INFRASTRUCTURE FUND APPROP.

HB 122 was HEARD and HELD in committee for further consideration.

HB 123 DEDICATED TRANSPORT FUND/PUB TRANSPORT

HB 123 was HEARD and HELD in committee for further consideration.

HJR 10 CONST. AM: TRANSPORTATION FUND

HJR was HEARD and HELD in committee for further consideration.

#hjr10

#hb122

#hb123

HOUSE JOINT RESOLUTION NO. 10

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

HOUSE BILL NO. 122

"An Act making a special appropriation to the transportation infrastructure fund; and providing for an effective date."

HOUSE BILL NO. 123

"An Act relating to the transportation infrastructure fund, to local public transportation, to the municipal harbor facility grant fund, to motor fuel taxes, to the motor vehicle registration fee, to driver's license fees, to identification card fees, to the studded tire tax, to the vehicle rental tax, and to other fees and taxes related to motor vehicles; creating the Alaska Transportation Panel; and providing for an effective date."

Co-Chair Austerman called the meeting to order. He noted that the three transportation bills would be heard together by the committee. The public would provide testimony.

8:35:11 AM

REPRESENTATIVE PEGGY WILSON, sponsor, represented district 33. She planned to present the full package of bills. She introduced the PowerPoint presentation: "Transportation Infrastructure Fund (copy on file)."

Representative Peggy Wilson began with slide 2: "Alaska's Transportation Challenges."

Transportation Infrastructure Fund

For the record, Representative Peggy Wilson, District 33; thank you Mister Chairman for hearing these 3 important bills. These bills are tied very close together. With the committee's indulgence, I would like the latitude to present the entire package before we drill down into the specifics of each bill.

Before we get started I'd like to say I know that we are in deficit spending and are projected to be for the next few years. I know it will be difficult for this committee to appropriate \$2B as in HB 122. This endowment can happen after the constitution is amended. I hope that you can listen to the concept without the concern of where the \$2B will come from. We need to get the constitutional change before the voters in this November. That is my goal for this year.

Now I'd like to talk with you about an issue that is very important to me and you as Alaskan's. It is TRANSPORTATION. When I say transportation, I mean, surface roads, ferries and harbors, airports, transit systems, trails, the movement of people, goods and services.

- I'm going to start out by getting us all on the same page. We all have heard stories about the condition of our transportation system and I'd like to explain the issue as I know it.

- Then I'm going to propose a solution to our transportation infrastructure challenges, the three bills you have before you.

- Finally I will sum up with the outcomes we expect, if this solution is implemented.

Representative Peggy Wilson continued with slide 2: "Alaska's Transportation Challenges."

Alaska's Transportation Challenges

Alaska's transportation system is aging.

40-50 year old highways

- Our major roads are 40-50 years old. There hasn't been a major road built for the past 30 years.

Population Growth = congestion

- With population growth we get congestion, especially since growth is primarily centered in one area. The population of Alaska has tripled since 1960.
- And we are putting more and more people on roads that were designed for the 1970's.

Aging AMHS Ferry Vessels

- Our ferries are old and well maintained but the older ferries cost a lot to operate and they are coming to the end of their projected life expectancy.

Airport upgrades and major maintenance

- Alaska has over 250 state owned airports. They are very expensive to maintain. Barges can only travel up the rivers during the few warm months to bring the necessary gravel for our runways in the rural areas of the state.

Deteriorating harbors in disrepair

- We have a number of state owned harbors. The state is in the process of transferring ownership of many of the harbors to the appropriate municipalities. But they don't always have the money to improve and maintain this infrastructure as it ages.

Limited access to natural resources

- Alaska is and has always been a natural resource state. Our natural resources are not generally on the road grid or close to railroads. We need to have access to those natural resources to diversify the stream of revenue to our state.

Alaska's Transportation Challenges

\$20 billion backlogged projects & deferred maintenance

- There is a large backlog of projects.
- All of this totals \$20 billion dollars plus 700 Million dollars more in deferred maintenance.

Representative Peggy Wilson continued with slide 3: "Alaska's Transportation Challenges."

Alaska's Transportation Challenges Declining
Transportation funds

Our funding, federal and state, is not keeping up with the demand -

Federal funding not keeping up with the demand

Rural highway traffic up 23%

- US Rural highway traffic is up 23% and continues to grow

Vehicle miles traveled up 35%

- And vehicle miles traveled is up 35% and increasing

\$65 billion/year lost to traffic congestion

- There is an estimated 65 Billion dollar loss due to traffic congestion every year. That loss is passed on to us as consumers

(According to the National conference of Legislators)

Fuel tax revenues can't keep up with inflation

- The federal fuel taxes have not kept up with inflation. Nationally our fuel taxes can't keep up with the demand and they can't keep up with demand in Alaska either. With technology improvements cars are going farther on a gallon of gas.

- Alaska hasn't had an increase in Motor fuel taxes since 1961, 53 years. We have the lowest motor fuel tax in the nation at 8 cents a gallon.

The next closest state is (Wyoming) at 14 cents per gallon.

State GF consumed by growing healthcare, corrections and education costs - little left for transportation

- Our state funds have to be stretched further and further to cover rising costs in all service areas

[8:40:11 AM](#)

Representative Peggy Wilson discussed slide 4: "Federal Funding Challenges."

Federal funding Challenges

Map-21 reduces flexibility for use of funds

Emphasis on main highways and safety

- The new federal Transportation funding program, MAP-21 focuses on National Highways and safety. Great goals, but Alaska only has 4 national highways.

- We also, used to have greater flexibility with respect to safety dollars as well. We are now limited to roads with notable crash histories. That will help our safety corridors, the 4 national Highways that have horrendous crash statistics but there are more needs out there than just those.

National Highway System funds now driven by performance

- The national highway system funds are now driven by performance. Since the penalties for non-performance are painful (state match could double or triple). Even on mainline highways we may be required to focus less on congestion and modernization and more on just keeping up. This means lots of maintenance projects that don't provide new lanes or new access.

Community road funding is by population

- I will talk about the funding by population on the next slide.

Federal funding Challenges

- I heard on a webinar by the council of State Governments (CSG) on Friday that states can expect to see a slowdown in payments from the Federal Highway trust fund as early as this summer and by FY15 the fund will be at 0.

[8:41:45 AM](#)

Representative Peggy Wilson discussed slide 5: "Funds Before and After MAP - 21."

Map 21 Funding complications

- Here is a simple graphic of some of the issues that are making it difficult for DOT to fund our Alaska Highways and community roads.

- On the left hand side is the pre-Map 21 allocations. The light blue represents the national Highway Systems percentage of funds (48%) and the dark blue is the Community and Alaska Highway Systems percentage (52%).

- With Map-21 the allotments are quite different. Now the National Highway System receives 72% of the federal funds and all the other roads in Alaska receive 28%.

- To further complicate matters 14% of the 28% allocated for the non-national highway roads is divided up depending on population.
- 4.4% (lime green portion) goes to cities that have more than 200,000 in population. Only Anchorage qualifies
- 5.4% (Kelly green portion) is directed to cities with a population less than 200,000 and more than 5,000. (Sitka, Ketchikan, Juneau, Fairbanks, Wasilla, Kodiak and Kenai)
- 4.2% (Dark blue portion) is for all other roads in the state.
- The bright yellow 14% portion is flexible but unfortunately it is consumed by increased mandatory requirements for data collection, bridge inspections, GIS, and other necessities leaving little for project purposes.

[8:43:44 AM](#)

Representative Peggy Wilson discussed slide 6: "Transportation Infrastructure needs a Boost."

Transportation Infrastructure Needs a Boost (slide 6)
In Alaska, we have always had a serious problem with financing transportation infrastructure.

Challenges with Federal Funding.

- There is a new Transportation Funding Program in the works but it is anyone's guess at this time what that will mean
- There will be no more money in the Federal Highway trust fund by 2015.

Aging Infrastructure

- We need to bring our aging infrastructure into the 21st century

Open new access to resources

- In order for Alaska to have access to our natural resource we need to greatly increase the development of our transportation system

Plans for the future

- We need to depend less on the federal government and start taking responsibility for Alaska's roads, harbors, airports, and railroads.
- We need to plan for the future.

Right now, that's not happening.

These problems aren't new just compounding. The House Transportation committee started investigating the funding issues 5 years ago.

Representative Peggy Wilson discussed slide 7: "House Transportation Comm. Actions."

House Transportation Comm. Actions

What have we done to find answers to all these issues?

3 years of Committee hearings

For three years the House Transportation committee listened to DOT, grassroots organizations, and transportation organizations identifying the challenges of transportation in our geographically diverse state.

Viewed, first hand, rural and urban problems

- The committee flew to remote villages to view their airports, the basic transportation in and out their communities. We took the Dalton Highway to see what our truckers use every day to get goods to the area where our major source of revenue is located. We rode the urban highways to see the challenges they face with regards to safety, congestion and deferred maintenance. We rode the trains and we experienced the ferries underway.

Examined funding options

- After witnessing the problems first hand, we started our quest for a solution.

- We heard from AML and the Matsu Borough who teamed together to contract an independent study on the fiscal challenges of statewide transportation.

- We heard from national experts from the National Conference of State Legislatures, on what other states are doing to address transportation infrastructure budget gaps. (NATIONAL EXPERTS)

- We heard from state experts. Larry Persily, who put together a report on the funding options available to address the fiscal shortfalls that our Alaska Long Range Transportation plan has outlined. (STATE EXPERTS)

Rejected options which committed future GF

- In our deliberations we rejected the options to fix the problem by bonding, which commits future funds to pay off debt. Our children and our grandchildren should not have to shoulder our debt.

House Transportation Committee Actions

- The solution I'm going to propose is the culmination of all those hours of committee hearings, travel, and research.

Persily Options we decided not to use:

Revenue bonds General Obligation Bonds Using some portion of the permanent fund selling off oil royalties Key Bank ON State Infrastructure banks Build America Bonds (from Stimulus funding) raising the Gas tax.

[8:46:36 AM](#)

Representative Peggy Wilson discussed slide 8: "ATIF Solution."

ATIF Solution

Our Proposal has three parts:

1. Re-instate dedicated Alaska Transportation Infrastructure Fund

- Part 1 Re-establish dedicated transportation taxes and fees as part of a transportation fund that was in existence at statehood. The Alaska Constitution contained two dedicated funds related to transportation:

Our constitution grandfathered 2 transportation funds

- The first one was known as the "Highway Fund". All monies collected from taxes on vehicle motor fuel were deposited into the Fund and had to be spent on highway related purposes.

- The second fund was called the "Water and Harbor Facilities Fund". Monies from taxes on motor fuel used in boats and watercraft were placed into the Fund and had to be spent on water and harbor facilities.

Requires a vote of the people

- ATIF or the Alaska Transportation Infrastructure Fund will combine these 2 funds into one.

Reinstatement of the transportation fund requires a vote of the people to change the constitution, ensuring all fees and taxes paid for transportation activities will be spent only on transportation.

2. Maintain existing funding

- The second part of the proposal is we must continue to fund transportation as we have in the past. This is the key to making real progress

improving our transportation infrastructure. This is one way we can slowly chink away at our \$20 B backlog of projects.

3. More 100% state funded projects

The third part of the solution is to do more 100% state funded projects

- We need to take advantage of both the cost and time savings of state funded PROJECTS WITHOUT FEDERAL "STRINGS", while providing for our growing transportation needs. This fund will move projects from concept to completion much faster. With state funded projects we will see the impact of our state dollars in our communities quicker

ATIF Solution

- For example, state funds were used in the construction of the Elmore Road Extension in Anchorage which was completed in less than 3 years as compared to 7-10 years if federal processes had been followed.

- ATIF is not intended to diminish our partnership with the federal government.

- The intention is to provide a dedicated revenue stream that will allow more projects to be completed faster and cheaper in addition to our ongoing federal/state projects.

- The 3 pieces of legislation that make up ATIF are:

- The first piece, House Joint Resolution 10, will put the change to the constitution on the ballot so the people can decide to re-establish the Transportation Fund.

- The second piece, House Bill 123, will define the laws to manage the fund and

- The third piece, House Bill 122, will put \$2 billion into the fund for startup.

[8:49:36 AM](#)

Representative Peggy Wilson discussed slide 9: "Funding ATIF."

Funding ATIF

So you ask yourself, "How can we fund ATIF?"

\$2B endowment from legislature and

- We will need two billion dollars to seed the ATIF. I know that is a sizeable chunk of money but if we don't get this much it will be difficult to make much progress clearing off our backlog.

-

- We want to leverage every federal dollar we can while capitalizing on State funded projects. I have heard anecdotally that a federal dollar is worth 75 cents as compared to a state dollar, I can't stress enough how important all three elements of the solution are.

- I understand that this is probably not the year to ask for 2 B dollars; even in a year with abundant revenue it will be difficult. This endowment could be a lesser sum with the idea of adding to the endowment when our savings accounts are flusher. We really need to put the constitutional change before the people. I know we can fully fund ATIF later.

Annual revenue

- Annually the revenue from the list that you see on this slide will go into the fund: this is approximately \$80 Million per year

- One thing to note any special use fees have been preserved. Things like vanity license plate fees, and airport lease revenues.

Motor fuel tax \$40M

Tire tax \$1.4M

Vehicle rental tax \$ 8.5M

Vehicle registrations and driver's license fees

[8:50:52 AM](#)

Representative Peggy Wilson continued with slide 10: "ATIF Appropriation."

ATIF Appropriation

- Okay, now we have a fund, "how shall we manage it? And how much will be available each year to improve our transportation infrastructure?"

DOR will manage the fund

- The department of revenue will manage ATIF consistent with a 6% rate of return over time. They manage many funds and they have experience and a good

track record. All of the profits will be reinvested into the fund each year.

Figuring the appropriation amount

- Each year there will be funds available for appropriation. It will be the sum of 6 percent of the market value averaged over the previous 5 years plus half of the taxes and fees collected from the previous year.

- Also coming out of the fund will be the expenses for the Department of Motor Vehicles, the expenses to administer and manage the fund, and also costs for the advisory council. The fund will be self-sufficient and will not require General Funds for administration.

Follows regular budgetary process

- The appropriations will follow the regular budgetary process and will be approved by both the governor and the legislature.

[8:52:03 AM](#)

Representative Peggy Wilson continued with slide 11: "2-Panel - 2-Step Process."

2 Panel 2 Step Process

- We have a fund, and it is being funded annually by revenues added to the large dedicated fund.

- Who will decide which projects get funded first?

- This will be handled by a 2 panel 2 step processes. First we will have to decide if projects are better suited for development using the proven State Transportation Integrated Plan or STIP process or the New ATIF process; effectively deciding if it will be a federalized project or a 100% state funded project.

7 Member Alaska Transportation Panel (ATP)

- The Alaska Transportation Panel will be comprised of 7 members, 4 public one from each of the areas you can see on the slide, the DOT commissioner, a STIP board member and a member from the Alaska Infrastructure Commission which I will describe in the next slide. They will serve staggered 4 year terms. DOT will develop a set of guidelines to be used as an aid to decide if a project should be federalized or be funded through ATIF. Our intent is to take the politics out of the decision making process.

- We have a fund, and it is being funded annually by revenues added to the large dedicated fund. Who will decide which projects get funded first?

[8:53:25 AM](#)

Representative Peggy Wilson continued with slide 12: "2-Panel - 2-Step Process."

2-Panel 2-Step Process

- When a project has been selected for development using ATIF funds it must then be reviewed by the Alaska Infrastructure Commission. You can see the makeup on the slide. This commission will take the ATIF selections and numerically rank using a set of criteria written by the DOT. This ranking will create a prioritized list. The list will need to be completed by the advisory commission by October 15th each year and submitted to both the Governor and the legislature. This ensures that the governor will have time to incorporate the ranked projects into his /her capital budget.

[8:54:12 AM](#)

Representative Peggy Wilson discussed slide 13: "ATIF Projects."

ATIF Projects

Limited to capital transportation and major maintenance projects

- ATIF projects are limited to capital transportation and major maintenance projects in the modes of transportation you see on this slide.
- The constitutional amendment states that the appropriations from the fund must be used on "transportation and related facilities that are designated by law." In the enabling statutes, HB 123, we have constrained the fund to only be used on capital projects and major maintenance. This will give future legislatures the ability to use money's from this fund for operations in times of huge fiscal shortfalls. All the legislature would have to do is make a statute change to allow the fund to be used for operations.

- Anyone can submit a project for consideration; the State, a borough, an unorganized borough, a municipality, community or village.
 - We envision there will be submission forms and they will need to be filled out to make sure the commission has enough information to rank the projects.
 - Every project will be considered.
- Federalized projects not more than 20%
- The funds available to federalized projects, which are projects that are constrained to use the federal processes, can be no more than 20% of the available funds. This is to incentivize more state funded projects.

[8:55:43 AM](#)

Representative Peggy Wilson discussed slide 14: "ATIF Projections."

ATIF Projections

- Here is a graph of what we can expect from the Alaska Transportation Infrastructure Fund done by DOR. The Blue bars are the balance in the fund over time and the Red line is the amount of money that could be appropriated each year for use on projects. You can see that the payout starts at about \$83 Million dollars the 1st year and then is \$131M the second year and rises at a rate of about 3.5M in the early years. Remember, with this solution, these 103 million dollars is in addition to the operational and capital budgets we already have.
- If we put in 2 billion dollars now it will grow to 5 billion dollars in 20 years. That 5 billion includes 50% of the revenue that has been deposited over the 20 years as well.

[8:56:44 AM](#)

Representative Peggy Wilson discussed slide 15: "ATIF..."

ATIF ...

- What can Alaskans expect from ATIF?
- The fund will help Alaska plan for its future. We will be able to work down the 20 billion dollar

backlog. It will help us get rid of the deferred maintenance list

Decrease dependence on federal funding

- ATIF will decrease Alaska's dependence on federal dollars. We still want to leverage every federal dollar we can but ATIF will allow us to do more state funded projects as well.

Increase number of new jobs

- ATIF will provide more direct jobs and there will be an indirect employment boost as well.

Increase road safety

- Our major roads are not safe due to congestion and deterioration. ATIF will help to improve safety on our roads, bridges, airports and harbors.

Increase Alaska's economy

- There are numerous studies that show Transportation investment creates a competitive environment, attracting additional economic investment that includes: Increased output; productivity; income; property values; employment and an increase in real wages; It reduces the costs of production and noncommercial travel time. This results in an improved quality of life.

Increase access to Alaska's resources

- Our state's economy is highly dependent on our resource extraction and these industries are transportation intensive. Alaska has a majority of the nation's coastline but has significant challenges developing and maintaining the state's docks and harbors for access, to our fishing resource. We have world class mineral deposits but few transportation corridors for access to those resources. We have major untapped oil and gas resources with no access to the remote locations. ATIF will improve access to our resources, which will the cost of production.

ATIF ...

Ensure stable annual transportation budget

- Alaska needs a state-funded transportation system that is sufficiently and predictably funded. This reliable flow of funds allows for the development and implementation of a sound transportation plan that

doesn't fluctuate with funding, politics or the economy.

[8:59:02 AM](#)

Representative Peggy Wilson discussed slide 16: "ATIF Summary."

ATIF Summary

- To summarize:
Alaska Transportation issues:
 - I think I've defined our looming transportation challenges that stem from 2 major issues, declining funds both federal and state, and an aging transportation infrastructure. I think we need to act now and implement the Alaska Transportation Infrastructure Fund.
 - ATIF is about the broader social good and economic progress of the state of Alaska.
 - About meeting ever-growing transportation needs for Alaskans. The sheer volume of freight moving in Alaska underscores the importance of the transportation system to Alaska's economy.
Implement the Alaska Transportation Infrastructure Fund
 - Alaska needs to take action now;
Put the constitutional amendment on the ballot in November 2012
 - We need this constitutional amendment on the ballot in 2014. I think Alaskans want a better transportation system. Let the people decide.
 - Mr. Chair, thank you for this opportunity to tell the committee about our plan to help Alaska move forward. You have seen the 30,000 foot level presentation.
 - I know committee time is short so I will stop here and attempt to answer any questions you may have.

[9:00:49 AM](#)

Co-Chair Austerman stated that he would accept questions from committee members.

Representative Thompson agreed that roads, airports and harbors were the arteries of Alaska's economy. He asked

about the decision to have two separate panels. He thought the two panels might be cumbersome.

Representative Peggy Wilson responded that the commission began as a 25-member panel. She listened to comments from committee members in each community. The goal was for panels that were non-political with representation from all Alaskan geographical areas. A decision was made for one commission to work on project assignments, with seven people voting. The goal was to view the state as a whole unit.

[9:03:30 AM](#)

Representative Thompson asked if the two panels must meet in person, which would be expensive for airfare and hotel rooms.

Representative Peggy Wilson replied that the panels would meet twice a year.

Representative Thompson understood that Map - 21 was not well accepted in the more remote areas of the state including Sitka, Petersburg and Fairbanks. He asked about Map - 21 and the federal transportation fund. He asked for a specific dollar amount received by the state.

Co-Chair Austerman suggested that the question be held for Department of Transportation and Public Facilities.

Representative Peggy Wilson noted that the fund could be used as best determined for the state.

[9:04:53 AM](#)

Representative Holmes reviewed the travel costs detailed in the fiscal notes. She wanted to know about the reasons for two separate boards.

Representative Peggy Wilson replied that the board required experts from the Department of Transportation and Public Facilities.

Representative Holmes discussed the fund. She asked about the discrepancy between 5 and 6 percent of the average market value. She understood that the percent of market value calculation was refined over time. The more

conservative estimates were in the 4 to 5 percent range. She pointed out that the Department of Revenue stated that principal might be eroded at 6 percent.

BECKY ROONEY, STAFF, REPRESENTATIVE PEGGY WILSON, referred to the constitutional amendment, which stated "up to 6 percent of market value that could be utilized." She thought that the purpose of the range was to provide future options. In the enabling statutes, the rate was set at 5 percent.

Representative Holmes asked about the two ways to spring money from the fund. She noted that 50 percent could be utilized each year with an additional 5 or 6 percent of the average over the last 5 years. She asked how the calculations occurred. She wondered if the incoming fees were calculated into the 5-year average.

Ms. Rooney replied that the fees utilized were from the previous year. The fees became part of the fund. The interest from the fees was sitting in the fund.

Representative Holmes asked if 50 percent was taken out each year in addition to the 5 percent. She thought the practice might erode principal.

[9:09:05 AM](#)

Co-Chair Austerman acknowledged Representative Holmes' point. He stated that future presentations would include information about the funding source.

Representative Costello realized the great effort put forth by Representative Peggy Wilson. She noted the gravity of the decision. She believed that the state framers saw a need for such legislation with the importance of transportation in the Alaskan economy. She was challenged with the idea that such a proposal would remove the budget crafting process from the legislature. She asked about testimony regarding an appointed board making the decisions rather than elected state representatives.

Representative Peggy Wilson responded that two legislators would serve on the board as advisors. She envisioned the legislators as the transportation chairmen. She explained that the decisions would be reviewed by both the governor and the legislature. She acknowledged fears that the

legislature would no longer have a say in the important decision making process.

Representative Costello highlighted the work that Representative Peggy Wilson had put into the bill. She asked how the representative would address the competing needs faced by the state.

[9:12:27 AM](#)

Representative Peggy Wilson replied that another interest, such as education would require \$20 billion to seed a fund with similar intent. Children need safe roads to get to school. She supposed that some Alaskans would leave the state if the transportation situation did not improve and schools suffered without many students.

[9:13:55 AM](#)

Representative Gara believed that transportation funding was crucial. He acknowledged that Alaskans would vacate the state if transportation needs were not met. He pointed out that the state had approximately \$17 billion in savings. The governor proposed a draw on the savings including a \$3 billion draw for Public Employees' Retirement System (PERS) and Teachers' Retirement System (TRS). He wondered how long savings would last.

[9:15:12 AM](#)

Representative Peggy Wilson stated that too much deliberation about transportation and infrastructure would delay necessary changes. She explained that infrastructure helped to solve many different problems in the state. She was most concerned about the constitutional amendment and its inclusion on the ballot. She stated that waiting another two years would allow for further delay.

[9:17:02 AM](#)

Representative Gara noted that the proposed fund would place \$80-\$120 million into the transportation projects annually. He asked how much money was allocated to roads, vessels, railroads, trails and transportation projects last year in the capital budget. He suspected that the legislature was funding transportation at a higher rate than the one estimated by the sponsor. He asked about slide

9. He understood the logic of placing all funds into transportation. He argued for using the fund for Troopers or energy projects.

[9:18:56 AM](#)

Ms. Rooney replied that public comment revealed that when fees were designed for activities of the users, the public was more inclined to participate and contribute to the fees. She saw the opportunity for increases in gas tax, which had not been raised in 53 years, if Alaskans understood that the tax would pay for the roads.

Representative Gara wondered if the sponsor proposed a tax increase.

Representative Peggy Wilson replied that the decision to raise taxes might be made in the future. She stated that further infrastructure development meant more jobs and a greater economy.

[9:20:26 AM](#)

Representative Munoz congratulated Representative Peggy Wilson on her efforts with the transportation committee. She asked why the existing department processes were not indicated in the proposed legislation. She wondered why the effort could not continue within the established agency framework. She expressed concern about creating another layer of bureaucracy.

Representative Peggy Wilson replied that changes must be made to eliminate the political aspect of the decision making process. She wished to review the projects in a different way.

[9:22:23 AM](#)

Representative Guttenberg offered congratulations on the sponsor's hard work. He stated that the new commission was subject to legislative appropriations. He asked if the commission would supersede all the other organizations that were actively planning for their communities.

Representative Peggy Wilson replied that each group would continue to do what was best for their specific areas. The commission would review the submissions and determine the

best projects to promote economic development in the state. She stressed that the appointees should have some experience in certain areas. The combination would lead to the optimal statewide view. The goal of the legislation was to remove the geographic look and decide the best action for the state as a whole.

9:24:32 AM

Representative Guttenberg expressed confusion about how the process would clear the playing field for projects. He stated that the legislators would make the final decisions.

Representative Peggy Wilson replied that removal of the legislative review would nix the bill's passage through the finance committee.

9:25:55 AM

Co-Chair Stoltze stated that he helped facilitate the passage of a similar initiative twice in the past. He stated that he had witnessed three separate efforts to change dedicated funds during his time on the legislature. He recalled one effort in 1976, which required an exemption from the prohibition to create the Permanent Fund. Another effort from 1989-1990 by former governor Cooper addressed that education endowment, which passed the House but not the Senate. He wondered about removing the prohibition all together to enable the legislative process to work.

Representative Peggy Wilson stated that she attempted to access all different angles during her decision making process. She stated that Alaska was behind \$20 billion with infrastructure projects and \$700 million in deferred maintenance.

Co-Chair Stoltze asked if amending the dedication prohibition had been explored as a potential solution.

Representative Peggy Wilson had not determined a solution for every department or state region. She felt that the legislation would make a difference in every department in the long run. She believed that developing the state's infrastructure would promote economic development in Alaska. She suggested that it was more economic for businesses to visit the state for a profit.

9:29:04 AM

Co-Chair Stoltze hoped to vet the issues. He lacked certainty about his position.

9:29:39 AM

JEFF OTTESEN, DIRECTOR, DIVISION OF PROGRAM DEVELOPMENT, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES offered to answer questions about Map-21.

Representative Thompson asked about the federal transportation infrastructure spending.

Mr. Ottesen replied that MAP-21, which was passed in 2012, authorized the federal program for 2013 and 2014 with funding comparable to that received in prior years. The amount of money received remained unchanged, but the distribution was altered. The funding was shifted from a local class of roads to the larger highways in the national highway system. He mentioned a tripling of funding for safety projects. The state therefore had less money for local-class roads and highways that were not on the national system. He stated that the Alaska Highway System received substandard funding for maintenance. He pointed out that 60 percent of the bridges were reliant upon the smaller slice of funding.

Mr. Ottesen continued that the Highway Trust Fund approached zero dollars. He stated that Secretary Fox from the United States Department of Transportation announced that the Highway Trust Fund would reach zero dollars before the end of 2014. He pointed out that the fund had outgo that was greater than income, meaning delays in reimbursements to the states. When states bill the United States Department of Transportation, delays will ensue unless a solution was found. He stated that the highway required \$40 billion to operate nationally and was receiving approximately \$30 billion in proceeds from the various categories of taxes.

Mr. Ottesen asked the question, "Why is the highway trust fund not remaining solvent." One explanation was that less people were driving nationally and the use of liquid petroleum fuels, the primary source of taxes, was shrinking. Some people bypassed taxes by driving cars that operate without liquid petroleum fuel. He added that the

highway authorization would expire at the end of 2014. He opined that there was no easy solution to funding.

[9:34:14 AM](#)

Representative Thompson asked about Alaska's total allocation from the Federal Highway Fund.

Mr. Ottesen replied that Congress used a two-step process. Initially an amount of money was authorized at approximately \$500 million. Each year a smaller amount was appropriated against the initial appropriation. He stated that Congress appropriated approximately 92 or 93 percent of the authorized number.

Representative Thompson asked about the smaller appropriation.

Mr. Ottesen replied \$450 million.

[9:35:12 AM](#)

Representative Gara asked about the backlog of state transportation projects. He stated that at \$100 million per year, it would take 200 years to address the \$20 billion backlog. He asked about spending for ferries, trails and roads.

Mr. Ottesen replied that appropriations over the past 10-12 years were quite varied; \$600 -\$100 million in general funds. He stated that the 2012 amount was approximately \$700 million, but the contribution was much smaller since then.

Co-Chair Austerman asked for further details for the committee regarding Representative Gara's question.

Mr. Otteson agreed.

Representative Gara thought that the deliberative process of prioritizing funds was reflected. Some years the state had funding to address transportation projects, while other priorities arose on different occasions. He thought it fair to allow the legislature to continue determining the largest priorities every year regarding the creation of jobs and economy.

[9:37:45 AM](#)

Mr. Ottesen agreed with the legislative prerogative. He recalled that the 2012 capital budget was nearly \$300 million greater than the amount requested.

Representative Gara noted that the \$20 billion backlog would continue to grow. He did not see how the legislation could address the enormous backlog.

Mr. Ottesen replied that the Roads to Resources projects were being transferred to Alaska Industrial Development and Export Authority (AIDEA) who was seeking a form of resource-backed tolls to help build the roads, which would remove the projects from the state budget. He noted efforts to address transportation needs without accessing the general fund.

[9:39:10 AM](#)

Representative Wilson understood that federal funding might not be available, as the state did not have the required match.

Mr. Ottesen stated that he had worked for the Department of Transportation and Public Facilities for 25 years, and in that time had not seen a "federal dollar left on the table for lack of match." He acknowledged that the state was nearing the end of match reserves. He did not predict that 2014 would yield an insufficient match to cover the required state match.

Representative Wilson asked about local funding programs. She asked if the bill might limit the choices made by the local programs. She asked if the local organization would continue to exist.

Mr. Ottesen replied that the two organizations known as the Fairbanks Metropolitan Area Transportation System (FMATS) and the Anchorage Metropolitan Area Transportation Solutions (AMATS) were established under federal law and received a portion of federal funds known as the sub-allocation. He explained that the state did not have the ability to alter the requirement. If federal funds were acquired, the local boards would make the decisions. The ATIF would make decisions about its own program, but not about the money sub-allocated to FMATS and AMATS.

9:40:58 AM

Co-Chair Stoltze had difficulty with the similarity to past dedicated fund exemptions. He included the Permanent fund and the debate about its appropriate and actual use. He noted only one major use of the Permanent Fund, which was a statutory use of earnings for distribution to the people of Alaska. He stated that the education endowment included a provision preventing the legislative appropriation until 2013. He stated that the issue was placed before the voters in 1990. He observed the serious nature of a dedicated fund. He wondered if similar restrictions on the proposed legislation might be considered. He noted that a constitutional amendment was an enduring legacy change in the law of the land. He referred to himself as a history nerd.

9:44:57 AM

Mr. Ottesen commented about Map-21. He acknowledged the difficult situation with the federal highway program and congressional reauthorizations, but he remained hopeful that the program would continue past October 2014.

Co-Chair Austerman stated that the three bills would come back to the committee. He suspected that the committee would have further questions for the Department of Transportation and Public Facilities.

9:46:10 AM

SARAH LEFEBVRE, FAIRBANKS, CHAIR FAIRBANKS CHAMBER OF COMMERCE (via teleconference) testified about the advantages of the proposed fund. She stated that Federal Transportation Funding was unstable. She advocated for the state's independence from the federal process. She noted Representative Don Young visited Fairbanks and expressed frustration with Alaska for the lack of such a fund. She hoped to prevent future problems with the fund's establishment. She noted that the funding mechanism was common in other states. She communicated strong support by local government in the Interior for a state funded program. She touched on the project of a road to Tanana. She opined that a state fund would benefit similar opportunities.

[9:50:53 AM](#)

KARL GOHLKE, FAIRBANKS, FRONTIER SUPPLY CO. (via teleconference) stated support for the legislation. He was a member of the Fairbanks Chamber of Commerce Transportation Committee, the Alaska Miners Association, the Association of General Contractors and the Alliance. He noted that the various organizations spent committee time discussing the infrastructure of projects and how roads, bridges, airports and ports were important to major projects such as the TransCanada project. He commended the legislature for the passage of SB 21. He advocated for consistency as a tool for planning for Alaska's future. The initiative would help to get the Roads to Resources built thereby improving the economy of Alaska. He believed that the initiative would take care of the FMATS and the AMATS.

[9:55:55 AM](#)

TONY JOHANSEN, FAIRBANKS, GREAT NORTHWEST (via teleconference), stated that Alaska had a great need for infrastructure and maintenance. He testified in support of the legislation. He listed necessary improvements such as deferred maintenance and improvement of system capacity to meet the growing population and expanding infrastructure. He recalled similar budget issues in the 1980s. He believed that the state funded education, health and social services and troopers while slashing Alaska's capital budgets. He encouraged the continued development of the state's infrastructure. The Alaska Transportation Infrastructure Fund would provide the mechanism to expand and improve the state's transportation infrastructure. Without the necessary infrastructure, Alaska would have no need for schools, troopers or social services.

[9:58:40 AM](#)

CHRISTINE KLEIN, ANCHORAGE, CALISTA CORPORATION (via teleconference), testified in support of the legislation packet. She emphasized that the initiative would help in both rural and urban Alaska. She pointed out that 79 percent of funding for transportation projects in Alaska originated from the federal government. She stated that contributions for airports were approximately 93 percent federal in origin. She noted pressure for state fund revenue toward some of the projects. Some programs were policy-driven with a focus on mass transit; those projects

were often prioritized over important projects in Alaska. She expressed support from her region, which consisted of 56 small villages with primary airport access. She noted the difficulty of getting onto the STIP list, as the backlog was so enormous. She pointed out that the economy depended on basic core infrastructure. She noted that the infrastructure was necessary for a more diversified and stable economy.

10:04:45 AM

DAVID LEVY, ANCHORAGE, ALASKA MOBILITY COALITION (via teleconference), testified in support of the legislation packet. He stated that he worked with Representative Peggy Wilson on the issue for a number of years. The need for transportation infrastructure was significant throughout the state. The bill would help Alaskans break the connection with the federal government and take greater responsibility with the transportation infrastructure.

10:06:25 AM

JOHN MACKINNON, EXECUTIVE DIRECTOR, AGC OF ALASKA, testified in support of the legislation. He stated that he worked for the Associated General Contractors of Alaska, a construction trade association with approximately 650 construction-related business members. He stated that he had served as deputy commissioner of the Department of Transportation and Public Facilities for five years, where he learned about transportation needs and issues in Alaska. He pointed out that the model proposed in the initiative was utilized by 44 other states in the union. The appointed members would understand the transportation needs in the region and in the state with and prioritize the projects based on facts rather than politics or other considerations. He noted the fund's stream of user fees that work to replenish the fund. He stated that user fees had ample support among tax payers. Alaskans love transportation projects. He recalled only one bond issue for transportation projects that did not pass. Because of the size and limited transportation options in Alaska

Representative Guttenberg appreciated the testifier's perspective. He expressed confusion about how the legislation would clear the way to new transportation projects. He thought that the limited nature of the funding

compromised its appeal. He asked how the legislation simplified the issue of transportation in the state.

[10:12:07 AM](#)

Mr. MacKinnon replied that direct appropriations largely funded the entire project. Once the appropriation was made the project waited for design, permitting and construction, which could take up to five years. The federal program provided a known amount over the period of the bill's reauthorization. The use was inefficient. The programmatic spending was more efficient than lump-sum appropriations. Programmatic spending allowed for a more efficient process, as opposed to lump-sum appropriations. He expected the federal subcategories would continue to exist under federal law. The proposed legislation would establish a list of projects in priority.

[10:14:49 AM](#)

Representative Guttenberg noted that the process of legislative overview remained unchanged. The legislature would continue to make the appropriation.

Mr. MacKinnon contrasted Representative Guttenberg's statement with the methods of federal funding. He mentioned a single lump-sum appropriation for the federal highway program, including a series of allocations. While working with the Department of Transportation and Public Facilities, he saw many projects funded that were not the best use of the money.

[10:16:51 AM](#)

Representative Costello asked if the testifier felt that the process was working now. She asked for an example of inefficiency in the current process.

Mr. MacKinnon recalled multiple efforts for transportation enhancements with great spending requirements. He opined that lost efficiencies were noticed when safety issues were not prioritized above scenic waysides.

[10:19:06 AM](#)

Representative Costello noted her participation in the governor's recreation and trails advisory board. She stated

that the points system used was less valuable than an open discussion process. She asked if Mr. MacKinnon was open to changes in the legislation to allow the transportation committee to be the end arbitrator of the winning projects.

Mr. MacKinnon was open to a number of changes. He liked the bill package because it provided a steady and predictable stream of funding. The steady funding stream would allow the legislature to participate in the decisions.

10:21:10 AM

BARBARA HUFF TUCKNESS, TEAMSTERS, testified in support of the legislation. She noted that she had Teamster members in all areas of the state transportation system. She believed in Representative Peggy Wilson's efforts to create a stable funding source for state transportation projects. She requested serious consideration and movement of the bill package.

10:23:08 AM

TOM BRICE, ALASKA DISTRICT COUNCIL OF LABORERS, testified in support of the legislation on behalf of the 6000 public and private construction and road maintenance members of unions across the state.

Co-Chair Stoltze appreciated the process and he hoped to pass the bill out of committee.

Representative Gara recalled rumors that the Department of Transportation and Public Facilities spent money to self-perpetuate the agency. He noted the component of the bill package that included a different proposal for educating the legislature about the analyzed transportation priorities in Alaska. He had concerns about burning through state savings. He expressed interest in the information regarding frugal and efficient spending.

Co-Chair Austerman CLOSED public testimony.

HB 122 was HEARD and HELD in committee for further consideration.

HB 123 was HEARD and HELD in committee for further consideration.

HJR 10 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

10:27:00 AM

The meeting was adjourned at 10:27 a.m.