

ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE

February 21, 2017

1:33 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Gabrielle LeDoux (alternate)

COMMITTEE CALENDAR

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

HOUSE BILL NO. 131

"An Act relating to relocation assistance for federally assisted public construction and improvement projects and programs; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 117

"An Act relating to the art requirements for certain state ferries; and providing for an effective date."

- HEARD & HELD

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
02/07/17	(H)	Heard & Held
02/07/17	(H)	MINUTE(TRA)
02/09/17	(H)	TRA AT 1:30 PM BARNES 124
02/09/17	(H)	Heard & Held
02/09/17	(H)	MINUTE(TRA)
02/14/17	(H)	TRA AT 1:30 PM BARNES 124
02/14/17	(H)	Heard & Held
02/14/17	(H)	MINUTE(TRA)
02/16/17	(H)	TRA AT 1:30 PM BARNES 124
02/16/17	(H)	-- MEETING CANCELED --
02/21/17	(H)	TRA AT 1:30 PM BARNES 124

BILL: HB 131

SHORT TITLE: RELOCATION ASSISTANCE FOR FED. PROJ/PROG
SPONSOR(s): TRANSPORTATION

02/15/17	(H)	READ THE FIRST TIME - REFERRALS
02/15/17	(H)	TRA, FIN
02/21/17	(H)	TRA AT 1:30 PM BARNES 124

BILL: HB 117

SHORT TITLE: ART PUBLIC FACILITIES: EXEMPT ST. FERRIES
SPONSOR(s): TRANSPORTATION

02/13/17	(H)	READ THE FIRST TIME - REFERRALS
02/13/17	(H)	TRA, FIN
02/21/17	(H)	TRA AT 1:30 PM BARNES 124

WITNESS REGISTER

LAURA STIDOLPH, Staff
Representative Adam Wool
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Discussed a proposed committee substitute during the hearing on HB 60.

MATT GRUENING, Staff

Representative Louise Stutes
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Outlined a proposed committee substitute on HB 60.

LAURA STIDOLPH, Staff
Representative Adam Wool
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 131 on behalf of the House Transportation Standing Committee, sponsor, on which Representative Wool is a member.

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

POSITION STATEMENT: Presented HB 117 on behalf the House Transportation Standing Committee sponsor, by request of the governor, of which Representative Stutes is a member.

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

POSITION STATEMENT: Answered questions during the hearing on HB 117.

ACTION NARRATIVE

[1:33:30 PM](#)

CO-CHAIR ADAM WOOL called the House Transportation Standing Committee meeting to order at 1:33 p.m. Representatives Kopp, Sullivan-Leonard, Drummond, Wool, Stutes, Neuman, Eastman (alternate), and Claman were present at the call to order.

HB 60-MOTOR FUEL TAX;TRANSPORTATION MAINT. FUND

[1:34:05 PM](#)

CO-CHAIR WOOL announced that the first 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."

[1:34:30 PM](#)

CO-CHAIR STUTES moved to adopt the proposed committee substitute (CS) for HB 60, Version 30-GH1794\D, Nauman, 2/20/17, as a working document. There being no objection, Version D was before the committee.

[1:35:07 PM](#)

LAURA STIDOLPH, Staff to Representative Adam Wool, Alaska State Legislature, discussed changes to HB 60 proposed under Version D. She said that the first change is in the title on page 1, line 2, and it inserts "establishing" after "fuel tax". She explained that the change in the title makes it clear that the Transportation Maintenance Fund ("the fund") is being established under HB 60. Ms. Stidolph continued that Section 1 is new and it is legislative intent language that clarifies that each subaccount of the fund (motor fuel, aviation/jet fuel, and marine fuel) be used specifically for infrastructure and expenses related to each user group. She explained that Co-Chairs Wool and Stutes wanted the intent of this bill to be clear to ensure that all revenue generated would be used to improve roads, highways, harbors, ports, airports, and ferries.

MS. STIDOLPH explained that the next five changes were made to Sections 7, 8, 9, 10, and 11 to ensure funds cannot be used for anything other than that which they are specified. She declared that funds do not lapse and remain available for the next fiscal year. She explained the intent for this was so the Department of Transportation & Public Facilities (DOT&PF) would have to build and maintain infrastructure for each user group being taxed.

[1:37:09 PM](#)

MATT GRUENING, Staff, Representative Louise Stutes, Alaska State Legislature, stated that the language in Section 12, page 6, lines 26-27, of Version D was added to allow an exemption for commercial fishing watercraft. He noted that a mistake in drafting Version D resulted in the use of the term "commercial watercraft"; the correct term should be ["watercraft engaged in commercial fishing"]. He explained the reason for the exemption was because a fisheries tax would be forthcoming next year, and commercial fishermen are a user group that would be double hit by both the fuel tax increase and the upcoming fisheries tax. Mr. Gruening explained the reason for specifying that the watercraft are engaged in commercial fishing is so that barges

and cruise ships would not be included in the exemption. He said that although commercial fisherman would be eligible for a three-cent rebate, they would still have an overall increase. He clarified that the user group currently pays five cents per gallon, under the proposed legislation that amount would be doubled to [10 cents], and then with the rebate commercial fisherman would be paying seven cents per gallon in fuel tax.

[1:38:30 PM](#)

REPRESENTATIVE NEUMAN offered his understanding that it is the intent to carve out a special reduction for commercial fishing watercraft.

MR. GRUENING answered that is correct.

REPRESENTATIVE NEUMAN inquired whether a licensed and registered sport guide who used their boat professionally would qualify for the exemption.

MR. GRUENING explained that currently the term "commercial watercraft" or "commercial fishing watercraft" are not defined in HB 60 or in statute. He indicated that a forthcoming amendment to Version D would clarify the terminology.

[1:39:46 PM](#)

MR. GRUENING continued with the sectional analysis. He said that Section 13, page 7, lines 6-8 is another reference to the three-cent rebate for what is supposed to be commercial fishing marine fuel. Mr. Gruening pointed out that the most substantive change is in Section 19, on page 8, line 16, of Version D, which would change the effective date from 2018 to 2019. He noted that Co-Chairs Wool and Stutes feel that a year break in administering the tax increase is necessary to provide a little relief to allow industry time to adapt.

REPRESENTATIVE NEUMAN mentioned that the committee had heard from the department about motor fuel tax revenue going back to different user groups. He inquired how the state would keep track of the taxes generated by each user group. He also wanted to know how the state would ensure revenues are equitably allocated to maintain infrastructure for the proper user group. Representative Neuman asked specifically about "snow machine" operators in the Matanuska-Susitna (Mat-Su) Borough and how the state would ensure the revenue generated from off-road fuel purchases would be used on trail maintenance.

MR. GRUENING shared that under Alaska State Constitution, funds cannot really be dedicated. He clarified that there is no real mechanism to ensure funds are allocated for use on infrastructure for the proper user group. He noted that one of the reasons for the inclusion of the intent language in Version D is to show the sponsor's attempt to do the most possible to suggest that funds be used for their intended purposes. Mr. Gruening added that the bill sponsors did not specifically address the off-road [vehicle] use in the tightening of the sections in Version D.

REPRESENTATIVE NEUMAN offered his understanding that there is already language in statute suggesting that the money go back to where it is collected. He asked whether there is currently any money that goes back into trails from what is collected from all of the people that buy fuel for all-terrain vehicles (ATVs).

CO-CHAIR WOOL stated that right now off-road vehicles are eligible for a rebate. He explained that currently users purchasing fuel for heavy equipment, four wheelers, or snow machines have to fill out the paperwork and turn it into the state. Co-Chair Wool noted that under the current fuel tax structure, as well as the proposed legislation, there are no funds allocated for trails. He offered his understanding that there is a current suggested designation for licensing fees from snow machines to go back into trails. He added that there is a rumor the funds were not used for trails.

REPRESENTATIVE NEUMAN suggested that the committee could work on something to help designate funds from off-road vehicle fuel purchases to go toward maintenance. He shared his belief that Governor Walker vetoed \$250 thousand from the Snowmobile Trails Advisory Council (SnowTRAC) fund in 2016. Representative Neuman shared that he would like the bill to ensure the various user groups feel comfortable knowing the taxes paid go back to the reason why the taxes were propagated in the first place. He provided his recollection that the federal government gives the state money back from federal gasoline taxes collected. Representative Neuman questioned whether any of that money went back toward trails.

[1:44:52 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD stated that she had Legislative Legal Services draft an opinion in regard to designated funds. She shared her opinion that as much as Version D looks to

tighten the allocation of funds, "the true nature of designated funds still are not truly designated for any particular purpose." She asked how it could be ensured that, for example, the Alaska Marine Highway System (AMHS) wouldn't be allowed to pull funds over from motor fuel. Representative Sullivan-Leonard offered that she still had concerns because there is no true mechanism to allow funds to stay in one particular area.

MR. GRUENING described that there are dedicated funds and designated funds. He noted that there is no way to dedicate funds for a specific purpose, but future legislators do look at legislative intent as a guide to follow. Mr. Gruening added that commitments from the department and the administration can be secured to help bolster intent language. He said that the more intent that can be put into legislation the easier it is for future committees to look at and see what the committee was thinking.

CO-CHAIR WOOL stated that amendments to Version D would be accepted [until] tomorrow at 3 p.m.

[HB 60 was held over.]

HB 131-RELOCATION ASSISTANCE FOR FED. PROJ/PROG

[1:46:54 PM](#)

CO-CHAIR WOOL announced that the next order of business would be HOUSE BILL NO. 131, "An Act relating to relocation assistance for federally assisted public construction and improvement projects and programs; and providing for an effective date."

[1:47:17 PM](#)

LAURA STIDOLPH, Staff, Representative Adam Wool, Alaska State Legislature, presented HB 131, on behalf of the House Transportation Standing Committee, on which Representative Wool serves as co-chair. She stated that HB 131 would bring Alaska into compliance with federal law concerning reimbursement for relocation expenses incurred by individuals or businesses that were displaced due to federally funded highways, bridges, or facilities projects. She said that Alaskans deserve to be fairly compensated in the aforementioned circumstances. Ms. Stidolph explained that HB 131 would also protect Alaska's more than \$500 million annual allocation of federal highway administration funding, by bringing the state into compliance.

MS. STIDOLPH said that in 2012 Congress relaxed the eligibility criteria and increased the maximum reimbursement limits, for the state's relocation assistance payment programs when it passed the transportation authorization and funding bill that is more commonly referred to as the Moving Ahead for Progress in the 21st century Project Act (MAP-21). Ms. Stidolph noted that prior to MAP-21 the payment rates had not changed in over 30 years. She said that although the changes went into effect October 1, 2014, unfortunately Alaska Statute continues to reflect the more stringent eligibility requirements and the smaller maximum reimbursement limits.

MS. STIDOLPH shared that during the second half of the Twenty-Ninth Alaska State Legislature, the inconsistency between state and federal law was almost fixed. She explained that language similar to HB 131 was proposed and passed unanimously through the House, but after being passed through Senate State Affairs Standing Committee and Senate Finance Committee was never calendared for a Senate floor vote. Ms. Stidolph concluded that HB 131 would assure Alaskans that their legislature wants them to be compensated the same as residents of other states.

REPRESENTATIVE NEUMAN asked what the number of the bill was that stalled.

MS. STIDOLPH answered House Bill 252.

CO-CHAIR WOOL extended his perception that HB 131 is just for relocation funds and not for buying property.

MS. STIDOLPH confirmed that is correct.

[1:49:50 PM](#)

REPRESENTATIVE KOPP offered his understanding that HB 131 would raise Alaska's statutory authority to reimburse displaced Alaskans at the same rate they would be in other states.

MS. STIDOLPH affirmed that to be correct. She added that the funding is comprised of 91 percent federal funding and 9 percent funding from the state.

[HB 131 was held over.]

[1:50:40 PM](#)

HB 117-ART PUBLIC FACILITIES: EXEMPT ST. FERRIES

[1:50:44 PM](#)

CO-CHAIR WOOL announced that the final order of business would be HOUSE BILL NO. 117, "An Act relating to the art requirements for certain state ferries; and providing for an effective date."

[1:51:08 PM](#)

MATT GRUENING, Staff, Representative Louise Stutes, Alaska State Legislature, presented HB 117 on behalf of the House Transportation Standing Committee, on which Representative Stutes is co-chair. He stated that the intention of HB 117 is to create a specific exemption for the two new Alaska Class Ferries (ACFs) and the replacement vessel, Motor Vessel (M/V) Tustumena. He explained that there is a requirement in statute that 1 percent of the construction cost of public facilities be used for the purchasing, administration, and hanging of art. Mr. Gruening noted that currently the state has the M/V Taku - which is in unmanned layup status because the state is trying to sell it - and all the art has been removed and placed in a climate-controlled facility in Ketchikan. He explained that the aforementioned art is available for reuse and refurbishment on the two new ACFs. He added that the two new ACFs are scheduled to be delivered for upper Lynn Cannel operation in 2018. Mr. Gruening mentioned that there is art on the old M/V Tustumena that is going to be removed then put on the new replacement vessel. He stated that there is a zero fiscal note accompanying HB 117.

MR. GRUENING noted that the analysis section on the second page discusses the savings to the state by seeking a one-time exemption for the reuse of art. He pointed out that the bill is not opposed by the Alaska State Council on the Arts. He added that HB 117 is not an attack on the program but is a one-time exemption in recognition of the state's current fiscal challenges. Mr. Gruening reiterated the idea to use existing art for refurbishment instead of purchasing new art.

[1:53:04 PM](#)

REPRESENTATIVE NEUMAN offered his understanding that HB 117 only exempts the two new AMHS vessels.

MR. GRUENING answered that HB 117 would exempt the two new ACFs currently being constructed and the replacement Tustumena, which is funded in "this year's budget."

REPRESENTATIVE NEUMAN offered that since sometime in the foreseeable future AMHS would need new vessels, the state should consider doing away with the "one percent for art" on the ferries, which he added would eliminate the need to come back to the legislature for another exemption.

CO-CHAIR WOOL explained that one of the reasons the Alaska State Council of the Arts is not opposed to HB 117 is because the proposed legislation is not an open-ended exemption. He expressed uncertainty in knowing when the next vessels would need to be replaced in AMHS's fleet, but said he hoped it would not be any time soon. Co-Chair Wool asked for clarification that the exemption in the proposed legislation is for the two new vessels currently under construction and the replacement vessel for the M/V Tustumena.

MR. GRUENING responded that is correct. He said that the exemption for the three aforementioned vessels would save the state over \$5 million in construction cost.

CO-CHAIR WOOL asked the Department of Transportation & Public Facilities (DOT&PF) to address the question of when, if at all, the next round of vessel replacements would take place.

[1:55:03 PM](#)

MICHAEL NEUSSL, Deputy Commissioner, Department of Transportation & Public Facilities (DOT&PF), stated that the department does not have an exact timeline for further vessel replacement, beyond the M/V Tustumena. He added that the Tustumena replacement vessel has already been designed and, as Mr. Gruening previously mentioned, its construction funding is requested in the 2017 budget. Mr. Neussl noted that the department's vessel replacement plan is very fluid.

[1:55:30 PM](#)

CO-CHAIR STUTES asked how much the state would save if the proposed legislation passes. She rephrased her question by asking whether the one percent for art is reflective of the total construction cost or if it is based solely on the state's portion of the cost.

[1:56:05 PM](#)

MR. NEUSSL stated that the "one percent for art" is based on the construction cost of the facility. He noted that AMHS vessels are specifically listed in the statute regarding 1 percent of vessel construction cost be set aside for the purchase of art. Mr. Neussl stated that the two new ACFs are under a \$101 million construction contract and 1 percent would have to be set aside for art. He added that the replacement cost for the M/V Tustumena is \$237 million, which would mean \$2.37 million would need to be set aside for art. He noted that the M/V Tustumena replacement vessel is a federally funded project that would allow the \$2.37 million to be a 90:10 split.

CO-CHAIR STUTES asked Mr. Neussl to clarify the M/V Tustumena federal/state split.

MR. NEUSSL explained that typically federal aid projects are 90 percent federally funded and 10 percent state funded. He noted that the amount varies between projects.

CO-CHAIR STUTES offered her understanding that specifically for the M/V Tustumena replacement project, the state would be saving 1 percent of the 10 percent.

MR. NEUSSL stated that specifically regarding state funds, Co-Chair Stutes is correct.

CO-CHAIR WOOL inquired whether the federal funds could be used for the "one percent for art." He also asked whether that would mean the federal funds would cover 90 percent of the 1 percent.

MR. NEUSSL answered that the "one percent for art" set aside would be the same 90:10 split as the total construction cost.

[1:58:20 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD mentioned that the question and answer handout, included in the committee packet, details state savings. She said that the handout notes a savings of \$3.5 million to the state from the construction budget on that particular art.

CO-CHAIR WOOL said that the \$2.37 million from the M/V Tustumena would be 90 percent paid by the federal match, so the state obligation would be one-tenth of that amount.

[1:59:05 PM](#)

REPRESENTATIVE CLAMAN asked whether there is a companion federal "one percent for art" match that is required.

MR. NEUSSL answered no, not to his knowledge.

REPRESENTATIVE NEUMAN offered clarification that the sponsor statement said the two ACFs are 100 percent state funded and the M/V Tustumena is only 90 percent [federally] funded.

MR. NEUSSL answered that is correct. He added that the "one percent for art" set aside is not a cost savings and the department does not pocket the saved funds back into the general fund (GF). Mr. Neussl explained that in order to stay within the funding available to award the contract for the two new ACFs, a lot of the critical equipment on board had to be listed as state furnished equipment. He noted that the state would have to come up with the aforementioned equipment, either by other funding sources or by salvaging it from a vessel that is leaving service, in order to fully outfit the two new ACFs. Mr. Neussl stated that instead of 1 percent being applied to art, the money would go for things such as radars and ridged hull inflatable boats, which are outfitting requirements for the vessels.

CO-CHAIR WOOL offered his understanding that some of those things are not included in the price when listed and are essentially add-ons.

MR. NEUSSL answered that is correct. He added that when the construction contract was negotiated and awarded for \$101 million dollars, there were many items listed that would be state furnished equipment. He said that the state-furnished equipment would need to be provided outside of the contract. Mr. Neussl offered to provide the committee with the list of state funded equipment.

CO-CHAIR WOOL offered his understanding that the \$101 million is the 1 percent state obligation and "the other items are ... extras ..."

MR. NEUSSL explained that Alaska Statue requires 1 percent on top of the \$101 million awarded for the vessel construction cost. He added that the contract was awarded to Vigor Industrial LLC. at the shipyard in Ketchikan. He said that some of the equipment he mentioned earlier, such as the boats, the radars, and some of the heating, ventilation, and air conditioning (HVAC) equipment, is not funded in the construction

contract. He noted that technically the aforementioned equipment is not under the "one percent for art" requirement.

[2:01:58 PM](#)

REPRESENTATIVE DRUMMOND shared her understanding that the items in discussion are mostly movable items, like furniture, that would not normally be included in construction cost. She inquired why the ACFs are totally state funded and why the state did not ask for the federal share.

MR. NEUSSL replied that there is a long history behind that reasoning. He explained that there was a desire to direct the project to Ketchikan, and with a federally aided project, the department would have no discretion of where the ACF project would be steered. Mr. Neussl noted that the department did an innovative procurement for the ACFs called a construction manager/general contractor (CM/GC) process where the state competed for a shipyard to be that CM/GC, then negotiated a best price with that firm directly, instead of bidding it out like on normal projects.

[2:03:19 PM](#)

CO-CHAIR WOOL announced that HB 117 was held over.

[2:03:29 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:03 p.m.