

HCR

15

HOUSE COMMITTEE REPORT

(7)

Date referred: 3/6/87

FURTHER REFERRALS: Finance

DATE: 4-29-87

The State Affairs Committee has considered HCR 15

Relating to funding of capital projects.

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

W. G. Brooks

Steve [unclear]

Dave [unclear]

Larry [unclear]

SIGNING OTHER RECOMMENDATIONS:

[unclear] No Rec

[unclear] No Rec

[unclear]

Chairman's signature



Official Business

Alaska State Legislature

P.O. Box V
State Capitol
Juneau, Alaska 99811

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5. LETTER FROM REPRESENTATIVE ZAWACKI TO REPRESENTATIVE ULMER, DATED APRIL 29, 1987

FISCAL NOTE

- A. OFFICE OF THE GOVERNOR, OFFICE OF MANAGEMENT AND BUDGET, DIVISION OF BUDGET REVIEW: -0-

Alaska



Chapter



THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA

HEADQUARTERS • 3201 Spenard Road • Anchorage, Alaska • P.O. Box 92500 • Anchorage, Alaska 99509
BRANCH OFFICES • Fairbanks • Juneau • Soldotna William E. Schneider, Executive Director

RESOLUTION

February 23, 1987

WHEREAS construction and repair of Alaska's infrastructure are vital to the economy of the State of Alaska; and

WHEREAS funding for construction and repair of Alaska's infrastructure has been sharply declining when compared to the funding for the operation of State government; and

WHEREAS significant jobs have been lost over the past three years in the construction industry; and

WHEREAS the voters of the State of Alaska, by a margin of 119,775 to 48,909, overwhelmingly approved an amendment to the constitution creating Article IX Section 16; and

WHEREAS Article IX Section 16 states in part: "Within this limit, at least one-third shall be reserved for capital projects and loan appropriations. . . ;" and

WHEREAS Alaska's economy and the construction industry will be adversely affected by too drastic a cut in the capital budget; and

WHEREAS an adequate capital budget is essential for the continued development and economic diversification of Alaska;

THEREFORE, BE IT RESOLVED that AGC - Alaska requests the Alaska State Legislature and the Governor to fund the construction and repair of Alaska's infrastructure at the one-third level designated in Article IX Section 16; and

BE IT FURTHER RESOLVED that AGC - Alaska urges the Alaska State Legislature and the Governor to expeditiously enact legislation providing for predictability and stability in the construction industry.

Copies of this resolution shall be sent to all members of the Alaska State Legislature and the Governor of Alaska.

Patrick J Steward
President

William E Schneider
Executive Director



Greater Fairbanks

Chamber

of Commerce

First National Center
100 Cushman Street

(907) 452-1105

P.O. Box 74446
Fairbanks, Alaska 99707

GREATER FAIRBANKS CHAMBER OF COMMERCE
POSITION ON STATE SPENDING

The Greater Fairbanks Chamber of Commerce believes that capital project funding and the permanent fund are the positive results of a decade of state investment. However, the growth in the State operating budget has reached a level we cannot support today or in the future as revenues decline with oil production volumes. Therefore, before alternate sources of revenue are committed to support the operating budget, that budget must be reduced to the point where gross expenditures are equal to or less than annual revenues.

Consistent with that position, the Greater Fairbanks Chamber of Commerce opposes, at this time, new taxes in any form whether individual or business. The Greater Fairbanks Chamber of Commerce believes stable taxation is in concert with State's goal of building a strong, diverse economy, that revenues not collected as taxes will be utilized by the private sector to build that economy.

The Greater Fairbanks Chamber of Commerce vigorously opposes long-term use of permanent fund earnings to support State operating costs. However, we recognize the need to provide transition funding of State programs and local revenue sharing during the period of budget reductions.

The Greater Fairbanks Chamber of Commerce supports the continuation of a permanent fund dividend and inflation proofing programs currently in place. We further believe that the establishment of a temporary program of infrastructure capital construction program to be in the best interest of the State.

The Greater Fairbanks Chamber of Commerce believes the implementation of these programs will provide for an orderly economic transition for the State and its people as State revenues decline. We believe the proper reduction of the State's operating budget and wise expenditures of capital funds will significantly contribute to the long-term health and growth of Alaska's economy.

DATED THIS 11th DAY OF March, 1987

BY [Signature]
Jim Hodson, Chairman of the Board

BY [Signature]
Althea St. Martin, Acting President

State oil troubles may filter down to Alaska construction industry

By MACHELE MARTIN
Staff Writer

The forecast for Alaska's construction industry doesn't appear to be too bright for the next two to three years, William Schneider, executive director of the Alaska chapter of General Contractors of America (AGC), said Tuesday at the Soldotna Chamber of Commerce meeting.

"Alaska's construction industry plays a major role because Alaska is a young state," he said. But, he added, that "the industry is only as healthy as the overall economy." The significant cutbacks in the oil industry have halted any further substantial growth in the state, he said.

Schneider pointed out in a slide presentation the overall employment loss in

Alaska. "We as an industry don't have a lot of influence on the private (i.e. oil) market," he said. "But, we may on the state's capital budget."

Since 1979 the state's capital budget has varied significantly, Schneider explained. In 1985 the capital budget was approximately \$1.3 billion. For FY 88 that budget proposal is set for an estimated \$58 million.

Schneider said that Alaskans can be thankful for military spending for land in Alaska. He said that for every \$1 of federal tax collected from gas sales in Alaska, the federal government reimburses Alaska \$6. The bulk of that \$6 is used for construction, he said. Two-thirds goes toward the actual work while the rest is

used for property acquisition and engineering.

"You can see a significant amount of federal monies coming into the state," he said. California only receives 90 cents in return for every dollar sent to Washington D.C., Schneider said. "They're what you call a donor state."

He said the Alaska capital budget should be based on need and not on leftover revenue. Also, he said, transportation is mediocre at best. "Many people can't remember when we built a new road," he said.

Schneider told chamber members that his non-profit organization is attempting to transform this depressing forecast into a very optimistic one. A coalition comprised of an AGC design

council, architects and engineers, is lobbying in Juneau for a capital projects fund. This fund could come from a portion of the Permanent Fund earnings, he said. One-third of the earnings could be deposited into a constitutionally created capital project fund. "It's an idea whose time has come," he said.

"A statewide projects study needs to be done to determine the priority of construction projects," he said. A distribution system would need to be established so that Anchorage and Fairbanks don't always get the larger portion of the capital projects pie, Schneider said. "We don't know how that system will come about but it will have to be equitable for this thing to fly," he said.



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Alaska State Legislature House of Representatives

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REPRESENTATIVE
JIM ZAWACKI
DISTRICT 7

April 29, 1987

MEMBER
COMMUNITY & REGIONAL
AFFAIRS COMMITTEE
LEGISLATIVE BUDGET &
AUDIT COMMITTEE
FINANCE SUBCOMMITTEE

Rep. Fran Ulmer, Chair
State Affairs Committee

Dear Fran,

You will note that there is a fairly substantial list of co-sponsors on House Concurrent Resolution 15, which is before you. That represents a confidence on the part of those members that the voters were serious when they passed the constitutional amendment to which it refers.

I happen to disagree with the Attorney General's opinion which holds the capital projects provision of that amendment invalid at present budget levels. It still remains that the people of Alaska did say by their vote, in very substantial numbers, that they see a need for responsible capital projects.

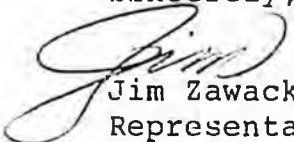
Those capital projects will help stabilize the economy of many communities right now when it is needed the most. This resolution would only express the interest of the Legislature in doing whatever little we can to help bolster the economy through some capital expenditure on capital projects.

The construction industry, the labor and crafts unions, and the general public in many communities would benefit. Passage of this resolution would, of course, have no legal effect, but it could create an awareness which might help to pass some of the capital bills which are before us.

It would also demonstrate to the people who passed the constitutional amendment -- and who elected us -- that we are paying attention to their wishes.

I hope you can see fit to support the Resolution. It is, at the very least, an expression of confidence in the past, present and future of Alaskans.

Sincerely,


Jim Zawacki
Representative

JZ:p-m

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

A

REQUEST: _____

Bill Version: HCR 15

Publish Date: 3/6/87

Revision Date: _____

Title: Relating to funding of capital projects

Sponsor: Zawacki, Barnes, etc.

Requestor: Illmer

Agency Affected: Office of the Governor
BRU: Office of Management and Budget, Division of Budget Review

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0				

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

HCR 15 requests that the Governor consider long- and short-term needs of the infrastructure of the state in requests for capital project funding, and that the Governor bring a level of predictability and stability to the construction industry of the state in future requests for state capital project funding. (see attachment)

Prepared by: Michael A. Nizich, Director Phone: 465-3616

Division: Division of Administrative Services Date: 4/28/87

Approved by Commissioner: Carol P. Kestler Date: 4/28/87

Agency: Office of the Governor

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Analysis of this resolution concludes that additional funding or staff would not be required in order to comply with the requests made of the Governor to include these considerations as a part of his budget review process.