

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

February 7, 2017

1:35 p.m.

MEMBERS PRESENT

Representative Louise Stutes, Co-Chair
Representative Adam Wool, Co-Chair
Representative Matt Claman
Representative Harriet Drummond
Representative Chuck Kopp
Representative Colleen Sullivan-Leonard
Representative David Eastman (alternate)

MEMBERS ABSENT

Representative Mark Neuman
Representative Gabrielle LeDoux (alternate)

COMMITTEE CALENDAR

PRESENTATION: PROPOSED COMMITTEE BILL - EXEMPTION TO THE 1% ART REQUIREMENT FOR TWO NEW AK CLASS FERRY VESSELS & THE MOTOR VESSEL TUSTUMENA REPLACEMENT

- HEARD

HOUSE BILL NO. 60

"An Act relating to the motor fuel tax; relating to the disposition of revenue from the motor fuel tax; relating to a transportation maintenance fund; and providing for an effective date."

- HEARD & HELD

ORGANIZATIONAL DISCUSSION: Related to AS 24.08.060(a)

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 60

SHORT TITLE: MOTOR FUEL TAX; TRANSPORTATION MAINT. FUND

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/18/17 (H) READ THE FIRST TIME - REFERRALS
01/18/17 (H) TRA, FIN
01/31/17 (H) TRA AT 1:30 PM BARNES 124
01/31/17 (H) Heard & Held
01/31/17 (H) MINUTE (TRA)
02/07/17 (H) TRA AT 1:30 PM BARNES 124

WITNESS REGISTER

MATT GRUENING, Staff
Representative Louise Stutes
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented a concept for a bill relating to the "1 percent for art" requirement for two new Alaska class ferries (ACFs) and the M/V Tustumena replacement, on behalf of Representative Stutes, Co-Chair of the House Transportation Standing Committee.

MICHAEL NEUSSL, Deputy Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Answered questions during a presentation regarding a concept for a bill relating to the "1 percent for art" requirement for two new Alaska class ferry (ACF) vessels and the MV/Tustumena replacement.

BRYAN IMUS, Member
Laborers' Union, Local 942
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 60 and to recommend an amendment.

SHELLY ERICKSON, Owner
HomeRun Oil Co., Inc.
Homer, Alaska

POSITION STATEMENT: Testified in opposition to HB 60.

ANDREW BREWER
Eagle River, Alaska

POSITION STATEMENT: Testified in opposition to HB 60.

GRETA SCHUERCH, Liaison
External and Government Affairs
NANA Regional Corporation
Anchorage, Alaska

POSITION STATEMENT: During the hearing on HB 60, offered concerns.

MIKE MILLIGAN
Kodiak, Alaska

POSITION STATEMENT: During the hearing on HB 60, shared support for an increase in motor fuel taxes.

KAREN PERRY
Chugiak, Alaska

POSITION STATEMENT: Testified in opposition to HB 60.

JAMES SQUYRES
Rural Deltana, Alaska

POSITION STATEMENT: Testified in opposition to HB 60.

AVES THOMPSON, Executive Director
Alaska Trucking Association (ATA)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 60.

GEORGE PIERCE
Kasilof, Alaska

POSITION STATEMENT: Testified in opposition to HB 60.

PAMELA GOODE
Rural Deltana, Alaska

POSITION STATEMENT: Testified in opposition to HB 60.

SHANNON CONNELLY
Palmer, Alaska

POSITION STATEMENT: Testified in opposition to HB 60.

KELLY JOHNSON
Soldotna, Alaska

POSITION STATEMENT: Testified in support to HB 60.

CHRYSTAL SCHOENROCK
Nikiski, Alaska

POSITION STATEMENT: Testified in opposition to HB 60.

FRED STURMAN
Soldotna, Alaska

POSITION STATEMENT: Testified in opposition to HB 60.

STEPHEN NUSS, President
American Society of Civil Engineers (ASCE) Alaska Section

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 60.

ACTION NARRATIVE

[1:35:23 PM](#)

CO-CHAIR ADAM WOOL called the House Transportation Standing Committee meeting to order at 1:35 p.m. Representatives Stutes, Claman, Drummond, Kopp, Sullivan-Leonard, Eastman (alternate), and Wool were present at the call to order.

PRESENTATION: PROPOSED COMMITTEE BILL - EXEMPTION TO THE 1% ART REQUIREMENT FOR TWO NEW AK CLASS FERRY VESSELS & THE MOTOR VESSEL TUSTUMENA REPLACEMENT

[1:36:11 PM](#)

CO-CHAIR WOOL announced that the first order of business would be a presentation regarding a concept for a bill related to the "1 percent for art" requirement for two new Alaska class ferries (ACFs) and the M/V Tustumena replacement.

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MATT GRUENING, Staff, Representative Louise Stutes, Alaska State Legislature, stated that there is no bill before the committee, rather the purpose of the presentation is simply to introduce a concept for a bill that Chair Stutes would like to have drafted in the committee's name. He explained that AS 35.27.020 mandates that 1 percent of the construction cost of buildings and new facilities that are for public use be dedicated to artwork. He added that the 1 percent is for everything from the purchasing, designing, administration cost, and even hanging of art. He said that the proposal includes the two new Alaska Class Ferries (ACFs) scheduled to be delivered in 2018 for operation in the upper Lynn Cannel area and the replacement vessel for the M/V Tustumena. He explained that currently the contract for the construction of the two new ACFs is roughly \$101 million, so the 1 percent mandate for art for that project would be a little over \$1 million. He noted that for the M/V Tustumena replacement vessel, \$237,000 would be the amount for art for that project. He explained that the bill would seek to give a one-time exemption for the two new ACFs and the replacement for the M/V Tustumena from that requirement for the "1 percent for art".

MR. GRUENING, to illustrate the huge liability the "1 percent for art" would be on the state, said that the two new ACFs are being constructed entirely with state dollars and no federal aid. He indicated that currently the M/V Taku is in unmanned layup in Ketchikan. He added that all the art has been removed from the M/V Taku and placed in a climate-controlled facility in Ketchikan where it is available for refurbishment on the two new ACFs. He added that the art for the new replacement vessel for the M/V Tustumena would be taken from the old M/V Tustumena.

MR. GRUENING reiterated that the bill would create a one-time exemption to the state to avoid paying over \$1.5 million for new art when the state already has a surplus of artwork. He said that instead of purchasing new art, repurposing the already existing art would be the smart thing for the state to do considering the current fiscal environment in Alaska. He added that there is a companion bill currently in the Senate. He noted that the Alaska State Council on the Arts has testified that it has no opposition to the bill concept. He said the council understands why the state is asking for the one-time exemption. He emphasized that the intent of the bill concept is not to attack the "1 percent for art" program or statutorily affect the program, but to give a one-time exemption.

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REPRESENTATIVE SULLIVAN-LEONARD asked which Senate committee was carrying the companion bill.

MR. GRUENING responded that it is the Senate Transportation Standing Committee.

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REPRESENTATIVE DRUMMOND shared her understanding that ordinarily the "1 percent for art" is in addition to the construction cost. She shared her assumption that the proposed one-time exemption, roughly \$1 million in this case, wouldn't be spent on anything for the ferries.

MR. GRUENING replied that was only partially correct. He clarified that he forgot to mention that in contract for the two new ACFs it was presumed, in a cost saving measure, that part of the safety equipment and electrical equipment for the ACFs would be salvaged from other vessels. He said that life rafts, rigid inflatables, some radars, and automatic identification systems (AISs) are some examples of what would be salvaged. He

elaborated that the idea is for funds that would have been spent on art to be used on necessary safety equipment for the project in light of the current budget shortfalls. He deferred to Mr. Neussl for further detail of what equipment would need to be put on ferries that is not currently included in the budget.

[1:42:43 PM](#)

MICHAEL NEUSSL, Deputy Commissioner, Department of Transportation & Public Facilities (DOT&PF), in response to Representative Drummond's question, said that the one-time exemption for the 1 percent would not be a savings. He disclosed that the ACFs are 100 percent state general fund (GF) funded. He explained that the construction contract for the ACFs is \$101 million, which would mean that under statute the state would have to set aside \$1.01 million for art. He noted that as part of the negotiated contract for the ACFs, with the shipyard and given the budget limitations that existed at the time when the contracts took place, there was a variety of state furnished equipment that was to be provided by the state. He added that the necessary state funded equipment would include life-saving slides, rigid hull inflatables, radars, AISs, and a variety of other equipment that was supposed to be state furnished in order to keep the construction cost within budget for the ACFs. He added that exempting the "1 percent for art" this one time would allow the \$1 million to be freed up to go toward necessary equipment and systems to run the vessel, rather than to artwork.

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REPRESENTATIVE DRUMMOND provided her understanding that it would not be a savings of a million dollars, but rather would merely grant the department the authority to spend it elsewhere on the ferry, rather than on artwork.

MR. NEUSSL answered yes. He elaborated that it would essentially allow that which would be mandated to be set aside for art to be used for other necessary equipment. He added that currently the aforementioned equipment is unfunded.

CO-CHAIR WOOL offered his understanding that even if \$1 million was to be spent on art, \$1 million would still have to be spent on the ferry for necessary safety equipment. He added that the additional \$1 million would have to come from somewhere.

MR. NEUSSL answered that is correct.

CO-CHAIR WOOL offered his understanding that the roughly \$1 million is money the ferries could not do without. He inquired whether the turning over of some of the equipment, beside art from the other boats, would consist of simple bookkeeping or if it would be more complicated than that.

MR. NEUSSL answered it would be more complicated. He said that the intention with the M/V Taku is to sell that vessel "as is, where is," unless another state agency wants to operate it in public service. He said that just like with a used car, the seller wouldn't strip the good tires off, pull the radio out, and pull the radiator out, because those parts were needed. He opined that the seller would want to keep it as complete a vessel as possible, to yield the maximum sale price. He explained that the department would ideally prefer to leave the used and old equipment onboard the M/V Taku and use some of the funds generated from the sale to go toward new equipment for the ACFs.

CO-CHAIR WOOL inquired whether the sale of the boat, with or without the equipment, would be allocated for the expenses needed for the ACFs.

MR. NEUSSL said that the proceeds of the sale of the M/V Taku would be complicated by the fact that federal funds have been used to maintain the vessel. He explained that the department went through a lengthy process with the Federal Highway Administration (FHWA) to do a vessel salvage credit computation to determine of the sale of the proceeds, technically how much of that money would be due back to the federal government. He reported that about 62 percent of the sale of the M/V Taku proceeds would go back to the federal government. He expressed that the federal government was very generous to the department and allowed the funds to be rolled into any other Title 23 FHWA eligible project within the state.

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REPRESENTATIVE CLAMAN inquired whether the 37 percent that did not come from federal money would be designated to go toward paying for the new ACFs or if it would just go into the GF.

MR. NUSSL responded that currently there is no designation, so it would go back into the GF.

[1:47:47 PM](#)

CO-CHAIR WOOL inquired what the asking price is for the M/V Taku.

MR. NUESSEL answered that the department does not have an asking price yet. He explained that currently the vessel is in surplus and ready for other state agencies and municipalities to use. He added that the surplus process would be closing at the end of February where at that point, assuming no interested parties, the department will put the vessel up for sale. He noted that the process is not yet set in stone, but he offered his best belief that it would be a sealed bid process with minimum bids and stipulations to ensure valid and responsible buyers. He reiterated that the process is not yet defined nor has a specific asking price been set.

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REPRESENTATIVE KOPP asked whether the Inter-Island Ferry Authority (IFA) had shown any interest in the M/V Taku.

MR. NUESSEL answered no. He elaborated that the IFA already has two vessels but only operates one.

The committee took a brief at-ease at 1:49 p.m.

[1:49:42 PM](#)

CO-CHAIR STUTES moved and asked that in accordance with AS 24.08.060, the committee authorize the introduction of a committee bill on the subject of an exemption to the 1 percent art requirement on the two new ACFs and the replacement of the M/V Tustumena.

REPRESENTATIVE SULLIVAN-LEONARD objected.

CO-CHAIR WOOL asked Representative Sullivan-Leonard to speak to her objection.

REPRESENTATIVE SULLIVAN-LEONARD requested a roll call vote be taken. She stated that she objected to the proposal coming forward as a bill that would be sponsored by the House Transportation Standing Committee.

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REPRESENTATIVE KOPP asked whether it would be easier for the committee members to vote on something if they all had the bill in hand and could then state the desire for said proposal to be a committee bill.

CO-CHAIR WOOL shared his belief that it may be easier for some. He opined that the overview was sufficient.

REPRESENTATIVE KOPP stated that he had no problem with the overview.

CO-CHAIR WOOL deferred to Mr. Gruening.

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MR. GRUENING shared his understanding that it is common practice to draft a bill based on a committee's consent. He explained that this process is not asking committee members to vote on a bill or whether they have an intent to [support] such a bill. He said that it is just an approval to have a bill drafted in the committee's name.

CO-CHAIR WOOL asked if the objection is still maintained.

REPRESENTATIVE SULLIVAN-LEONARD answered yes.

A roll call vote was taken. Representatives Kopp, Stutes, Wool, Drummond, and Claman voted in favor of the motion for the committee to authorize the introduction of a committee bill on the subject of an exemption to the "1 percent for art" requirement. Representatives Eastman and Sullivan-Leonard voted against it. Therefore, the proposal to allow the House Transportation Standing Committee to sponsor a bill was adopted by the House Transportation Standing Committee by a vote of 5-2.

The committee took an at-ease from 1:52 to 1:53 p.m.

HB 60-MOTOR FUEL TAX; TRANSPORTATION MAINT. FUND

[1:53:26 PM](#)

CO-CHAIR WOOL announced that the next order of business would be HOUSE BILL NO. 60, "An Act relating to the motor fuel tax; relating to the disposition of revenue from the motor fuel tax; relating to a transportation maintenance fund; and providing for an effective date."

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The committee took a brief at-ease at 1:54 p.m.

[1:54:36 PM](#)

BRYAN IMUS, Member, Laborers' Union, Local 942, said that he recognized that during the times of ever tightening budgets it is becoming increasingly difficult to count on highway construction projects that upgrade Alaska's road system and keep [laborers] working. He shared that an example of the dilemma is reflected in the state's capital budget, which has seen a decrease of nearly \$2 billion over the last two years. He stated his belief that increasing the motor fuel tax would both help to supplement the capital budget and to fund the projects necessary to ensure Alaska's transportation infrastructure would be able to meet the demands of the state and ensure safe travel between cities, towns, and villages. Mr. Imus stated that although he supports HB 60, he is concerned that the current proposal would allow the department to syphon funds from generated motor fuel tax revenue for use toward general operating costs. He added that his concern is that the department may opt to use motor fuel tax revenue to fund administrative costs rather than applying it directly toward snow removal and road construction projects, where it is greatly needed. He expressed his encouragement for the committee to amend HB 60 to address the aforementioned concern by ensuring the funds are legislatively directed toward capital projects and maintenance.

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SHELLY ERICKSON, Owner, HomeRun Oil Co., Inc., said that the weight of collections on the taxes and in paying the taxes on cash flow and credit card fees falls on her. She opined that motor fuel taxes should be collected at the refinery or the barge point of sale. She explained that would be the simplest tax point of collection and would take the pressure off the end seller. She noted that current marine fuel has an extra deduction, which means marine fuel users are paying less. She added that if the same taxes were left in place, then adjustments could easily be made. Ms. Erickson shared that her solution to simplify Alaska's motor fuel tax structure would be to tax everyone at the starting point for the same amount and not at the end. She shared her belief that if the motor fuel tax increase was the only type of tax increase, then the cents per gallon could be tolerated. She shared that she anticipates

other forms of taxation will arise and therefore opines that the aggressive amount per gallon should be lowered by half the proposed increase. She exclaimed that she rejects HB 60. She revealed that she is watching more and more people struggle to get gasoline just to be able to get to their job. She noted that just in the last year she has noticed an increase in the use of local nonprofits for fuel assistance. Ms. Erickson surmised that adding a motor fuel tax is a fair way to tax everyone, but to add this tax in addition to other forms of taxation would result in negative financial situations for many more people.

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ANDREW BREWER opined that rather than Alaska needing a fuel tax increase, what is needed is a fuel tax reduction. He noted that with the tough times Alaskan's are facing, especially with the reduction of the permanent fund dividend (PFD), legislators need to send the message that they understand their constituents. He suggested that instead of increasing taxes, legislators should take an opportunity to lower taxes and provide economic relief to both individuals and a state economy in recession. He added that not only would Alaskans appreciate a fuel tax reduction, legislators would garnish support from a reduction as well.

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GRETA SCHUERCH, External and Government Affairs Liaison, NANA Regional Corporation ("NANA"), stated that the primary mission of the corporation is to improve the quality of life for its over 14,000 shareholders. She added that NANA also works to maximize economic growth, protect and enhance land, and promote healthy communities. She said that NANA monitors policy matters that would impact its business, communities, and shareholders. She explained that HB 60 is of concern to NANA because it poses significant risk to NANA shareholders and other Northwest Alaskan residents.

MS. SCHUERCH declared that residents in the Northwest region are already challenged with the highest cost of living anywhere in the state. She added that Kotzebue residents pay 61 percent more for cost of living expenses than Anchorage residents do. She noted that the cost of living increases even more in more remote villages, such as her hometown of Kiana, and even more so in places like Ambler and Buckland where the price of fuel for homes and for transportation is close to \$10 per gallon.

MS. SCHUERCH stated that in Northwest Alaska many businesses, local governments, families, and elders struggle to make ends meet with outrageous cost of living in an already cash strapped economy. She opined that an increase to motor fuel costs would impact the cost of transportation for residents who rely primarily on snow mobiles and boats for hunting and gathering practices. She pointed out that NANA is working with other regional entities to address the high cost of energy and is not solely reliant on the state to solve the problem. She listed some of the projects to include: the installation of wind turbines; local gas exploration; gathering wind and stream flow data to identify other sources of alternative energy; and pursuing United States Department of Energy and United States Department of Agriculture grants to deploy solar energy and storage batteries for two of NANA's communities. She affirmed that NANA and other entities are working hard to take steps to resolve the challenges that hamper economic development in the region. She said that while NANA supports the implementation of a long-term fiscal plan, it does not support a motor fuel tax increase, as it would present further financial burdens on the Northwest Alaska region.

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MIKE MILLIGAN stated that he has always supported an increase in motor fuel taxes. He opined that the increases proposed in HB 60 are too low and an embarrassment. He mentioned that the state of Florida, which he pointed out does not even have to pay for snow removal, has a 13 cent per gallon fuel tax. He shared that he first testified in favor of motor fuel tax increases when Andrew Halcro was in the legislature and introduced a bill to increase fuel taxes. To further iterate the need for an increase in motor fuel taxes, Mr. Milligan pointed out that the last time fuel taxes were increased Elvis was still alive. He alluded that Alaska is primarily able to build and fix roads in the state because of federal funding. He added that the federal funding is only there because of fuel taxes. He noted that even as the deficit continues to climb, road and highway construction and maintenance continue because of the aforementioned revenue source.

MIKE MILLIGAN offered his understand that HB 60 would not dedicate funds. He indicated that he interprets the Constitution [of the State of Alaska] as not allowing funds to be pre-dedicated. Notwithstanding that, Mr. Milligan encouraged legislators to "always dedicate highway fuel taxes to highways." He said that although there are some differences in the levy

amounts in the proposed bill, he trusts that the bill crafters knew what they were doing. He reiterated the need for Alaska to increase motor fuel taxes. Mr. Milligan acknowledged the problems fuel tax increases would cause, especially in some of the Western areas of the state. He opined that that area already enjoys many benefits through airports and road maintenance. He assessed that Alaska cannot continue to be completely dependent on federal dollars. He exemplified Alaska's dependence on federal funding by noting that the last road he worked on was 96 percent federally funded.

[2:04:36 PM](#)

KAREN PERRY urged the committee to vote no on HB 60. She opined that a fuel tax increase would make the lives of Alaskans more difficult, and she reminded the committee that making their constituent's lives more difficult is not why voters elected them to serve in Juneau. She mentioned research done by Americans for Tax Reform (ATR) that showed middle class Alaskans would be hurt the most by an increase in motor fuel taxes. She added that a motor fuel tax increase would place the burden on hard working Alaskan individuals and businesses. She said that an increase in fuel tax would not only lessen the amount of money in Alaskan's pockets that is needed to feed, clothe, and keep their families warm; an increase would also take money needed to get to and from jobs, as well as decrease the amount of money being pumped into local economies. She asserted that Alaska is in a recession and a fuel tax increase is one of the worst things that could be done. She opined that Governor Walker seems determined to single handedly destroy Alaska's economy. She reminded the committee that it is the legislature's job to stop to governor. She reiterated her advice for the committee to do what is right for all Alaskans and vote no on HB 60.

[2:06:30 PM](#)

JAMES SQUYRES urged legislators to understand that there are two types of rural Alaska: the Native rural village Alaska and the rural Alaska where many individuals simply choose to live in remote areas of the state. He stated that the latter describes his home 40 miles from Delta Junction, deep in the unorganized borough. He added that he lives off the grid and down a state road that is not maintained. He explained that his road would always be too far from any potential service point to ever be maintained. He stressed that his testimony is not a complaint against a remote style of living but rather is an effort to

educate the committee about how he and other Alaskans choose to live out their version of the Alaskan lifestyle. He disclosed that his largest expenses every month are gasoline and diesel. He shared that he maintains two plow trucks in order to keep his access open. He noted that after plowing his own driveway he plows a mile of state-owned road which other Alaskans use for access to a stocked lake used for recreational winter ice fishing. He elaborated that it takes a lot of horsepower to plow the steep and hilly road and that it cost him at least one jerry can of gasoline every time he even fires up the truck. He explained that it is 80 miles roundtrip to town just to check the mail or refill his jerry can.

MR. SQUYRES to elaborate how dependent his remote lifestyle is on gasoline, said his family stays warm because they burn wood that is cut from their own land. The wood is hauled via snow mobile, cut by a chainsaw, and finally split by a 27-ton wood splitter - all of which use gasoline. He shared that in order to make the call to testify today he has to use a small efficient gasoline powered generator to charge a battery that provides light and electricity. He said that he has to pump his well out once a week. He noted that that operation, because of the depth of his well, requires a large 220-volt generator that runs on gasoline. Mr. Squyres noted the already high cost of fuel in Fairbanks, especially in comparison to Anchorage where not only gasoline is cheaper but most everything else is too. He reiterated the importance of gasoline, diesel, and propane in living a remote rural Alaskan lifestyle.

MR. SQUYRES pointed out that there will never be any infrastructure in the area where he lives other than what a self-reliant person can provide for him/herself. He indicated that he would like to see the size, scope, and footprint of government reduced much further before trying to increase revenue off of the private economy. He described that the people in his area have been penalized already from the governor's veto of half of the PFD. He elaborated that \$1000 is the cost of a Honda 2000 generator, an important piece of equipment for the remote rural Alaskan. He pointed out that with a population of roughly 5,000 people in his area, the PFD cap removed \$5 million from the local economy and at a critical time when final preparations were being made for winter. He added that with a 1.4 multiplier effect that would bring the impact to \$7 million. He said that he and many others have long been advocates of the "[Institute of Social and Economic Research] (ISER)/Goldsmith" budget target levels by the size of government and the use of the other half of the earnings of the

permanent fund without changing the calculations of the PFD. He opined that it would work if the other half of those earnings were used by government to be a revenue increase and give the needed diversification from gas revenue. He concluded that if the committee members woke up this morning and flushed a toilet and turned on lights connected to a power grid, then they need to think twice before continuing to take action that affects the very core of individuals living much closer to the basic Alaska [lifestyle], which is the backbone of the Last Frontier.

[2:09:56 PM](#)

AVES THOMPSON, Executive Director, Alaska Trucking Association (ATA), explained that the ATA is a statewide organization representing the interests of nearly 200-member companies from Barrow [aka Utqiagvik] to Ketchikan. He declared that freight movement is an essential part of Alaska's economy and impacts all Alaskans, each and every day. He pointed out that one of ATA's legislative priorities for 2017 is the development of a balanced durable long-term fiscal plan that utilizes cuts to state government, permanent fund earning usage, and taxes, if required. He noted that the fuel tax increase, as proposed in HB 60, is acceptable within the framework of a long-term fiscal plan. He stated that ATA maintains that action is critical this legislative session. He added that ATA has long supported a fuel tax increase, as long as the funds would be dedicated to transportation needs. Mr. Thompson shared that ATA realizes funds would not be specifically dedicated through HB 60 but feels strongly that it needs to help resolve the fiscal issues by doing its part. He stated that ATA is pleased to see that under HB 60, a transportation maintenance fund would be established for use by DOT&PF, for the following purposes, [as shown within Section *, Subsection (g), on page 4, lines 20-25, which read as follows]:

direct capital, operating, or maintenance costs of highways **and highway infrastructure**, construction of highway projects and ferries included in the program provided for in [AS 19.10.150](#), including approaches, appurtenances and related facilities and acquisition of rights-of-way, [or] easements, **or surveys** [AND OTHER HIGHWAY COSTS INCLUDING SURVEYS, ADMINISTRATION, AND RELATED MATTERS].

MR. THOMPSON mentioned a presentation, during which the commissioner of the Department of Revenue had stated that a transportation maintenance fund would create confidence that

revenues from motor fuel would be used to build and maintain transportation infrastructure. He recognized that despite being encouraged from the comments of the commissioner, ATA urges the legislature to write stronger intent language to clearly define that the special highway fuel tax account be used for roads and bridges. He indicated that the governor's fiscal year 2018 (FY 18) budget proposal has at least three requested appropriations. Mr. Thompson told the committee there was one appropriation to the Department of Public Safety for \$1.5 million and two to DOT&PF, one for \$1 million for mental health transportation and \$1 million for a public transit match. He noted that it seems the ink is not even dry and there is already a line up to tap into the aforementioned fund. He remarked that ATA would support a fuel tax increase as part of a larger package. He pointed out that the trucking industry pays about 40-45 percent of the state motor fuel tax.

MR. THOMPSON reviewed that under HB 60, there would be an eight-percent increase for motor fuel tax be in 2017 and another in 2019. He said there is an assumption that industry can immediately pass on any tax increases to customers. He explained that many of ATA's members use the fuel surcharge to minimize the impact of fuel price and tax increases. He noted that those same members generally use a regional index to determine the level of surcharge. He elaborated that the charges are generally negotiated between the motor carrier and their customers. He opined that an increase in motor fuel tax would not likely change the regional index. Mr. Thompson stated that for the aforementioned reasons ATA is asking for a two-step increase rather than an increase made in two consecutive years, as currently proposed in the bill. He explained that the delay in increase would allow for time to minimize the impact on both customers and industry. He reiterated that ATA supports a motor fuel tax increase as part of a balanced durable long-term fiscal plan that includes cuts to state government spending, permanent fund earnings, and implementation of taxes.

[2:13:49 PM](#)

REPRESENTATIVE CLAMAN pointed out that Section 8, on page 4 of HB 60, references depositing funds from the motor fuel tax into a special highway fuel tax account in the transportation maintenance fund. He said that it appears to indicate that those monies would be paid directly or used for federal matching money for direct capital operating and maintenance cost and highway infrastructure. He said that he just wanted to point that section out to Mr. Thompson. He added that he also wanted

to confirm that the wording of the proposed legislation satisfied ATA's interest in the funds being directed toward highway projects, including maintenance.

2:14:40 PM

MR. THOMPSON answered that he is familiar with that. He offered his belief that the match money may be appropriate. He offered his understanding that the match money would be for a public transit vehicle and that the other DOT&PF appropriation request is asking for \$1 million for "the mental health transportation of patients." He shared that he would like to be sure there would be reasonably good protection built around the transportation fuel tax fund to make sure that money wouldn't get syphoned off into other areas.

2:15:24 PM

REPRESENTATIVE CLAMAN said that he would take a look at that section to see how it addresses the concerns Mr. Thompson raised. He shared that he broadly agrees with Mr. Thompson that the legislature ought to make sure those funds would go into a designated general fund location.

2:15:55 PM

GEORGE PIERCE, to illustrate that the legislature is trying to tax Alaskans for revenue, said that fuel taxes would bring in a little over \$40 million the first year and \$90 million the second year. He pointed out that while there has been mention that Alaska has the lowest fuel tax rate in the nation, it has failed to be mentioned that Alaskans pay the highest prices for fuel. He opined that the state should stop funding the 6,000 nonprofits and the 6,000 limited liability companies (LLCs) and (indisc.) corporations and start making everyone step up and pay their fair share. He added that non-contributors are not paying their fair share. He declared that the state needs to stop the giveaways. He mentioned that the governor took Alaskans' PFDs and gave over \$660 million to the oil industry. He surmised that next year it would be over \$1 billion dollars. He urged the legislature to fix Senate Bill 21 [passed in the Twenty-Eighth Alaska State Legislature] and quit giving away the credits and incentives like it has. He restated that everyone has to pay, and the state needs to stop the giveaways. He advised that the legislature try representing Alaskans and not industry.

2:17:22 PM

PAMELA GOODE stated her opposition to HB 60 and asked that it not be reported out of committee. She opined that over the past 10 years both oil prices and government spending reached unprecedented levels. She remarked on the growth of government, and she opined that the government was spending on capital punishment, and "spending like it was going to go on indefinitely, all the while Alaskans were not celebrating." She stated that Alaskans were praying for the prices to go down because it was not uncommon to have prices of \$5 per gallon across the state. She elaborated that high gas prices effected everything remote rural residents in her area did, from trips to town, work, heating, electricity, food, farming, and all maritime travel to hunting and fishing locations. She opined that while the price of gas went up, the government was having a good time. She also noted that the tourism industry took a hard hit when gasoline prices were so high. She mentioned that she knew of private businesses that suffered greatly, with some never recovering and eventually folding.

MS. GOODE alluded that government has been putting billions into the Cook Inlet Recovery Act, in refundable oil and gas tax credits, to help bring the gas prices in the Anchorage area down. Ms. Goode indicated that was also when the power cost equalization program (PCEP) came into effect for the Native villages because the villages were probably seeing \$6-7 per gallon prices. She expressed that she felt like now that Alaskans are all breathing a little sigh of relief because prices are down, government wants more. She noted that even though Alaska has the lowest motor fuel tax rate it still has the highest gas prices in the country. She restated her opposition to HB 60 and explained that the bill would work against the people and the overall economy in Alaska. She shared her wish to see a roll call vote taken on HB 60 that results in the proposed legislation failing to move from committee.

2:19:42 PM

SHANNON CONNELLY recollected about when gas prices were extremely high. She noted that her husband commutes and the gas price spike really impacted her family. She added that during that time her family didn't do anything extra. She said there were times when they had to cancel doctor appointments because they didn't have enough money to drive into Anchorage. She acknowledged that there are a lot of supporters of a motor fuel

tax increase, but she opined that the supporters have not thought through the overall impact of what an increase would do to Alaska's economy. She surmised that businesses would not be able to absorb the added cost and the transportation fee increase would be passed down to the users. She stressed that Alaskans would not only be paying more for gasoline but more for goods and services too. She shared she would like to see HB 60 die in committee.

[2:21:04 PM](#)

KELLY JOHNSON recommended that Alaska needs to have a more diversified source of funds. He mentioned one caveat: If oil prices go up, then so too should state revenue, but if oil prices go down, then state revenue should go down. He proposed that the state should not tax its citizens when the price of oil is high and, thus, revenue is not needed, but should increase taxes when the price of oil goes decreases because the state would need the help then. He said what that would do is make the prices at the pump the same all the time. He noted that the price certainty would allow for people to plan their budgets without having to worry about the price fluctuating up or down. He offered his belief that the legislature can't take an increase at the pump and a tax on top of that at the same time. He opined that the legislature needs to look at motor fuel tax as a variable tax, that way everyone would be able to live with it. He stressed that a motor fuel tax increase might be easier to swallow if the state would agree to give Alaskans a little break when oil prices are high.

[2:23:12 PM](#)

CHRYSTAL SCHOENROCK offered her understanding that DOT&PF, both the airline and the trucking industries, and the airports support a motor fuel tax increase, but they don't absorb the cost, Alaskans do. She elaborated that Alaskans end up paying for the increases through added costs and fees on their bills. She stated that she is a small business owner. She said that her business is down 25-30 percent and that it is a direct result of the lay-offs on the Slope. She added that she is seeing people deal with cuts to wages and some people are not working at all. She stated that people are having a hard time trying to make ends meet this winter. She shared her conviction that a fuel tax increase would be ridiculous. She opined that there are other ways to cut the budget. She shared her belief that the state has multitaskers that could do the work of two or

three people and would take a cut in wages just like everyone else. She urged the committee to work a little harder on HB 60.

[2:24:44 PM](#)

FRED STURMAN shared a story of a business in Kenai that has been in operation for over 30 years. He said that to avoid letting one employee go, all of the employees decided to each take a 20 percent cut by taking an extra day off a week. He surmised that the government claims that everyone needs to have skin in the game, but he has yet to see a government employee this year who had his/her skin in the game. He noted that government employees still all got raises, step increases, medical care, and still have retirement. He shared that he has a list of nearly 800 employees that currently make more than the governor. He opined that it is ridiculous Alaska is paying employees more than its governor. He said that he knows some relatives who lost 30-40 percent of their income from the oil industry. He shared that he also knows of several people who had contracts with the oil companies that have since been discontinued, and those contracts brought 100 percent of their income. He opined that the legislature needs to spend more time trying to figure out how to reduce government spending and the number of state employees before it starts adding more taxes. He pointed out that some legislators in Juneau have spent upwards of \$100,000 on travel and he declared that is too expensive. He urged that the legislature reduce the state budget before it starts asking for Alaskan's money.

[2:27:14 PM](#)

STEPHEN NUSS, President, Alaska Section, American Society of Civil Engineers (ASCE), shared that globally the American Society of Civil Engineers (ASCE) supports user fees, such as a motor fuel tax. He offered ASCE's belief that adequate funding to operate, maintain, and improve transportation infrastructure through sustainable dedicated funds is needed. He stated that ASCE supports a motor fuel tax. He explained that ASCE opines that revenues should be used for mode-neutral funding. He noted that Alaska is a large state that relies on aviation, highways, and the Alaska Marine Highway System (AMHS) to commute, get around, and do business. He offered ASCE's belief that any revenues generated should be mode-neutral to be able to support all of Alaska's transportation infrastructure systems. He added that the funds should have budgetary firewalls to eliminate the diversion of transportation revenues to non-transportation purposes.

MR. NUSS pointed out that some of the comments heard previously were supportive of the aforementioned key protection feature. He said that personally he understands what HB 60 would do. He stated that currently he uses about 16 gallons of gas a week, or roughly 800-900 gallons annually. He said that at 8 cents a gallon that equates to roughly \$66 a year in motor fuel taxes. He noted that under HB 60 that amount would raise to roughly \$200 a year. Mr. Nuss shared an example of where a motor fuel tax can be useful. He said that last year he hit a pothole, on C Street in Anchorage, which dented the rim and blew out the tire. He explained that on all-wheel drive vehicles the treads on all four tires have to match, so a driver cannot just replace one tire, he/she would have to replace all four tires, which would cost roughly \$800. He stated that he personally saw benefit from paying roughly \$200 versus \$800 a year. He shared that it is the belief of ASCE, both nationally as well as with the over 800 civil engineers in the state of Alaska that are represented by ASCE, that a motor fuel tax is an important thing to sustain Alaska's infrastructure, maintain it, improve it, and keep Alaska running.

[2:29:50 PM](#)

REPRESENTATIVE CLAMAN asked Mr. Nuss where he commutes every day.

MR. NUSS answered from Eagle River to midtown Anchorage. He added that he puts about 40 miles a day on his vehicle.

[2:30:11 PM](#)

CO-CHAIR WOOL asked Mr. Nuss to clarify whether he said that he didn't want the funds delineated between the different modes of transportation, for example motor fuel to roads and marine fuel to ports.

MR. NUSS responded that in looking at the investment in Alaska's infrastructure systems, it is apparent that highways take up a good chunk of it, but Alaska also has a significant amount of aviation resources and a large marine highway system. He explained that a mode-neutral [fund] would allow the greatest flexibility in order to be able to maintain the interconnected transportation system in Alaska. He informed the committee that although there are individuals living off the grid that primarily just use the airports, when they fly into Anchorage, Fairbanks, or Juneau they end up traveling along the road

system. He reiterated that globally a mode-neutral fund is warranted.

[2:31:24 PM](#)

CO-CHAIR WOOL, after ascertaining no one further wished to testify, closed public testimony on HB 60. Industry testimony would be heard next Thursday, he said.

[HB 60 was held over.]

**PRESENTATION: PROPOSED COMMITTEE BILL -
EXEMPTION TO THE 1% ART REQUIREMENT FOR TWO NEW AK CLASS FERRY
VESSELS & THE MOTOR VESSEL TUSTUMENA REPLACEMENT**

[2:31:38 PM](#)

CO-CHAIR WOOL announced that the committee would return to the previous presentation regarding the proposed committee bill that would allow for the exemption to the one percent art requirement for two new Alaska Class Ferry vessels and the M/V Tustumena.

[2:31:47 PM](#)

MR. GRUENING, in regard to Representative Sullivan-Leonard's previous question about which of the Senate committees sponsored the companion bill, clarified that he had misspoke previously when he stated it was the Senate Transportation Standing Committee; the sponsorship actually rests with Senator Stedman, who is the chair of the Senate Transportation Standing Committee.

[2:32:33 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD asked for clarification as to the number of the bill.

MR. GRUENING apologized and said he could not recall the bill number, but two bills were rolled into one bill regarding the waste water cruise ship bill and the "1 percent for art" for ferries bill.

ORGANIZATIONAL DISCUSSION

[2:32:56 PM](#)

CO-CHAIR WOOL announced that the final order of business would be an organizational discussion.

[2:32:56 PM](#)

REPRESENTATIVE CLAMAN moved that Representatives Wool and Stutes, co-chairs of the House Transportation Standing Committee, be delegated the duties and responsibilities in AS 24.08.060(a) during regular and special sessions of the Thirtieth Alaska State Legislature; this delegation remains in effect until withdrawn by the committee.

REPRESENTATIVE SULLIVAN-LEONARD objected.

[2:33:35 PM](#)

REPRESENTATIVE CLAMAN explained that the motion basically gives the co-chairs the authority to introduce committee bills without taking a vote of the committee, which currently has been done in several other committees and also in previous legislatures.

REPRESENTATIVE SULLIVAN-LEONARD opined that she is at a disadvantage because she is not familiar with this particular statute. She shared that she would like a legal opinion on the matter and was not comfortable just taking the word of another committee member. She surmised that the aforementioned process would remove a sense of transparency in the committee process, which is both valuable and needed.

[2:34:38 PM](#)

REPRESENTATIVE KOPP provided awareness that this same motion has been passed in other committees. He shared that he agreed with Representative Sullivan-Leonard about wanting to be able to review the statute and better understand how it would work. He said that he wanted to know how it would play out to have a committee bill brought in and if it would take away anything from individual legislator's authority to comment or vote. He requested that the committee wait until next week, so all members would have time to review all implications of the motion.

[2:35:21 PM](#)

REPRESENTATIVE CLAMAN pointed out that he has a memorandum from Representative LeDoux, the chair of the House Rules Standing

Committee which he is happy to share with Representative Sullivan-Leonard.

[2:35:44 PM](#)

The committee took an at-ease from 2:35 p.m. to 2:37 p.m.

[2:37:38 PM](#)

CO-CHAIR WOOL announced that the motion would be tabled until next week.

[2:37:58 PM](#)

REPRESENTATIVE EASTMAN inquired about his position as an alternate acting on behalf of an excused member. He asked whether his name would be included, as an alternate, "on that committee referral if we were to take this action."

[2:38:16 PM](#)

CO-CHAIR WOOL expressed uncertainty. He said tabling the motion until next week would allow time to answer any questions.

[2:38:29 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:39 p.m.