

HOUSE FINANCE COMMITTEE

May 11, 2021

9:02 a.m.

9:02:33 AM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

PRESENT VIA TELECONFERENCE

Erica Jensen, American Council of Engineering Companies, Anchorage; Donna Schantz, Prince Williams Sound Regional Citizens Advisory Council, Valdez; Will Webb, Alaska Professional Design Council, Anchorage; Marc Luiken, Self, Anchorage; David Gamez, American Society of Civil Engineers, Anchorage; Marka Brooks, Self, Anchorage; Nils Andreassen, Executive Director, Alaska Municipal League, Juneau; Sarah Lefebvre, Self, Fairbanks; Alicia Siira, Executive Director, Associated General Contractors of Alaska, Anchorage; Joe Michel, Alaska Trucking Association, Anchorage.

SUMMARY

HB 104 MOTOR FUEL TAX; VEHICLE REG. FEE

HB 104 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the agenda for the morning meeting.

#hb104

HOUSE BILL NO. 104

"An Act relating to vehicle registration and registration fees; relating to the motor fuel tax; and providing for an effective date."

[9:03:14 AM](#)

Co-Chair Merrick indicated the committee previously heard the bill on May 7, 2021.

[9:03:27 AM](#)

Co-Chair Merrick OPENED public testimony.

ERICA JENSEN, AMERICAN COUNCIL OF ENGINEERING COMPANIES, ANCHORAGE (via teleconference), briefly spoke in support of HB 104 and noted another member of the council would testify in detail when called on.

[9:04:10 AM](#)

DONNA SCHANTZ, PRINCE WILLIAMS SOUND REGIONAL CITIZENS ADVISORY COUNCIL, VALDEZ (via teleconference), spoke in strong support of HB 104, particularly section 5 of the bill. She voiced that reduced revenue had resulted in chronic underfunding for the Oil and Hazardous Substance Prevention and Response Fund also called the 470 fund. The budget shortfall diminished the ability of the state to prevent or maintain an adequate readiness to rapidly respond to a spill. The bill provided for an increase on the refined fuel surcharge from under one cent to 1.5 cents. The revenue from the increase would be deposited into the prevention account within the 470 fund. She believed that the increase was necessary to close the revenue gap. She shared that the 470 fund was designed to be self-sustaining to ensure the Spill Prevention and Response Division (SPAR) of the Department of Environmental

Conservation (DEC) had adequate funds for an immediate response and maintain an effective prevention program without the need for supplemental General Funds (GF). She elaborated that the prevention account was one of two within the fund and provided most of the operational money for the SPAR division. The division had 17 positions eliminated since 2015 and the governor's proposed budget eliminated 5 more positions. The elimination of additional positions would add increased workload responsibilities for the remaining staff, including a caseload of over 2000 active contaminated sites. The division was currently not able to properly meet statutory requirements. The current situation was hindering the state's ability to find and retain qualified staff for SPAR. She believed prevention and a robust response to a spill was critical in protecting the environment, as well as the autonomy, health and safety, and welfare of Alaskans. She reiterated the strong support of the council for the bill.

[9:07:08 AM](#)

WILL WEBB, ALASKA PROFESSIONAL DESIGN COUNCIL, ANCHORAGE (via teleconference), spoke in support of HB 104 and believed it was an opportunity to fund the operation and maintenance of the state's transportation system.

[9:07:52 AM](#)

MARC LUIKEN, SELF, ANCHORAGE (via teleconference), spoke in support of HB 104. He believed that every Alaska was dependent on the highway system and the state's transportation was critical to its economic vitality. He listed the ways a highway system supported the public and economic activity in the state. The highway system was a vital link between the state's ports of entry and the North Slope oil fields that generated state revenue. He delineated that 90 percent of the funding for the highway system's capital improvements was obtained from the federal government. Every year over \$500 million was invested in highway projects through the National Highway Performance Program. However, the federal funds could not be used to operate and maintain the system. He stressed that effective road maintenance extended the life of the highway system and supported the capital investments, which kept costs down. Most other states supported highway operation and maintenance through user fees that included motor fuels taxes, road tolls, vehicle registration fees, etc. He

maintained that most Americans pay the fees because they knew it was a good investment for safety and maintenance. He indicated that the state's motor fuels tax was the lowest in the nation and was last raised in 1971 - 50 years ago. He posed the question of what other fees had remained the same over 50 years. He pointed out that the current tax revenues generated \$40 million per year and the remaining costs were supported via GF. He thought that the \$.08 fee was a modest increase and supported it. He shared that he was a fiscal conservative and understood the unpopular nature of the bill. In his experience at the Department of Transportation and Public Facilities (DOT) as a prior commissioner he understood the need to generate revenue from the users of the state's transportation system. The state had received some federal Covid-19 funding but once it was expended the state would revert to the same situation of inadequate transportation funding. He emphasized that the small increase would help to maintain critical infrastructure.

[9:12:50 AM](#)

Co-Chair Foster thanked the former commissioner for calling in. He asked Mr. Luiken to repeat statistics he had cited. Mr. Luiken replied that all the state's transportation related taxes combined amounted to roughly \$40 million per year.

[9:13:50 AM](#)

Co-Chair Merrick indicated representative Wool and Representative Johnson had joined the meeting.

[9:14:12 AM](#)

DAVID GAMEZ, AMERICAN SOCIETY OF CIVIL ENGINEERS, ANCHORAGE (via teleconference), spoke in support of HB 104. He noted that he was the past president of the American Society of Civil Engineers and also spoke on behalf of the American Council of Engineering, both were member organizations of the American Design Council representing 5000 professionals across Alaska. He believed that adequate funding for designing, operating, and maintaining transportation systems should be provided by a comprehensive program with sustainable revenue sources that included user fees via increased motor fuels taxes and vehicle registration fees. He noted a report that graded the state's transportation

system, which recommended additional funding was necessary to develop and maintain Alaska's transportation infrastructure. He reported that the states motor fuels tax was the lowest in the country. The increase in fuel efficiency over the last 50 years meant less revenue for transportation needs. He recommended a "firewall" around the revenue collected in transportation fees, so the funding was not diverted to other budget items.

[9:16:56 AM](#)

MARKA BROOKS, SELF, ANCHORAGE (via teleconference), reported that she was a civil engineer in private practice. She testified in support of HB 104. She believed that Alaska was in dire need of maintenance of its transportation infrastructure. She felt it was important for Alaskans to help pay for their transportation infrastructure and that doubling the tax was a start. The tax would help to offset costs that were being pulled from GF for highway maintenance. She informed the committee that capital maintenance funds were used to reconstruct roads due to inadequate maintenance from lack of funding. She maintained that Alaska could grow and expand its transportation system by collecting additional motor fuel taxes.

[9:19:20 AM](#)

NILS ANDREASSEN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, JUNEAU (via teleconference), spoke in favor HB 104. He indicated that infrastructure funding continued to be a challenge for Alaska. He focused on the state's ports and harbor needs. He informed the committee that there was \$1.6 billion planned for ports and harbors projects and noted that an additional \$350 million was needed for improvements. He mentioned the additional significant need for the Port of Anchorage. He elucidated that roughly half of the harbor matching grants request was funded and the current year's request was \$14 million. He recalled that in 2002 the Alaska Legislature had committed to fully reimburse the debt service on many port and harbor projects and the debt service funding was not included in the current year's budget. The remaining amount of debt was roughly \$17 million. He concluded that the needs of Alaska's ports and harbors were great.

[9:22:10 AM](#)

SARAH LEFEBVRE, SELF, FAIRBANKS (via teleconference), spoke in support of HB 104. She shared that she worked in the construction industry for 23 years. She believed that the increase was long overdue. She mentioned the long work commutes by many who were not supportive of the motor fuel tax increase. Commuting increased the need for road safety and maintenance. She spoke about the poor condition of Alaska's highways especially in the Interior. She believed Alaskans should step up and invest in services it relied on. She urged members support of the bill.

[9:23:48 AM](#)

Co-Chair Merrick CLOSED public testimony.

[9:23:53 AM](#)

Co-Chair Merrick indicated the committee would hear invited testimony.

[9:24:11 AM](#)

ALICIA SIIRA, EXECUTIVE DIRECTOR, ASSOCIATED GENERAL CONTRACTORS OF ALASKA, ANCHORAGE (via teleconference), called in support of HB 104. She shared that the Associated General Contractors of Alaska (AGC) was the largest construction trade association in the state with over 600 members. She voiced that adjusting the motor fuel tax was a "meaningful and reasonable" step in addressing the state's "massive" backlog of transportation infrastructure maintenance needs. She reiterated that the tax was the lowest in the country and had not kept pace with inflation. Although the state might see an influx of supplemental federal funding it was only temporary, and the shortfall situation would reoccur. She believed that the increase was good for industry and would positively impact businesses, communities and all Alaskans that depended on safe infrastructure. She commented that AGC had long-supported an increase in motor fuel tax. She reiterated her support for the bill.

[9:25:50 AM](#)

JOE MICHEL, ALASKA TRUCKING ASSOCIATION, ANCHORAGE (via teleconference), testified in favor of the bill. He had supplied a one page information sheet to members (copy on file). He relayed that the Alaska Trucking Association

(ATA) fully supported HB 104. He noted that ATA's main concern regarded statute AS 43.40.10 (g) that defined what the tax would be used for. He wanted the "fund to be used for clearing slush rather than be a slush fund for the DOT. He asked the committee to clearly define the uses for the fund. He thanked the committee for hearing the bill.

[9:27:29 AM](#)

Representative Josephson appreciated ATA's support of the legislation. He asked if the trucking association had found some of the uses of the current motor fuel tax unacceptable. Mr. Michel responded in the negative. He voiced that the department had done a "phenomenal" job with the funds use for road maintenance.

Co-Chair Merrick indicated there would be another opportunity to hear public testimony.

HB 104 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

[9:28:26 AM](#)

The meeting was adjourned at 9:28 a.m.