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FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CSHB 575 (TRA)

Revision Date: April 14, 1992
Title: Increasing Motor Fuel Tax

Department Affected: Department of Revenue
BRU: Revenue Operations
Component: Income and Excise Audit

Sponsor: House Finance
Requestor: HS TRANS

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	29.0	57.9	57.9	57.9	57.9	57.9
TRAVEL	2.5	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	3.0	6.0	6.0	6.0	6.0	6.0
SUPPLIES	0.5	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	4.0	0.0	0.0	0.0	0.0	0.0
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	39.0	69.9	69.9	69.9	69.9	69.9
CAPITAL						
REVENUE FUND SOURCE	4,313.0	8,626.0	8,626.0	8,626.0	8,626.0	8,626.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	39.0	69.9	69.9	69.9	69.9	69.9
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	39.0	69.9	69.9	69.9	69.9	69.9

POSITIONS:

FULL-TIME	1.0	1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

Estimate of current year impact: \$0.0

ANALYSIS:

SEE ATTACHED

Prepared By: Paul Dick
Division: Income and Excise Audit

Phone: (907) 465-2320
Date: April 14, 1992

Approved by Commissioner: Darrel J. Rexwinkel
Agency: Department of Revenue

Date: _____

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).

Intent

CSHB 575 increases the highway motor fuel excise tax to 10 cents per gallon and exempts fuel used on-site at mining operations from the tax.

Analysis

Effective January 1, 1993, this bill increases the highway motor fuel excise tax by 25% from 8 to 10 cents per gallon.

Total highway motor fuel tax revenues for FY 91 based on the 8 cents per gallon rate were \$36.7 million. Based on FY 91 data, each cent of motor fuel tax yielded approximately \$4.6 million. Assuming that consumption remains the same as FY 91, a 2 cent increase will result in \$9.2 million additional motor fuel tax revenues to the state.

This bill will also exempt fuel used on-site at a mining operation from the motor fuel tax. Currently, mining operations claim a 6 cent refund on all fuel used in their operations. The exemption in this bill will mean that the state will forego 4 cents per gallon (10 cents per gallon tax less the 6 cents per gallon refund provision) on those gallons which would have been subject to refund.

For the calendar year 1991, mining operations claimed refunds on approximately 14,350,000 gallons of fuel. Assuming that mining operations use fuel at the 1991 level, the state will forego \$574,000 per year (14,350,000 gallons x 4 cents/gallon) because of the exemption.

Total revenues for each year, netting the effects of the exemption against the 2 cent increase, follows:

	<u>FY93*</u>	<u>FY94 - FY98</u>
Tax Increase (2 cents)	\$4,600,000	\$9,200,000
Mining Exemption	<u>(287,000)</u>	<u>(574,000)</u>
Net Additional Revenue	<u>\$4,313,000</u>	<u>\$8,626,000</u>

* Since this bill takes effect January 1, 1993, FY 93 revenues reflect amounts for half of a year.

Operating Costs

Personal Services \$57.9

Provides for a Revenue Auditor III, Range 18A.

Travel 5.0

Provides funding for in-state travel audits.

Contractual 6.0

Provides funding for printing and communication costs.

Supplies 1.0

Provides funding for office and data processing supplies.

Equipment 4.0

Provides funding for a computer for FY 93.

TOTAL: \$73.9*

* FY 93 Funding level is for six months.

4/7/92

A M E N D M E N T

OFFERED IN THE HOUSE

BY REP G. PHILLIPS

TO: HB 575

Page 1, after line 2:

Insert a new bill section to read:

"* Section 1. INTENT. It is the intent of this legislation to put before the general public a ballot issue on the November 1992 general election ballot that requests approval of a dedicated gas tax to be set aside in the General Fund for the maintenance of our roads, airports, harbors, and ports."

Renumber the following bill sections accordingly.

AMENDMENT #2

OFFERED IN THE HOUSE

BY REPRESENTATIVE FOSTER

TO: HB 575

Page 1, line 4:

Delete "18"

Insert "10"

Page 1, line 12:

Delete "18"

Insert "10"

A M E N D M E N T #3

OFFERED IN THE HOUSE

BY REPRESENTATIVE FOSTER

TO: HB 575

Page 1, line 1, after "tax":

Insert:

", and increasing the refund of a portion of the tax payable for nonhighway use of fuel subject to the tax"

Page 2, following line 4:

Insert a new bill section to read:

**** Sec. 3. AS 43.40.030(a) is amended to read:**

(a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to operate an internal combustion engine is entitled to a refund of 16 [SIX] cents a gallon if

- (1) the tax on the motor fuel has been paid;
- (2) the motor fuel is not aviation fuel, or motor fuel used in or on watercraft; and
- (3) the internal combustion engine is not used in or in conjunction with a motor vehicle licensed to be operated on public ways. "

Renumber the following bill section accordingly.

AMENDMENT #4

OFFERED IN THE HOUSE
TO: HB 575

BY REPRESENTATIVE FOSTER

Page 1, line 1, after "tax":

Insert:

", and adding to the exemptions from payment of the motor fuel tax the motor fuel used in certain mining operation activities"

Page 2, following line 4:

Insert a new bill section to read:

"* Sec. 3. AS 43.40.100(2) is amended to read:

(2) "motor fuel"

(A) means fuel used in an engine for the propulsion of a motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a stationary engine, machine, or mechanical contrivance that [WHICH] is run by an internal combustion motor;

(B) ["MOTOR FUEL"] does not include fuel

(i) [(A) FUEL] consigned to foreign countries;

(ii) [(B) FUEL] sold for use in jet propulsion aircraft operating in flights to foreign countries;

(iii) [(C) FUEL] used in stationary power plants operating as public utility plants and generating electrical energy for sale to the general public;

(iv) [(D) FUEL] used by nonprofit power associations or corporations for generating electric energy for resale;

(v) [(E) FUEL] used by charitable institutions;

(vi) that [(F) FUEL WHICH] is at least 10 percent alcohol by volume;

(vii) [(G) FUEL] sold or transferred between qualified dealers;

(viii) [(H) FUEL] sold to federal, state, and local government agencies for official use;

(ix) [(I) FUEL] used in stationary power plants that generate electrical energy for private residential consumption;

(x) [(J) FUEL] used to heat private or commercial buildings or facilities;

(xi) [(K) FUEL] used for other nontaxable purposes as prescribed by regulations adopted by the department; [OR]

(xii) [(L) FUEL] used in stationary power plants of 100 kw or less that generate electrical power for commercial enterprises not for resale; or

(xiii) used on-site at a mining operation in the state; for purposes of this subparagraph, "mining operation" has the meaning given in AS 27.19.100;"

Renumber the following bill section accordingly.

AMENDMENT #5

OFFERED IN THE HOUSE

BY REPRESENTATIVE FOSTER

TO: HB 575

Page 2, following line 4:

Insert a new bill section to read:

"* Sec. 3. This Act takes effect only if the majority of the voters at the November 1992 general election approves proposed amendments to the state constitution to create as a dedicated fund a transportation fund to receive, among other sources, the revenue from the state's levy and collection of motor fuel taxes."

Renumber the following bill section accordingly.

ESTIMATED HIGHWAY RELATED REVENUE AND EXPENSE

HIGHWAY RELATED EXPENDITURES			
Estimates in \$'s Millions			
	DEPARTMENT		OPERATING EXPENDITURES
MOTOR VEHICLE AND DRIVER	Public Safety		\$ 8.5
HIGHWAY PATROL	Public Safety		\$ 16.0
TRUCK WEIGHTS AND ENFORCEMENT	Commerce		\$ 1.3
HWY MAINTENANCE	DOT&PF		\$ 62.0
UTILITY PERMITS	DOT&PF		\$ 0.3
MUNICIPAL ROAD (48%) MAINTENANCE SHARING	DCRA		\$ 6.9
SUBTOTAL- CURRENT			\$ 95.0
FUND ROAD SHARING (@\$2500)	DCRA		\$ 7.5
FUND INCREASED # OF ROAD MILES	DCRA		\$ 0.6
FUND ROAD SHARING (@\$3000)	DCRA		\$ 3.0
FUNDING"			\$ 106.1
Allocated portion of DOT&PF Admin. and Design and Construction approximates \$11 million Annual Match required for highway construction approximately \$35 million per year ISTE A			

ESTIMATED HIGHWAY RELATED REVENUE AND EXPENSE

HIGHWAY RELATED REVENUES			
Estimates in \$'s Millions			
	DEPARTMENT		REVENUE
HIGHWAY FUEL - CURRENT	Revenue		\$ 21.0
OFF HIGHWAY - CURRENT	Revenue		\$ 4.0
MOTOR VEHICLE AND DRIVER	Public Safety		\$ 25.0
TRUCK WEIGHT AND ENFORCEMENT FEES	Commerce		\$ 0.7
REIMBURSED HWY MAINTENANCE	DOT&PF		\$ 0.4
UTILITY PERMITS	DOT&PF		\$ 0.3
SUBTOTAL- CURRENT			\$ 51.4
HIGHWAY FUEL - ADD 10 CENTS	Revenue		\$ 26.0
OFF HIGHWAY - ADD 10 CENTS	Revenue		\$ 20.0
FULL YEAR REVENUE AFTER HB 575			\$ 97.4



Anchorage Cold Storage Company

A SUBSIDIARY OF THE ODOM CORPORATION

Fine Foods and Beverages

240 WEST FIRST AVENUE
P.O. BOX 100039
ANCHORAGE, ALASKA 99510
(907) 272-4511

1796B SPUR HIGHWAY
P.O. BOX 2109
KENAI, ALASKA 99811
(907) 283-4353

1061 ENTERPRISE ST
WASILLA, ALASKA 99687
(907) 376-8050

Frank Dillon
Alaska Trucking Association, Inc.
3443 Minnesota Drive
Anchorage, AK 99503
Fax 274-1946

Dear Mr. Dillon,

In response to your fax delivered on April 5, 1992, I offer the following information regarding the impact on Anchorage Cold Storage if H.B. 574 and H.B. 575 were to be passed into law. The amounts for the fuel tax are based on our calendar year-1991 purchases.

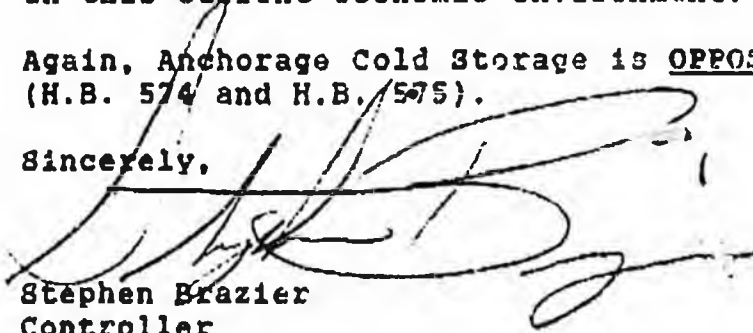
Approximate effect of H.B. 574 -	\$93,000
Approximate effect of H.B. 575 -	35,000

Total effect if passed	\$128,000

Anchorage Cold Storage is in extreme opposition to both bills! The approximate negative effect on our operations would be well over \$100,000 as indicated above. This would cause a severe blow to our operations which would lead to increased pricing passed on to our customers. This is not what we would like to see happen in this current economic environment.

Again, Anchorage Cold Storage is OPPOSED to both house bills (H.B. 574 and H.B. 575).

Sincerely,


Stephen Brazier
Controller

cc: Representative Gail Phillips - Fax 465-3472
Representative Eileen MacLean - Fax 465-3241
Representative Mike Navarre - Fax 465-2278
Representative Richard Foster - Fax 465-3242
Representative Jerry Mackie - Fax 465-2299



**FAST
SERVICE**

**BIG COUNTRY
FOODS INC.**

PLANT: 6250 ROSSWOOD
MAILING: P.O. BOX 4-1974
ANCHORAGE, ALASKA 99508
TELEPHONE: 557-4418

APRIL 6 1992

FROM: MIKE JOHNSON

I OPPOSE PASSAGE OF HB

574 AND 575.

Mike Johnson

TEL:

Apr 06 92

13:48 No.011 P.01



Irish Trucking

P.O. Box 84469 • Fairbanks, Alaska 99708-4469
(907) 456-3232 (907) 457-6835

APRIL 6, 1992

WE STRONGLY OPPOSE THE H.B. 575FUEL TAX INCREASE

WE STRONGLY OPPOSE THE H.B. 574.....VEHICLE REGISTRATION INCREASE

NO.....NO.....NO...NO...NO...NO...NO...NO...NO...NO...NO...NO...NO...

ALASKA TRUCKING ASSOCIATION, INC.
3443 Minnesota Drive
Anchorage, AK 99503

Phone (907) 276-1149

Fax (907) 274-1946

FAX MESSAGE COVER SHEET

DATE: 4/6/92

TO: House Transportation Committee FAX NO. 465-3242

FROM: Frank J. Dillon, ATA Executive Director

Number of Pages: 1 Including this cover sheet.

Comments: H.B. 575 calls for a 10 cent a gallon increase in
fuel tax. ATA requests that because of the importance of this
proposed legislation, that the hearing scheduled for 8:30 a.m.
Tuesday April 7th be teleconferenced.
Thank you for your consideration.

WEAVER BROS., INC.

1611 E FIRST ST.
ANCHORAGE, ALASKA 99501
PHONE: 907-278-4526 FAX: 907 276-4316

P.O. BOX 2229
KENAI, ALASKA 99611
PHONE: 907-283-7957 FAX: 907-283-3677

April 6, 1992

JAMES H. DOYLE
PRESIDENT

House Transportation Committee

RE: HB 575 Proposed Fuel Increase Tax

DO NOT pass HB 575. The proposed additional 10¢ per gallon of fuel would have a great impact on our company.

Oppose this bill.

WEAVER BROS., INC.

James H. Doyle
President

TELECOPY TRANSMITTAL COVER SHEETDATE: April 6 1992TIME: 9:30REF: HB 575/574PLEASE DELIVER TO: Richard FosterTHIS TELECOPY IS BEING SENT BY: BRIAN POTVINNUMBER OF PAGES (INCLUDING THIS COVER SHEET): 1

IF YOU DO NOT RECEIVE ALL PAGES, PLEASE CALL BACK AS SOON AS POSSIBLE.

(907) 257-5160 TELECOPY "FASCIMILE" NUMBER
(907) 276-4800 LYNDEN TRANSPORT INC.
ANCHORAGE, AK 99501WE OPPOSE PASSAGE OF HOUSE BILLS
574 AND 575

BRIAN POTVIN

ALL OF THE FOLLOWING PEOPLE OPPOSE HOUSE BILL NUMBER 575 (fuel increase) and HOUSE BILL NUMBER 574 (registration fee increase) BECAUSE OF THE NEGATIVE IMPACT IT WOULD HAVE ON THE TRUCKING INDUSTRY.

Walter Helcom

Marie C. Tura

Wendy S. Pisk

Jim Fine

Edward W. Bell

Jack A. Rully

Terence V. Pallas

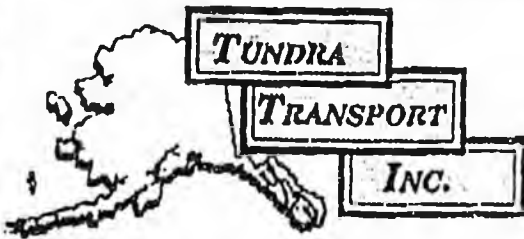
James A. Bitney

Steven Johnson

Jim R. Cuthbert

Chris Goehman

Charlene L. Kristner



CY BITTLESTON
SALES AND OPERATIONS MANAGER

FAX # 907-696-0085

DATE SENT: 4-6-92

TO: Richard Foster
FROM: House Transportation Committee Members
FROM: Susan Bullock
FROM: Tundra Transport
FROM: Eagle River Alaska

RE: HB 575 OPPOSE!! Jim W. Tom
HB 575 OPPOSE!! Cy Bittleston
HB 575 OPPOSE!! Susan Bullock
HB 575 OPPOSE!! Stephen Queer

With the poor rates in the state of Alaska - caused by the Alaska Railroad - the burden is already on the trucking ind.

I don't see this state charging the Railroad any such Tax!!

IF YOU HAVE ANY DIFFICULTY RECEIVING THIS TRANSMISSION,
PLEASE CONTACT US AT (907) 696-7103

11515 DOREALIS, EAGLE RIVER, ALASKA, 99577 PHONE (907) 696-7103

STATE OF ALASKA THE LEGISLATURE

FOUCH Y - STATE CAPITOL
BUREAU, ALASKA 99511
907.465.3800

LEGISLATIVE AFFAIRS AGENCY LEGISLATIVE REFERENCE LIBRARY

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House Transportation	4-9-92
House Transportation	4-7-92

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* ****
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* DELIVER TO: LHSCTRA
*
* ORIGINAL
* SENT: 04/09/92 TIME: 09:23
* FROM: LTCKTN
* SUBJECT: 92-04-044;FS;HB 575;4-9-92
* PRINT DATE: 04/09/92 TIME: 09:24
*
* ****

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JNU MOD: JIMMY

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T/C NO: 92-04-044
DATE: APRIL 9, 1992
SPONSOR: HOUSE TRANSPORTATION COMMITTEE
SUBJECT: HB 575: INCREASE MOTOR FUEL TAX
MODERATOR: JUNE ROBBINS
SITE: KETCHIKAN

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FINAL STATS

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* ****
* OBSERVER

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NAME/REPRESENTING ADDRESS PHONE BILL NO.
J. DAVE ANDERSON/ANDERSON OIL CO. 225-2163 HB 575

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T/C NO: 92-04-044
DATE: 4/9
SPONSOR: (H) TRANSPORTATION
SUBJECT: HB 575
MODERATOR: JUDY
SITE: ANCHORAGE

~~SECRET~~
PARTICIPANT LIST

TESTIFIER

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1. CHERYL RICHARDSON			HB575

2.

3.

4.

5.

DRIVER

NAME/REPRESENTING	ADDRESS	PHONE	BILL NO.
1.			

2.

F.O. BOX 5858, KETCHIKAN, AK 99901
2. ERIC BADGER/UNOCAL 225-4176 HB 575
F.O. BOX 7860, KETCHIKAN, AK 99901
3. HOWARD BRAND/UNOCAL 225-4121 HB 575
F.O. BOX 6216, KETCHIKAN, AK 99901

TESTIFIED: 0
UNABLE: 0
OBSERVED: 3
TOTAL: 3

START TIME: 8:30 AM END TIME: 9:10 AM

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*****
*
* DELIVER TO: LMSCTRA
*
* ORIGINAL
* SENT: 04/07/92 TIME: 10:48
* FROM: LTCCSLN
* SUBJECT: 92-04-028, FS, HB575, 04/07/92
* PRINT DATE: 04/07/92 TIME: 10:48
*
*****

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SUBJECT LINE TO READ: TC NO., PL NO. OR FS; SHORT SUBJ; DATE

JRU MOD: JINBY

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TC NO: 92-04-028
DATE: 04/07/92
SPONSOR: HOUSE TRANSPORTATION
SUBJECT: HB 575
MODERATOR: OTTSY HILL
SITE: GLENNALLEN

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FINAL STATE

TESTIFIER

NAME/REPRESENTING	ADDRESS/CITY	PHONE	BILL NO.
1. FRED HEINZ/GLACIER DINING	P.O. BOX 12, GALLOA, AK. 99586	322-3308	HB575
2. JAMES CLINE/CLINE ENTERPRISES	P.O. BOX 2, GLENNALLEN, AK. 99588	322-3480	HB575

- 3. PAUL BLAIR/GLENNALLEN HOBBY SHOP 822-3698 HB575
P.O. BOX 168, GLENNALLEN, AK. 99588
- 4. JUDY SHELTON/SHELTON SERVICES 822-3471 HB575
P.O. BOX 572, GLENNALLEN, AK. 99588
- 5. CAROL NEELEY/CBS SERVICE CO. 822-3252 HB575
P.O. BOX 165, GLENNALLEN, AK. 99588

OBSERVER

NAME/REPRESENTING	ADDRESS/ZIP	PHONE	BILL NO.
1. ROCKY ANSELL P.O. BOX 217, COPPER CENTER, AK. 99573		822-3633	HB575
2. JACKIE CLINE P.O. BOX 2, GLENNALLEN, AK. 99588		822-3480	HB575
3. FRED E. HEINZ/GLACIER MINING P.O. BOX 196, GAKONA, AK. 99586		822-5208	HB575
4. TERRY FISHER/OWNER OPERATOR P.O. BOX 131, GLENNALLEN, AK. 99588		822-3373	HB575
5. HENRY OSBORNE/H&L ENTERPRISES P.O. BOX 145, GLENNALLEN, AK. 99588		822-3609	HB575
6. DAVID HILL/OWNER OPERATOR P.O. BOX 12, COPPER CENTER, AK. 99573		822-3426	HB575
7. D.J. WISON/TRUCK DRIVER P.O. BOX 10, COPPER CENTER, AK. 99573		822-3993	HB575
8. JASPER HALL/SERVICE OIL & GAS P.O. BOX 276, GLENNALLEN, AK. 99588		822-3575	HB575

TESTIFIED: 5
UNABLE: 0
OBSERVED: 8
TOTAL: 13

START TIME: 8:30AM

END TIME: 9:45AM



House Transportation Committee

SUBJECT OF MEETING:
HB 575 -

DATE: _____

PLACE: *17*

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
<i>Mike Navarre</i>	<i>Sen Leg.</i>	<i>Box 1 JUNEAU</i>	<i>99801</i>		<i>465-3779</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<i>HB 575</i>
						<input type="checkbox"/>	<input type="checkbox"/>	
						<input type="checkbox"/>	<input type="checkbox"/>	
						<input type="checkbox"/>	<input type="checkbox"/>	
						<input type="checkbox"/>	<input type="checkbox"/>	
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						<input type="checkbox"/>	<input type="checkbox"/>	
						<input type="checkbox"/>	<input type="checkbox"/>	
						<input type="checkbox"/>	<input type="checkbox"/>	
						<input type="checkbox"/>	<input type="checkbox"/>	
						<input type="checkbox"/>	<input type="checkbox"/>	

Our plans miscarry because
they have no aim. When a man
does not know what harbor he
is making for, no wind is the
right wind.

SENECA



Betsy Giles '91



**TOMORROW'S ALASKA:
TRANSPORTATION FOR THE 21ST CENTURY**



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

Message from Governor Hickel

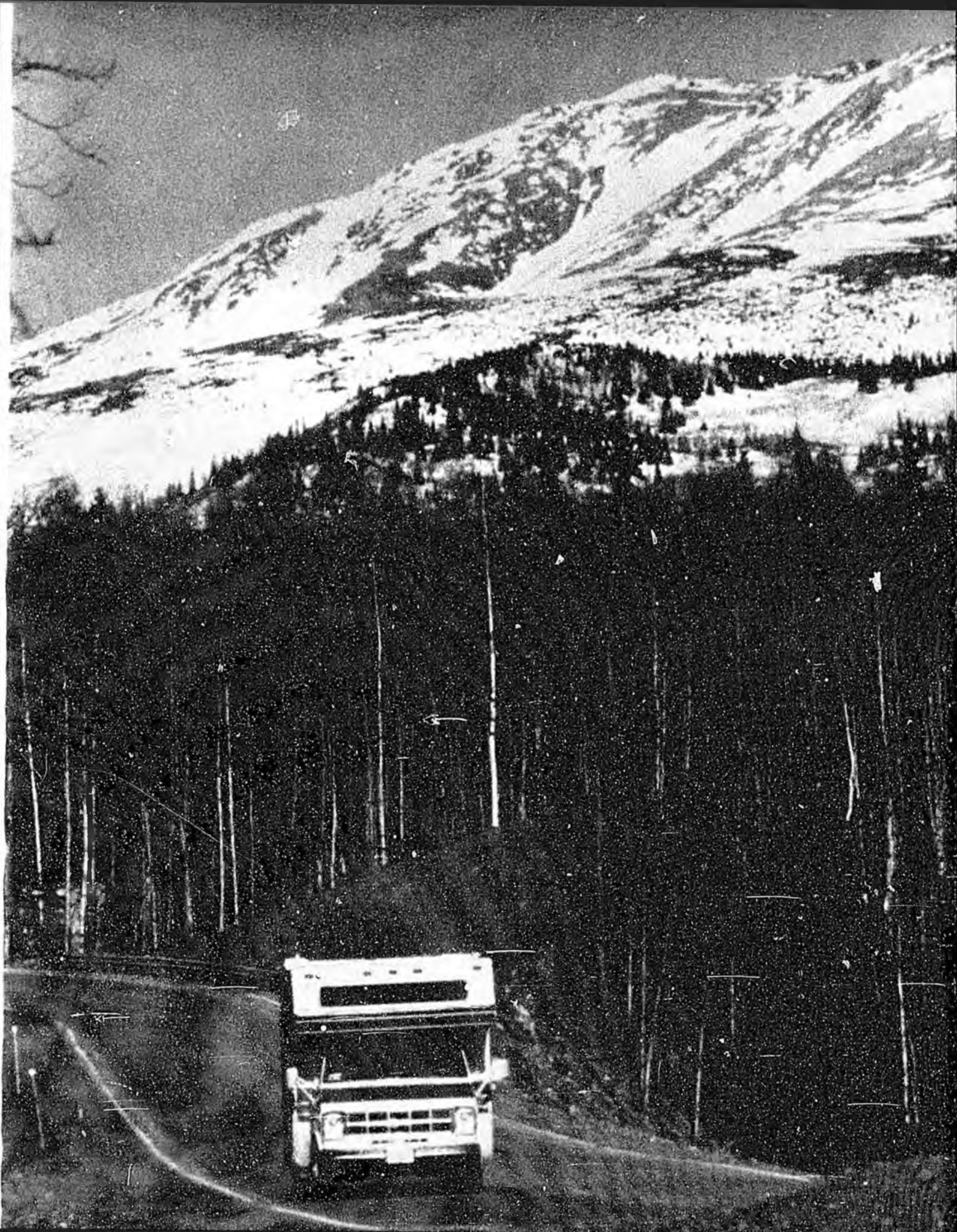
One of the state's most important goals is to move toward a mature, productive economy that provides jobs for all Alaskans. To achieve this goal, we must encourage economic growth by bringing our natural resources to the marketplace. A resource-based economy requires a dependable transportation system to grow and prosper. With so many of our resources in public ownership, government must address their development in addition to their protection. We must accept the challenge of providing a transportation system that encourages the wise use of our resources.

Our transportation system compliments our social and natural environment. The transportation system must be planned and developed in a manner which will ensure the protection of cultural and environmental values. In a state as diverse as ours, transportation serves many different purposes. Few would dispute that it is the responsibility of government to provide a good transportation system to benefit us all. We must care for it as responsible stewards.

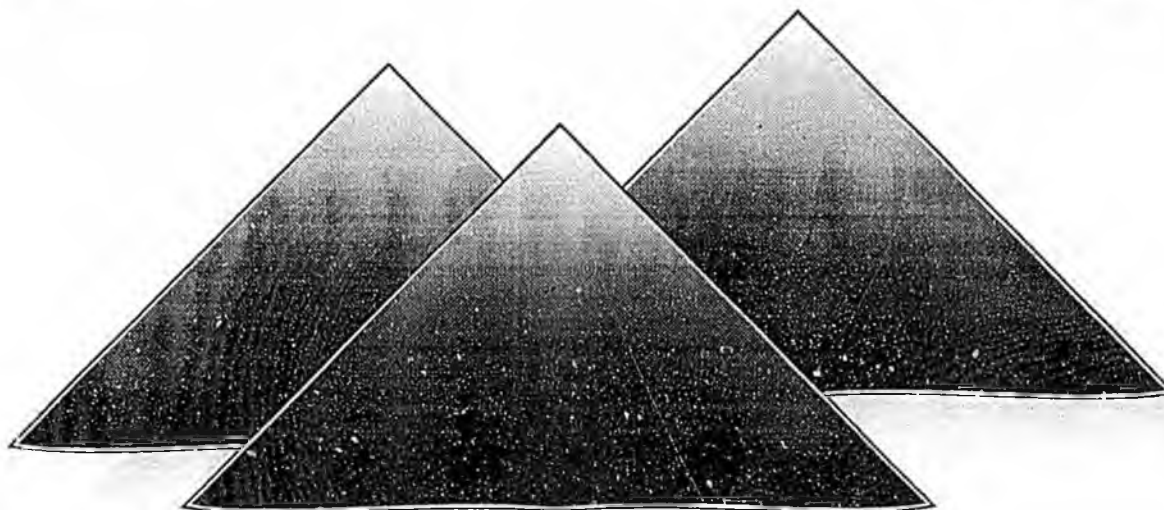
Tomorrow's Alaska: Transportation for the Twenty-first Century, provides the policy guidance needed to change how our transportation system is managed to better support a mature, productive economy. The policies in this plan, if implemented, will benefit all Alaskans. However, to implement the plan, there are responsibilities that must be accepted and steps that need to be taken. As each one of us benefits, each one of us must share in these responsibilities. We all must be willing to do something to get things started.

A large, stylized handwritten signature of Walter J. Hickel in black ink.

Walter J. Hickel
Governor



TOMORROW'S ALASKA



Transportation for the Twenty-First Century

December, 1991
Alaska State Transportation Policy Plan

*Prepared by the Office of Strategic
Management, Planning and Policy*

**Department of Transportation and
Public Facilities**

Frank G. Turpin, Commissioner

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STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL
GOVERNOR

3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898
PHONE: (907) 465-3900

December 20, 1991

Dear Alaskans:

We are pleased to present to you *Tomorrow's Alaska: Transportation for the Twenty-first Century*. This document presents a policy framework intended to implement the transportation component of the Governor's goal for Alaska's future. We believe moving toward a mature, productive economy requires the development of a balanced and sustainable transportation system. To achieve a balanced transportation system, we believe our system must be expanded as our economy grows and must be well-maintained to increase productivity and protect our investment.

Likewise, we believe a mature, productive economy can not be achieved unless we develop a way to sustain a stable level of transportation services over time. Transportation is one of the fundamental functions needed in an organized society. It directly affects the performance of the economy and the quality of every citizen's life. Transportation services are too important to allow them to be dependent on the whim of external forces that often influence our service levels by dictating the availability of funding. For this reason, the establishment of a dedicated fund to pay for transportation services from a predictable revenue stream continues to be the department's highest priority.

In the context of developing this policy plan, we have attempted to take a "big picture" view of our transportation system and how it functions. Our analysis prompted us to ask: Is there a better way to organize our transportation system? The answer is clearly yes. The state is responsible for a broad array of transportation facilities ranging from subdivision streets to major international airports while responsibility at the local level varies greatly from community to community. We do not believe the current hodgepodge of responsibility makes sense. Basically, the state needs to focus more of its resources on a core transportation system that supports or promotes a statewide purpose. Further, it only makes sense to have local transportation decisions made by local officials and to have responsibility accepted equally. We are prepared to become partners with local governments to develop a way to share dedicated revenue with communities when transportation responsibility is realigned.

We recognize that our high level view of the transportation system has caused us to focus on only the most important issues. In particular, we acknowledge that not all

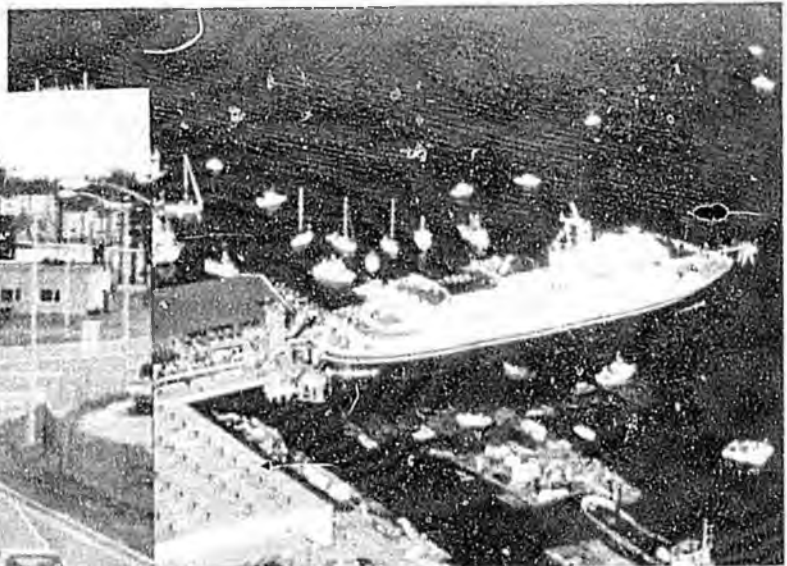
modes of transportation are equally presented in this plan. As the problems we have identified in this plan are resolved and as our planning process develops, additional analysis of other issues and other modes will be undertaken.

Accomplishing the initiatives outlined in this document will require changes for all of us. Even though we intend to pursue these policy directions aggressively, we also recognize that adjustments need to be made in a cooperative manner. By working together to implement this plan, we can build a transportation system to prepare us for the twenty-first century.

Sincerely,

A handwritten signature in cursive script, appearing to read "F. Turpin".

Frank G. Turpin
Commissioner



CHAPTER I

A BLUEPRINT FOR ALASKA'S TRANSPORTATION SYSTEM

The purpose of this document is to recommend policies and actions to the Alaska State Legislature and the Alaskan public to help address some of the state's most fundamental transportation issues. Our transportation system and economy are both at critical stages of development. We need to take bold action today to strengthen these elements of our society's foundation as it is an important investment in our future and our children's future.

The state has a unique role as manager of the public resources, and the department's statutory responsibility for providing public transportation infrastructure is critical in supporting that role. Forward-looking management policy for these transportation responsibilities is essential. As the challenge is so great, the department needs to focus on actions which will help us receive maximum benefit from our current inventory of transportation assets and from our future transportation investments. This document was created to provide a blueprint for understanding and resolving the fundamental issues that will impede us from fulfilling our mission.



TRANSPORTATION PLAYS A CRITICAL ROLE IN A RESOURCE-BASED ECONOMY

Even though Alaska's economy is resource-based, we have only begun to tap our natural resources. The state is rich with minerals, water, timber, fish, game, and other natural resources. Our state also possesses vast natural beauty, placing tourism and recreation among the state's most valuable industries. To prosper and grow, our economy requires a transportation system of railroads, pipelines, highways, ports and harbors, and airports that provides good access and furthers economic development. The state, as manager of its resources, has the responsibility to develop the policy for management of that transportation system.

The state's geography and climate increase the challenge of providing an effective transportation system so critical in a mature, productive economy. Finished products manufactured within the state or brought here from other areas must be transported to the geographic extremes of the state.



The department's maintenance facilities reach the geographic equivalents of Georgia, New Mexico, and Minnesota.



This blueprint for action should facilitate the discussion needed to bring about our goal—to develop a balanced and sustainable transportation system.

Almost everything we do requires mobility—to go to work, school, shop, visit a friend or to pursue recreational activities. To meet these diverse needs, the department is responsible for 5,580 centerline miles of roadway, two international airports, 309 smaller airports, a fleet of ferry vessels, and more than 140 ports and harbors.

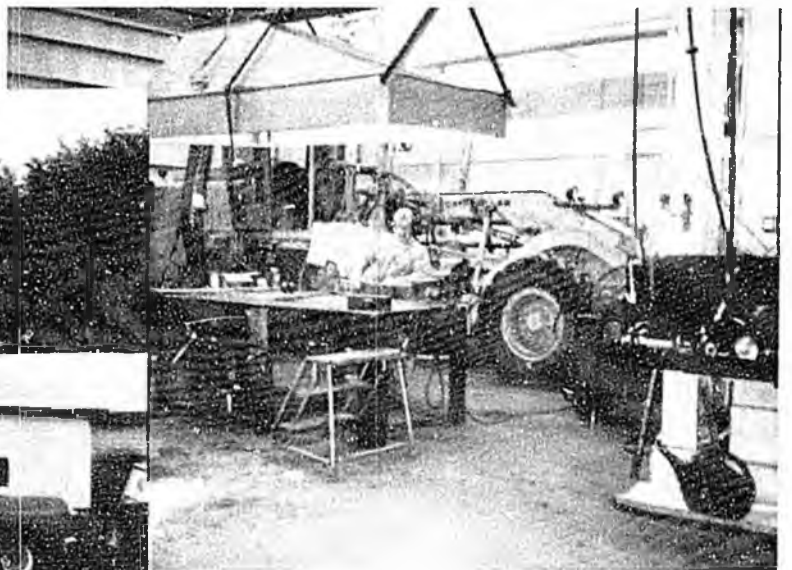
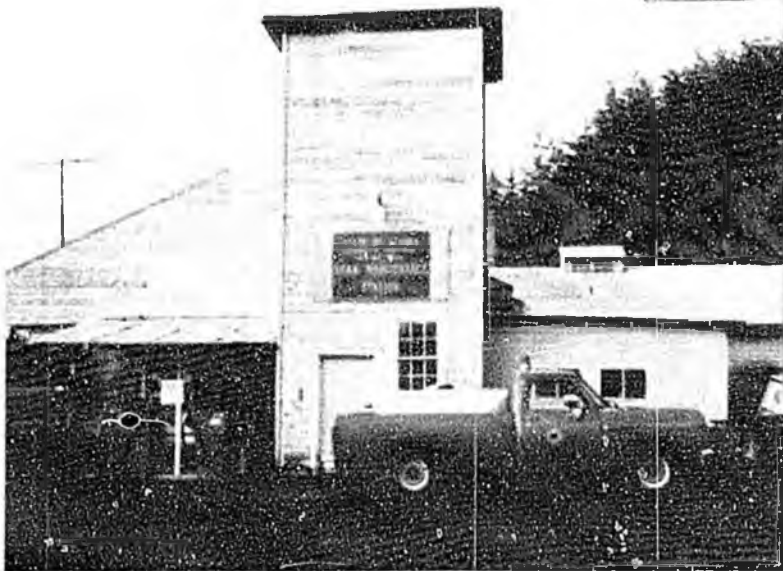
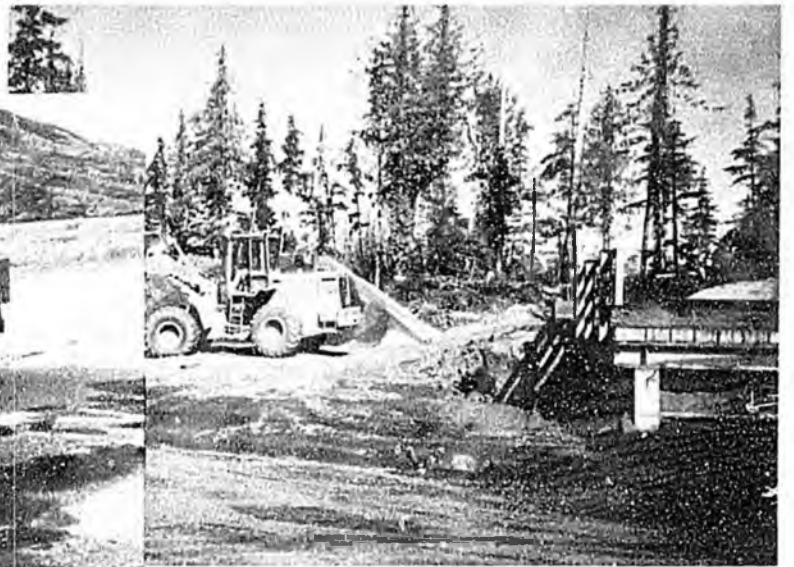
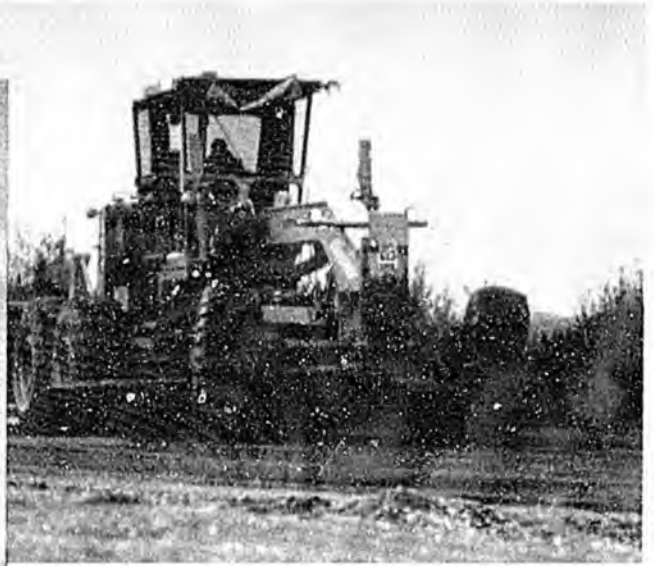
The recommendations presented here resulted from a broad-based, representative transportation policy planning process. This process gathered comments from consumers, the transportation industry, labor, business, government agencies, elected officials, environmental groups and many others. A newsletter was distributed to more than 300 community leaders and organizations throughout the state, open houses were held at various locations across the state, and an interagency review committee was convened to provide coordination with other agencies. These discussions with other professionals and the public identified three important questions. These questions must be answered to successfully develop a balanced and sustainable transportation system.

- **What improvements are needed to support economic growth, productivity, and our quality of life?**
- **How should we finance the transportation system?**
- **What is appropriate transportation responsibility for each level of government?**

Using information gathered during the outreach effort, strategies were identified to deal with each of the strategic issues. Developing a balanced and sustainable transportation system cannot be achieved by a single state agency. It will require joint commitment, joint responsibility, and joint action by the state, local officials, and users of the system.

The following sections detail the elements of change which we think should be supported by all Alaskans. This blueprint for action should facilitate the discussion needed to bring about our goal—to develop a balanced and sustainable transportation system.





CHAPTER II

WHAT IMPROVEMENTS ARE NEEDED TO SUPPORT ECONOMIC GROWTH, PRODUCTIVITY, AND OUR QUALITY OF LIFE?

One of the most important purposes of a transportation system is to support participation in economic activity. Our transportation system also enhances the quality of life for all Alaskans by making our land accessible for recreational enjoyment and for settlement. Accordingly, improving the ability of our system to support economic growth, productivity, and our quality of life is the first strategic issue to be addressed.



TRANSPORTATION IS VITAL TO OUR ECONOMIC AND COMMUNITY WELL-BEING

Public investment in infrastructure, including transportation facilities, has been shown to be essential to economic productivity and profitability. Transportation is an important factor in Alaska's economy in several specific ways:

- **The condition of the existing transportation system plays a critical role in economic productivity.**

Road condition affects tire life, springs, shock absorbers, wheel alignment, and other vehicle components. For business and industry, reduced speeds and delays due to poor roads and traffic congestion increase the cost of doing business. Increased transportation costs threaten marginal businesses and increase the cost of goods and services to every consumer. As individuals, our quality of life depends upon transportation to provide mobility for many activities we enjoy on a daily basis.

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- **Transportation infrastructure facilitates economic diversification.**

The state's decision-makers have been talking about diversifying Alaska's oil-dependent economy for years, and investment in basic infrastructure,

including transportation, is a rudimentary requirement for economic diversification. Well-planned harbors, docks, roads, railroads, and airports can help us toward economic diversification,

enabling us to profit from our natural resources, and making our strategic geographic location work for us.



- **Transportation will promote a positive quality of life for Alaskans.**

Good transportation contributes to our quality of life by facilitating safe, reliable, and convenient mobility in all of our activities. Educational, recreational, cultural, and social opportunities in urban and rural environments reinforce a sense of community



statewide. There are personal costs of an inadequate or poorly maintained transportation system in that each individual suffers losses in time, comfort, or enjoyment. Moreover, an individual's use of resources, whether

they are community activities or recreational enjoyment of our natural environment, is dependent on the access provided by the transportation system.

There are personal costs of an inadequate or poorly maintained transportation system in that each individual suffers losses in time, comfort, or enjoyment.

- **Alaska's competitive position in the U.S. and world economy is at stake.**

Economic competition between states, regions, and countries is fierce. Transportation must also support major developments encouraging interstate and international trade such as transshipment ports or the development of a northern shipping route. The level of our investment in transportation will help determine how well we compete.

- **Planning for future economic development will require corridor preservation.**

We must provide for major surface and water access to reach resource areas in the future. As a resource-based economy, our state's competitive advantage depends upon access to raw materials, to transportation terminals, and to markets.



LACK OF INVESTMENT IN TRANSPORTATION THREATENS OUR ECONOMY

With the exception of a federal program, Alaska has invested only sporadically in transportation system enhancement or expansion activities since the early 1980's. Over the last decade, state general funds for transportation capital improvements have disappeared except for matching funds required to leverage federal highway and aviation dollars.

The loss of state general funds for capital improvements has caused Alaska's transportation system to suffer.

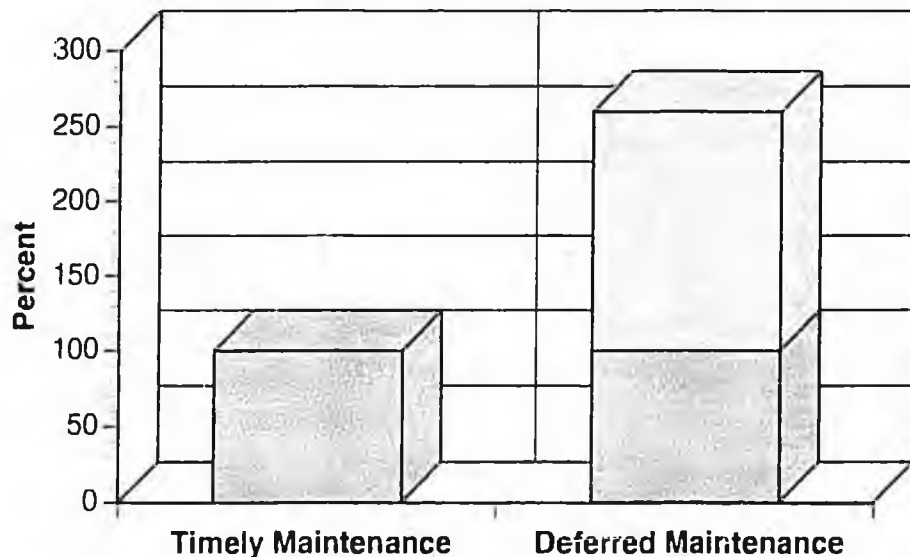
... as state general funds for routine maintenance have decreased, managers have increasingly had to use federal dollars to meet the expensive rehabilitation needs which result from deferring maintenance.

- **We need to identify statewide needs and priorities.**

Strategic links in our transportation system have not been completed, or are poorly maintained. These links may never be completed or properly maintained until the political decision-making process places more emphasis on statewide needs.

Moreover, as state general funds for routine maintenance have decreased, managers have increasingly had to use federal dollars to meet the expensive rehabilitation needs which result from deferring maintenance.

- **Many capital improvements address problems resulting from deferred maintenance. These improvements are more extensive and, therefore, more costly than maintenance. There is an immediate economic reason for timely maintenance.**



The Transportation Research Board reports that deferred capital improvements cost up to 160% higher than the cost of timely improvements.





As repairs are delayed, costs are also increasing because of inflation and environmental concerns which may include expensive mitigation measures. Because of these factors, the Federal Highway Administration's Composite Bid Price Index reports that between 1972 and 1991, highway construction increased in cost by 195%. By deferring routine maintenance the state is, by default, adopting the most expensive maintenance strategy. The community residents, business people, and industry leaders with whom we conferred expressed a strong dissatisfaction with the current condition of the state's facilities. It is little wonder that the public has urged that we make fixing up our existing transportation system our highest priority.

- **Our deferred maintenance backlog looms with greater urgency and greater cost implications each year.**

Common sense says we should keep our transportation system in good condition. Effective and timely maintenance and improvements are needed if our investments in infrastructure are to be well managed. The condition of our transportation facilities is now forcing Alaskans to pay a hefty "hidden tax."

WE MUST INCREASE INVESTMENT IN TRANSPORTATION IF WE ARE TO HAVE A PRODUCTIVE ECONOMY

If we are to ensure our competitiveness in the regional, national, and international marketplace, Alaska must achieve a balanced and sustainable transportation system.

By deferring routine maintenance the state is, by default, adopting the most expensive maintenance strategy.

- **A balanced system will provide consistently maintained, serviceable facilities and steady, planned growth in the system.**

For the state transportation system to provide adequate support for economic activity, a dual strategy must be pursued. First, the existing transportation system must be better maintained to increase productivity. Second, the system should be enhanced and should grow over time to support economic growth. To have a transportation system capable of supporting the economy, these competing demands must be balanced.



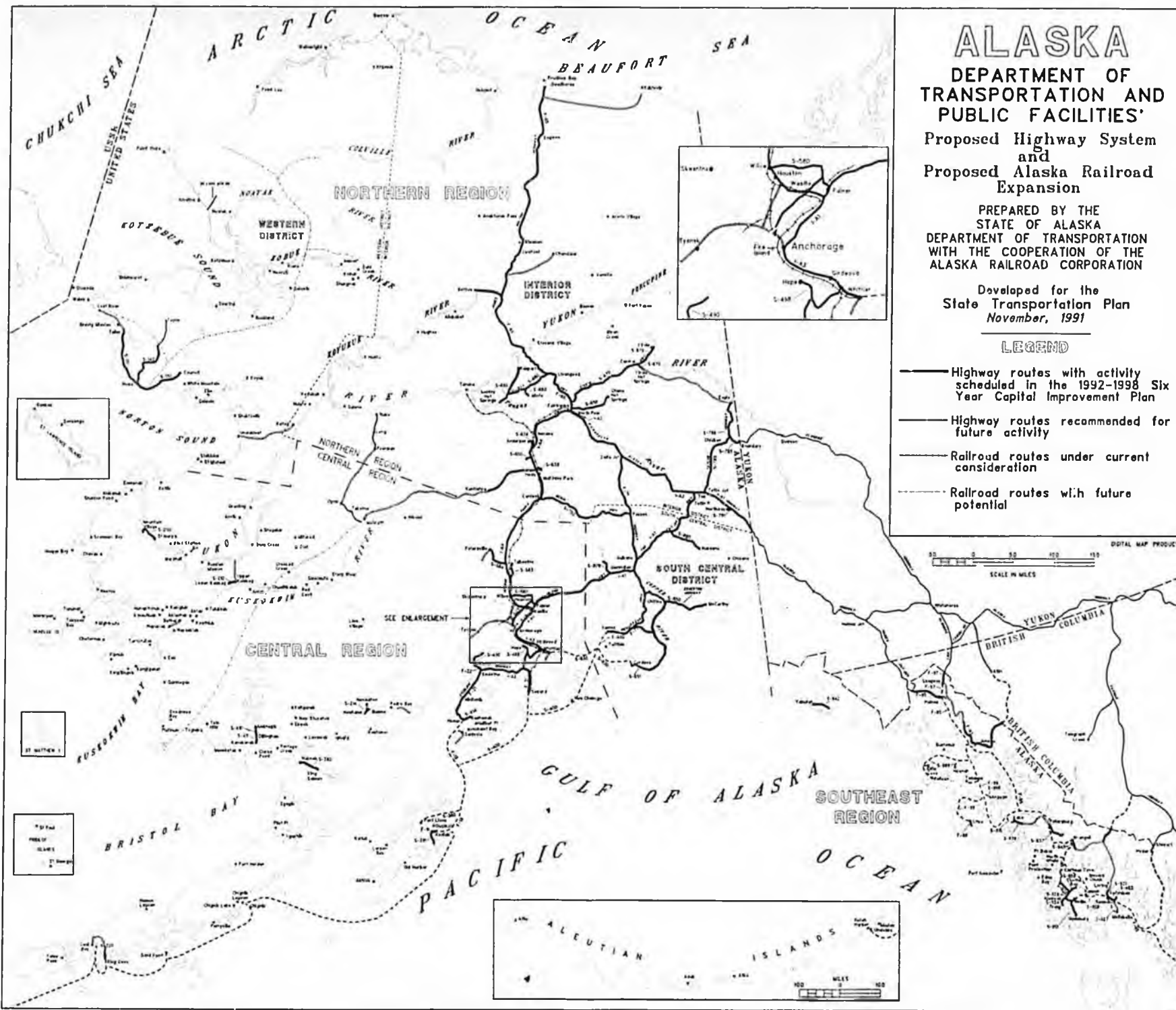
Concern about the need for more aggressive and more focused transportation system expansion is not new. In 1988, a Municipal and Legislative Task Force on Transportation Facilities compiled a report on the delivery of transportation services in Alaska. In its report, the Task Force expressed concern "that future expansion of Alaska's infrastructure for strategic economic development is in danger of stagnation because of the declining funds available for capital projects."

**OUR TRANSPORTATION SYSTEM PROVIDES
ACCESS TO OUR LAND AND RESOURCES, TO
WHERE WE LIVE, AND TO WHERE ALASKANS
WILL LIVE IN THE FUTURE.**

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The map on the following page shows new highway and railroad routes proposed for system expansions in the future. The highway routes in red comprise the department's system expansion initiative (see Action Strategy I, Initiative I.2, page 28). Capital improvement funds to begin work on these projects have been earmarked in the six-year capital plan. These recommended system expansions have evolved from the department's planning process. Although the public process will eventually define the priority of each proposal, we believe expanding the system should be actively pursued.





ALASKA





DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES'

Proposed Highway System and Proposed Alaska Railroad Expansion

PREPARED BY THE STATE OF ALASKA DEPARTMENT OF TRANSPORTATION WITH THE COOPERATION OF THE ALASKA RAILROAD CORPORATION

Developed for the State Transportation Plan November, 1991

LEGEND

-  Highway routes with activity scheduled in the 1992-1998 Six Year Capital Improvement Plan
-  Highway routes recommended for future activity
-  Railroad routes under current consideration
-  Railroad routes with future potential

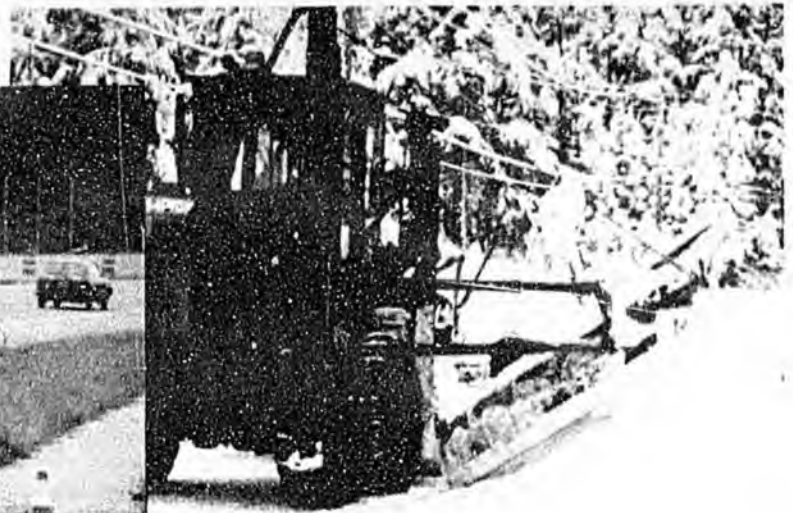
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SCALE IN MILES
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**TO ACHIEVE A BALANCED AND SUSTAINABLE
TRANSPORTATION SYSTEM, WE BELIEVE
BASIC STRUCTURAL CHANGES NEED TO BE
MADE IN THE WAY WE MANAGE OUR SYSTEM**

Two major structural issues will be examined in the remainder of this plan: funding and responsibility. We believe providing for the ongoing needs of the state's transportation system requires major adjustments in how we finance the system and in how responsibility for the system is structured. Making these changes will improve our ability to manage the transportation system and will benefit all Alaskans by more efficiently delivering transportation services.





CHAPTER III

HOW SHOULD WE FINANCE THE TRANSPORTATION SYSTEM?

A transportation agency has two basic responsibilities. The first is to care for existing transportation investments. Properly caring for capital investments requires that routine maintenance be performed on a timely basis. The costs of routine maintenance can be anticipated, and for it to be performed in a timely manner, a stable level of funding is necessary. The second responsibility is to assure that the transportation system will support the economy and society of the future. These long-term responses to the transportation needs of the economy and society are almost always major capital investments. To pursue long-term capital investments, a predictable level of funding is required.

To sustain our transportation system over time, a stable and predictable stream of money must flow into construction and maintenance of our transportation facilities. The following chapter describes how this can happen.



STABLE AND PREDICTABLE FUNDING IS IMPORTANT BECAUSE TRANSPORTATION UNDERLIES THE STATE'S ECONOMIC HEALTH

Positioning ourselves for the future in the global marketplace requires close and early attention to front-end planning. Just like a well-run business, the well-managed transportation agency must devote time and money to positioning itself for the future.

- **It is critical to have funding mechanisms that allow for early project programming.**

Making decisions with a long-range view of the future is more important for transportation than for most other governmental functions. Construction of infrastructure is the required front-end investment for economic growth. The desired outcome, economic growth, may follow some years after the initial investment. Moreover, capital projects require a lead time of at least three years, and may require much longer if complications arise.

- **Without stable and predictable funding, a focus on the efficient use of resources is impossible to achieve.**

Management attention is routinely diverted to the pressing need to reduce services because of funding shortfalls. Providing a stable funding source will ensure that ongoing needs are funded on a routine basis. Managers will then be able to focus on challenges and opportunities facing Alaska in the twenty-first century.

Making decisions with a long-range view of the future is more important for transportation than for most other governmental functions.



- **All levels of government benefit from stable and predictable transportation funding; the economy of Alaska's communities will grow stronger as efficiency improves in the transportation system.**

Passenger travel and freight movement take place through the use of government-provided facilities. Yet, all levels of government in Alaska lack a reliable financial base for meeting their transportation-related responsibilities. We can strengthen the ability of Alaskan transportation agencies to do their jobs by ensuring stable, predictable funding for needed improvements and services at all levels of government.

USER FEES SHOULD BE DEDICATED FOR SPECIFIC TRANSPORTATION SERVICES, PROVIDING A STABLE, PREDICTABLE FUNDING SOURCE FOR THE COST OF THESE SERVICES

In the United States, only Alaska and the District of Columbia lack some form of dedicated funding for transportation.

Transportation is different from many government services in that use of the transportation system generates a distinct stream of revenues. The fuel used by motor vehicles as they travel through the system is taxed when it is sold. Other fees are also collected, including registration fees for the vehicles that use our highways, license fees for vehicle drivers, and facility-specific fees such as landing fees at airports or moorage fees at harbors. This distinct set of user fees can be "dedicated" for specific transportation services, thereby linking the services received with the cost of doing business. In the United States, only Alaska and the District of Columbia lack some form of dedicated funding for transportation.



... the public's response was clear: if transportation system user fees are increased, it must be guaranteed that these funds will be used to support transportation.

- **Without a direct linkage between services and their costs, expectations are seldom restrained by fiscal realities.**

In turn, unrealistic expectations create frustrations for users as well as for government officials at all levels of government. Dedicated funding provides the direct linkage.

- **Dedicated transportation system user fees should pay the costs of managing the investments we have in our transportation facilities.**

Transportation facilities should be managed as public capital assets. To the extent possible, operational costs associated with facility management should be paid by the users most clearly linked to the use of the facility.

TRANSPORTATION SYSTEM USER FEES SHOULD BE INCREASED

Frustration with the current condition of the state's transportation facilities is increasing the level of public support for raising state revenues to support transportation improvements.



- **The transportation system should be financed to a much greater extent through user fees, dedicated to the mode from which they are collected.**

Indications during the statewide public meetings were that Alaskans are willing to pay more user fees to improve service

levels. However, the public's response was clear: if transportation system user fees are increased, it must be guaranteed that these funds will be used to support transportation.

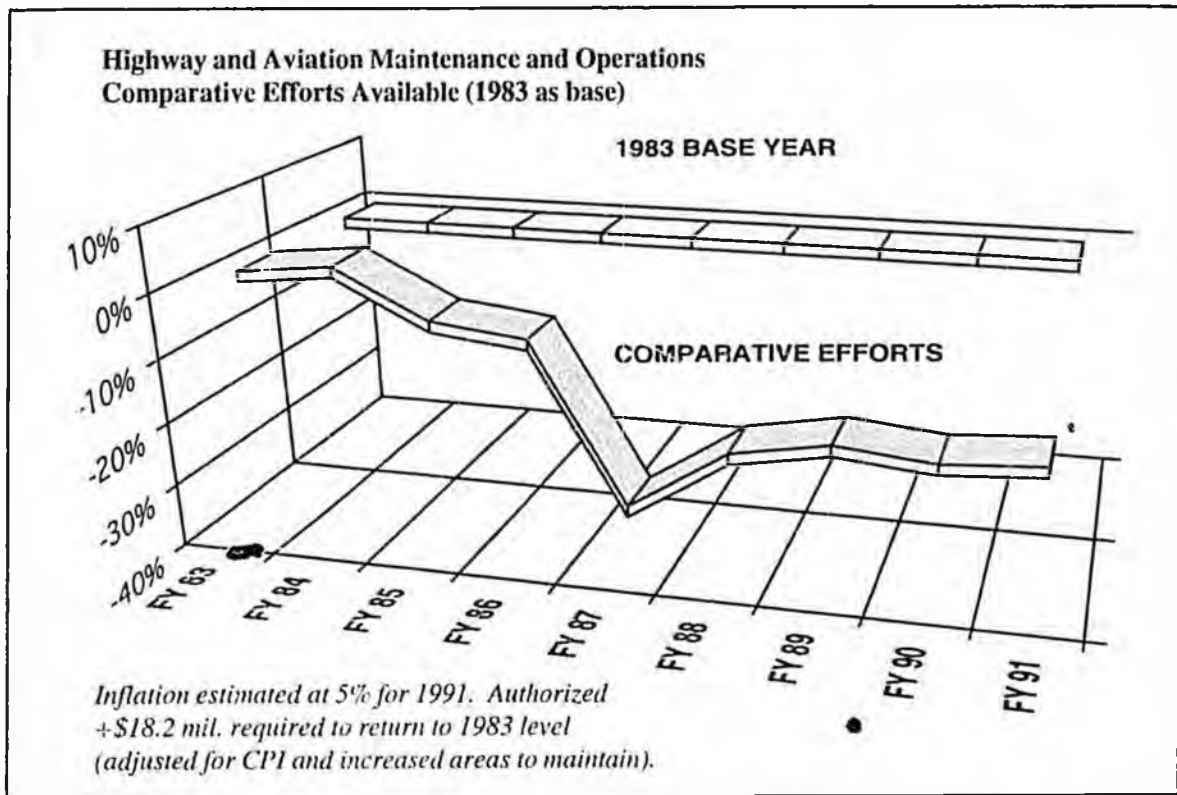
- **Alaska is far behind most other states in financing transportation through user fees.**

In the last ten years little attention has been paid to generating enough resources to fund Alaska's transportation system needs. For example, for 1991, Alaska's income per vehicle from annual state highway user taxes on a typical 5-axle tractor and trailer



is the lowest in the nation. Likewise, the national average for state gasoline tax is 18 cents, as compared to Alaska's 8 cents which is the lowest in the nation and has not been increased since 1961.

- **As available resources have continued to shrink, both state and local governments across Alaska are finding it increasingly difficult to meet their transportation responsibilities.**

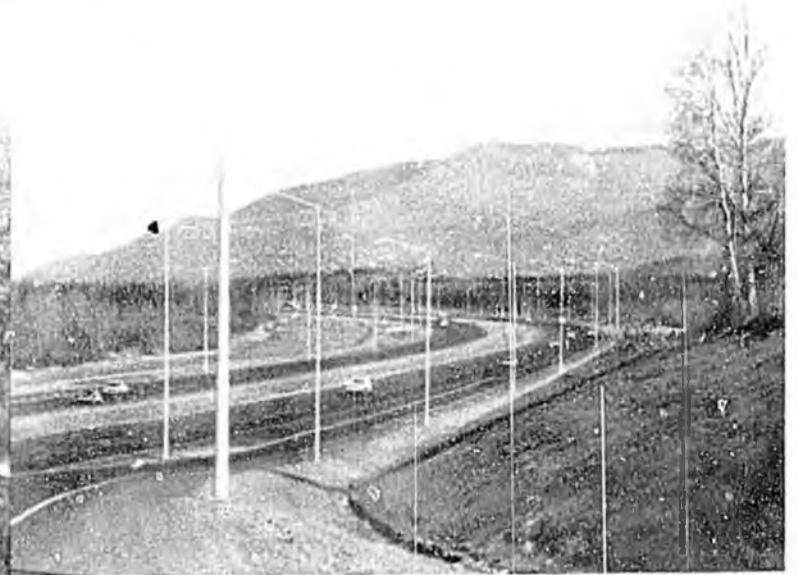
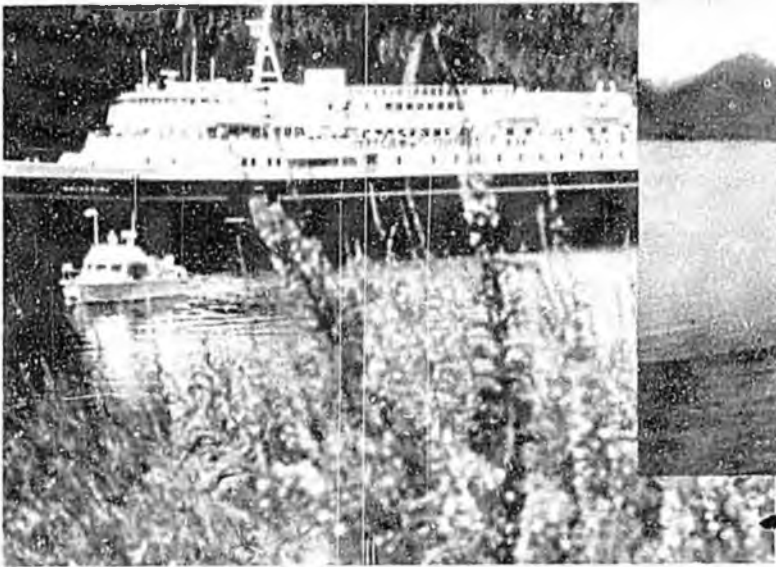
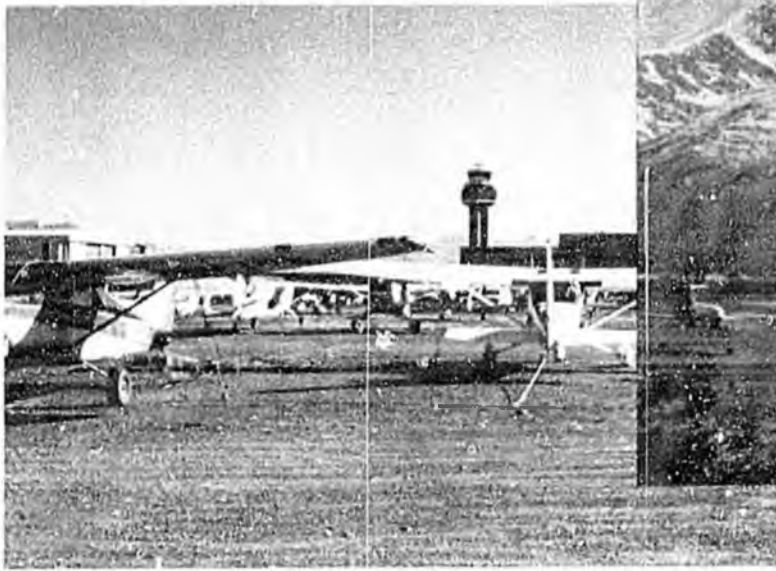


During the years since statehood, Alaska's population has more than doubled and facility use has continued to climb. As demand for maintenance services increases due to wear and tear and revenue declines, we are forced to do less for all parts of the system we operate and maintain. We are now at the point of providing an inadequate level of service to the state's roads, airports, and harbors.

- **The result of inattention is a dangerous decline in the comparative availability of maintenance and operations funding.**

Funding instability, and the lack of a tie between needs, costs, and funding are most damaging to maintenance and operations.





CHAPTER IV

WHAT IS APPROPRIATE TRANSPORTATION RESPONSIBILITY FOR EACH LEVEL OF GOVERNMENT?

Responsibility for the state's transportation system is currently handled through an illogical mix of arrangements. No single theme emerges from the current system. Aligning responsibility to match the respective unique abilities of different levels of government will eliminate wasted effort and provide the ability to focus resources on critical needs.

When the state acquired most of its transportation facilities, few organized local governments existed. As a result, the state had to spread its resources across the full range of responsibilities, from major airports to the smallest village streets. Although some communities have by now assumed responsibility for their own local-use facilities, the state is still involved in the maintenance and operation of facilities assumed in the past without thought to a reasonable responsibility pattern.



WE NEED A MORE LOGICAL PATTERN OF RESPONSIBILITY FOR TRANSPORTATION FACILITIES

The problems caused by illogical patterns of responsibility impacts the ability of both state and local governments to care for the transportation system.

The state is not ideally equipped to deal with local concerns. The organizational and personnel constraints of a large statewide agency inhibit its ability to deal with local problems and cause responses to be slower.

- **Discussion of transportation responsibility is characterized by confusion and misunderstanding.**

Talk of transferring local facilities to local jurisdictions is often complicated by the lack of adequate financial resources. Additionally, communities evaluate proposed transfer policies for fairness. Often, solving these related problems seems to be an overwhelming task, and the participants withdraw, hoping the status quo will be good enough for a while longer.

- **State maintenance of local-use facilities results in inefficiency and reduced accountability.**

The state is not ideally equipped to deal with local concerns. The organizational and personnel constraints of a large statewide agency inhibit its ability to deal with local problems and cause responses to be slower.

- **The state is prevented from focusing attention and resources on statewide issues important to a mature, productive economy.**



Local residents are the best judges of the level of service that is acceptable and needed.

The inefficient distribution of the state's maintenance responsibilities to local-use facilities is a major contributing factor to the system malfunctioning. This is why the 1988 Municipal and Legislative Task Force on Transportation Facilities recommended a realignment of responsibility, clarification of areas of responsibility, and transfer of some transportation facilities from the state to local governments. As our economy develops, the state will need to focus a larger share of its resources on the statewide transportation system so vital to a vibrant economy. As the state focuses more and more on the core transportation responsibilities recognized to be vital for commerce, the local system will begin to deteriorate at a faster pace.



TRANSPORTATION SERVICES SHOULD BE PROVIDED WITH A LOGICAL DIVISION OF LABOR AMONG APPROPRIATE GOVERNMENT ENTITIES

A more logical division of labor for transportation services was the chief recommendation of the 1988 Municipal and Legislative Task Force on Transportation Facilities.

- **To the extent possible, transportation services should be provided by the government closest to those citizens receiving the service.**

As problems with service arise, residents can contact a nearby official who knows the situation and can respond quickly. Local residents are the best judges of the level of service that is acceptable and needed. Moreover, local governments should control the interaction of transportation facilities and local land use considerations.



SHARING REVENUES IS ESSENTIAL TO REALIGNING RESPONSIBILITY

The department, local officials, the concerned public, and the legislature must work together to accomplish revenue solutions. We need arrangements that equitably share responsibility, costs, and benefits. A mechanism for assigning reasonable revenue sharing to go with reasonable responsibility has been the key missing link in the proper management of the transportation system.

- **The state needs financing mechanisms whereby revenue can be directed to the appropriate management entity.**

Funding needs to follow responsibility. Although municipal revenue sharing provides some funds to local governments for road maintenance, new financing arrangements are needed to direct more reasonable levels of revenue to the appropriate locations.

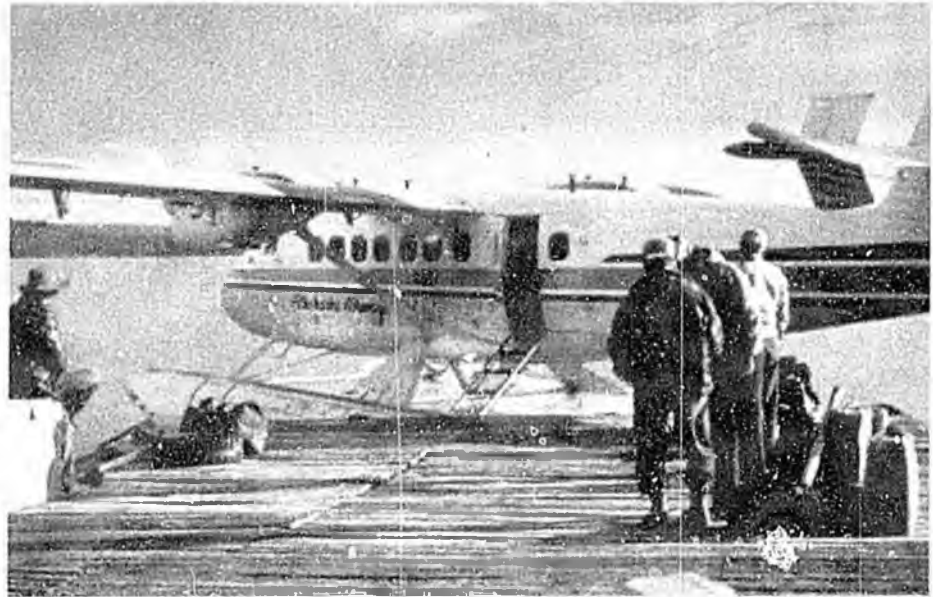
- **The transfer effort must be coupled with a financing package for each transportation mode based on the realistic opportunities for revenue generation for that mode.**

A mechanism for assigning reasonable revenue sharing to go with reasonable responsibility has been the key missing link in the proper management of the transportation system.



All parties will need a clear understanding of how various activities will be financed. An equitable transfer process will require consensus on where and how locally-generated revenues should be applied, and in what manner state administered revenues will be allocated.



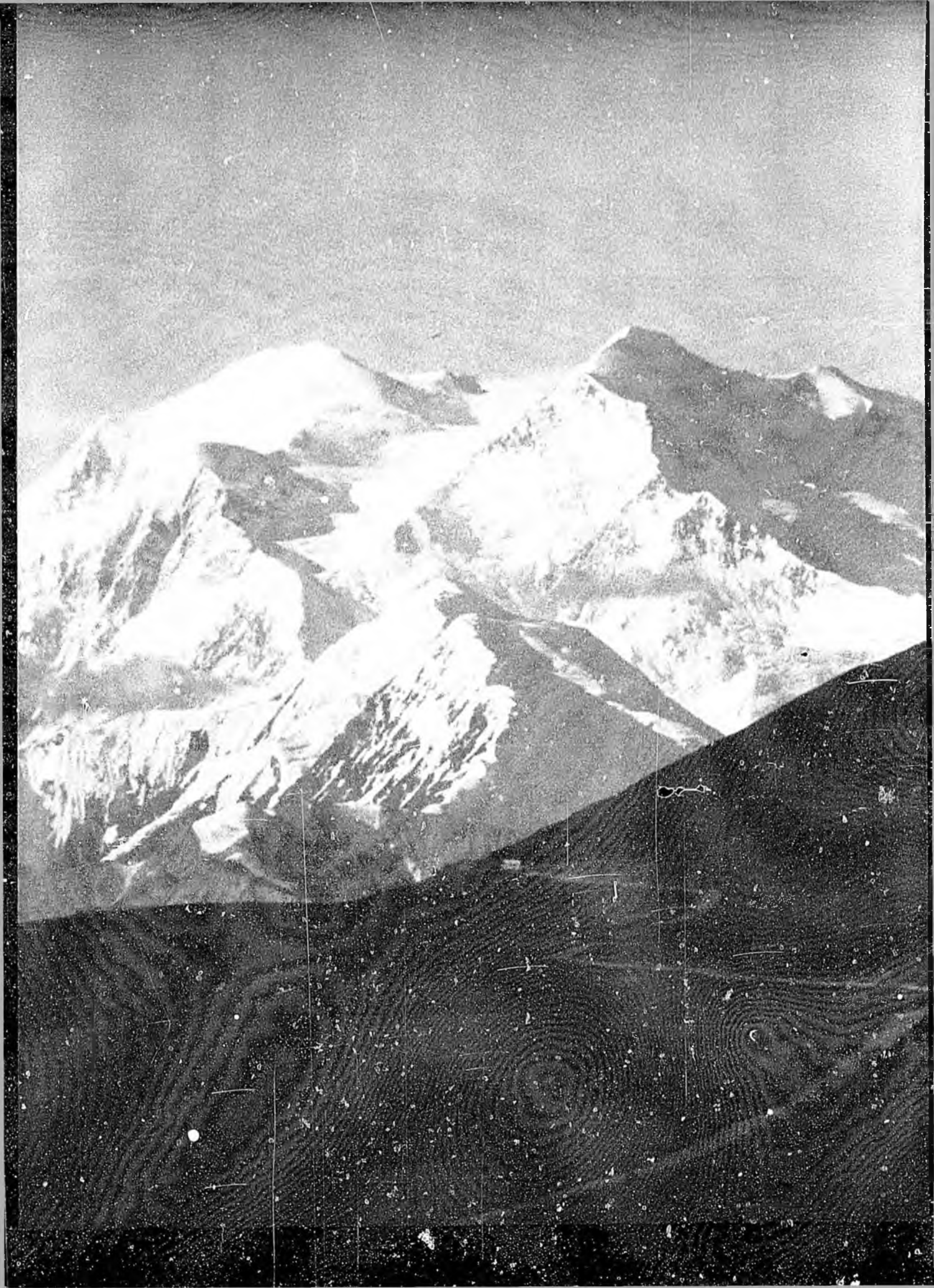


- **Transportation system user fees need to be increased so that all providers have adequate resources to carry out their accepted responsibilities.**

All ventures require adequate resources to succeed, and the actual provision of resources is key to development of the trust needed for all to work together.

More than ever, we should begin in earnest to agree to an approach and work together for mutual benefit. We must establish consistency and equity to overcome the divisiveness which has hurt the interests of all stakeholders in the system.





CHAPTER V

A MANAGEMENT ACTION PLAN FOR THE TRANSPORTATION SYSTEM

The success of any planning effort can be gauged by the accomplishment of its goals. Identifying the problems and needed policy changes in Alaska's transportation system required the counsel and assistance of other state agencies and many other organizations and people outside the department. Similarly, many of the plan's recommendations require changes in the way we do business and a continued cooperative effort among various interest groups. The following strategies and initiatives proposed by the department create the MAP - Management Action Plan - for the transportation system which will help move Alaska into the twenty-first century.



ACTION STRATEGY I: INCREASE STATE INVESTMENT IN TRANSPORTATION

Initiative I. 1. Increase funds to manage our transportation assets.

As part of its Capital Improvement Program (CIP) submission, the department will request a higher level of state funding to rehabilitate highways, airports, and harbors. The goal of this program will be to eliminate the state's deferred maintenance backlog. In the long-term, funding dedicated to each mode should include operation expenses sufficient to prevent deferring maintenance.

Initiative I. 2. Earmark funds for statewide system expansion.

The 46% increase in federal funding over the next six years will provide for both an expanded rehabilitation program and a commitment to system expansion. Accordingly, department policy has been changed to commit a portion of the CIP to a Statewide System Expansion Program. Under the new policy, selection of system expansion projects for funding is based on regional and resource agency recommendations. In addition to satisfying a cost/benefit analysis, priority consideration is given to projects that develop more than one resource or that have alternate financing (e.g., contributions from private entities or a toll facility). Seven highway projects (see system map) and replacement of one Alaska Marine Highway System vessel have been identified for priority attention during this plan period.

Initiative I. 3. Preserve future transportation corridors.

The department will continue to identify lands which should be protected for future transportation corridors. The preliminary identification has been submitted to the Department of Natural Resources for possible land selections to satisfy remaining statehood entitlements.

Initiative I. 4. Provide additional access opportunities in rural areas.

To further the policy of increasing transportation access in all areas of the state, the department will develop a management system to manage valid and asserted Revised Statute (RS) 2477 rights-of-way. The process will provide state oversight of all valid and asserted RS 2477s developed as public thoroughfares. All valid and asserted RS 2477 rights-of-way will be managed by the department according to 17 AAC 05.



Initiative I. 5. Promote economic development through interagency action.

The Department of Transportation and Public Facilities, the Department of Natural Resources, and the Department of Commerce and Economic Development will comprise an action group to facilitate economic development expansion projects where the state is expected to participate. In addition to coordinating the three agencies' activities, the group will prioritize projects, develop cost/benefit analyses, and coordinate project presentation.

Initiative I. 6. Establish Alaska's Scenic Highway System.

The department will designate land and marine highway routes as scenic. Scenic designation capitalizes on the many opportunities to view Alaska's beauty from our highways and ferries. Through cooperative efforts with federal agencies, several of these routes can be incorporated into national programs promoting scenic byways. Further refinement and definition of the Scenic Highway System will take place during update of the Highway System Plan.

ACTION STRATEGY II: STABILIZE AND INCREASE FUNDING FOR TRANSPORTATION

Initiative II. 1. Promote dedicated funding.

The department will actively support legislation which places on the ballot a constitutional amendment establishing dedicated funding for transportation. Dedicated funding should provide for maintenance and for operating costs associated with managing the capital assets of the state's highway and aviation systems. For the port and harbor system, dedicated funding should provide a funding source for capital improvements. The department will work with external support groups to promote passage of the constitutional amendment necessary to create a dedicated fund. The dedicated fund should be equitably shared with local governments.



Initiative II. 2. Provide for immediate revenue needs through interim measures.

The department has begun to identify short-term revenue options through consultation with interested groups and individuals. For example, a Rural Airport Revenue Task Force, consisting of representatives of the department and the rural aviation industry, is currently evaluating alternative revenue measures. Also, the Alaska Marine Highway System continues to analyze routes, schedules, and rates to identify ways to increase revenues while meeting service commitments.

Initiative II. 3. Establish revenue targets for managing each transportation mode.

The department will analyze: a) the capital needs of the system, b) the level of maintenance that should be provided, and c) the costs that should be allocated to specific user groups. Ongoing system planning for each mode will accomplish these tasks and will incorporate public input. The results will lead to a better understanding of the revenue needs for the transportation system.

Initiative II. 4. Prepare a financing plan for each transportation mode.

Using information from the system plans, the department will provide a financial plan for each mode. This modal financing proposal will be presented to the legislature as part of the next State Transportation Policy Plan.

***ACTION STRATEGY III: TRANSFER
RESPONSIBILITY AND SHARE REVENUES***

Initiative III. 1. Form a Working Group of Municipal and State Officials to develop an equitable sharing relationship for responsibility, costs, and revenues.

The department, working with the Governmental Roles Task Force, will convene a working group of local officials, legislators, and department officials to develop agreement regarding the distribution of responsibilities, costs and revenues for transportation facilities. The Working Group should also make recommendations to the legislature to solve any legal impediments to the transfer program. The Working Group will provide guidelines for the system planning process as it addresses realignment of responsibilities and financing.



Initiative III. 2. **As part of the transfer program, propose and advocate for equitable distribution of dedicated funding.**

As part of the transfer program, the department will promote an equitable way to share dedicated revenue with local governments when responsibility is realigned. The new provisions will more fully and equitably return to local governments transportation-related revenues in place of the current revenue sharing program.

Initiative III. 3. **Propose and advocate for funding to rehabilitate local-use facilities.**

Working with local governments, the department will support rehabilitation of local-use facilities as part of the transfer program. When the Working Group reaches agreement, local-use facilities should be rehabilitated before transfer to avoid an unfair burden on local governments.

Initiative III. 4. **Continue to pursue opportunities for the transfer of responsibility.**

The department will continue transferring facilities and operations wherever possible within the intent of the policies proposed in this document.





EPILOGUE

HOW WILL THE STRUCTURAL CHANGES RECOMMENDED BY THIS PLAN AFFECT EACH MODE?

The publication of *Tomorrow's Alaska: Transportation for the Twenty-first Century* represents the beginning of a new way of doing business for the department. This new way of doing business becomes more pronounced as the policies of this plan are applied to each mode of transportation. As part of the department's system planning process, each mode will be individually examined and analyzed to implement the policies outlined in this document. For this purpose, the following pages provide more specific management direction for each mode.



PREPARATION OF MODAL SYSTEM PLANS PROVIDES THE OPPORTUNITY TO FORMULATE POLICY IN A COORDINATED MANNER

The department's system planning process emphasizes public involvement in formulating state policy for a specific transportation mode. During the 1980's, system plans were prepared for aviation and highways. Update of these two plans will begin early in 1992 and will provide interested parties with a forum for resolving issues and concerns that impede change. Similarly, in conjunction with local officials, we will establish strategies for Alaska's ports and harbors.

- **Local governments will be asked to contribute to further development of policies for each mode.**

Our objective must be to broaden the role of local governments in transportation. Through cooperative efforts, we can establish a system-wide approach for each mode. New policies are needed to address equitable sharing relationships for responsibilities, costs, and revenues. The Working Group of Municipal and State Officials will resolve transfer issues of technical expertise and adequate resources. The Working Group will provide the forum for agreement on what capabilities must be in place for local governments to play a more active role in management of the transportation system.

- **Past efforts of similar working groups provide a solid foundation for improving responsibility and financing arrangements.**

The pioneering work of the 1988 Municipal and Legislative Task Force on Transportation Facilities stressed the importance of dedicated funding in improving the delivery of transportation services. Recently, the members of the Port and Harbor Task Force emphasized how important it is to plan for the best use of limited funds. Groups such as the Rural Airport Revenue Task Force assist in state decision-making on how to best raise transportation revenues. The department is already working with the current Task Force on Government Roles to coordinate with the activities of other public agencies. The work of these groups provides an important ingredient for success as the department prepares system plans for individual modes of transportation.



System planning ensures statewide coordination as we plan for the future of Alaska's transportation system. We recommend the following policy directions for implementation through the system planning process. These policy directions were developed after analysis and discussion during the planning process. They highlight our assessment of where we need to head for a successful transition to new responsibility and financing arrangements.



WE MUST PURSUE OPPORTUNITIES FOR MUNICIPAL GOVERNMENTS TO BECOME AIRPORT OPERATORS

Air transportation is fundamental to the mobility of Alaskans. Moving people and goods by air is key to our economic vitality. State government will play a continuing role in meeting airport capital improvement needs. At the same time, more municipal governments must assume the responsibility for airport operations. In most cases, operation of the facility will involve ownership of the airport.

- **State and local governments must work as partners in providing airports to all parts of Alaska.**

More municipal governments must be encouraged to operate public airports. However, municipal governments must have the technical expertise and resources needed to operate and maintain them. Through the Working Group, we will reach agreement on what is needed for more cities and boroughs to become airport operators.



- **We should clearly define the state's responsibility for managing certain types of airports.**

A basic function of government is to ensure that each part of the state can be reached by aircraft. While local operation will be emphasized, the state will continue to be the primary provider of several types of airports. State airports should continue to serve communities in those parts of Alaska without surface connections to the state highway network. State airports also play a role in serving the transportation needs of resource developments and recreational sites. Additionally, some remote airports are needed for system continuity, and for special purposes such as emergency response. Through update of the Aviation System Plan, we will better define the state role in managing these airports.



CHANGES IN AIRPORT FINANCING ARE NEEDED TO MAXIMIZE LOCAL MANAGEMENT

- **The system planning process will develop recommendations on how to finance Alaska's airports.**

Update of the Aviation System Plan will lead to recommendations for funding airport maintenance and operations from user fees. This structure will also include provisions that enable municipal airports to be self-supporting based on guidelines established by the Working Group. The system planning process will forecast maintenance costs for the aviation system. Further analysis will allocate to different users their share of the costs of airport maintenance and operations. The most important part of the financial analysis is the assessment of the best combination of rates, fees, and taxes to enable users to pay these airport costs.



- **Use of federal funds will be guided through the Capital Improvement Program.**



Statewide management of capital improvement efforts establishes need as the paramount basis for selecting among proposed improvements. Special attention needs to be directed to making cost-effective choices between the modes. In selecting projects, the department will evaluate alternatives such as highways when considering high-cost improvements at remote locations. The highway alternative may make more sense when the point to be served is relatively close to another public airport. We will continue to rely on state appropriations and grants from the federal Airport Improvement Program to rehabilitate and upgrade state and municipal airports.



WE MUST IMPLEMENT NEW DIRECTIONS THROUGH OUR CONTINUED WORK WITH THE PORT AND HARBOR TASK FORCE

Water-borne transportation is critical to our well-being. Most freight arrives by water, and basic industries such as fishing and tourism rely on the transportation capabilities of our waterways. Local authorities and the private sector are leaders in meeting many pressing needs for ports and harbors. Further progress could be encouraged if the legislature authorized the formation of regional authorities with responsibilities for ports of commerce.

In the spring of 1991 the Port and Harbor Task Force confirmed that we face an immense backlog of rehabilitation work. Currently, revenues from the state tax on marine fuels do not fully fund repayment of state bonds issued for ports and harbors after statehood. However, bond debt payments will drop dramatically in the next few years. The time is right for developing a new statewide port and harbor program.





LOCAL AUTHORITIES NEED A STATEWIDE PROGRAM TO FUND CAPITAL IMPROVEMENTS

- **Dedicated funding for marine fuel taxes should provide for state facilities and should be used to establish a Statewide Harbors Fund.**

Dedicated funding needs to provide for repayment of state bond debt and the needs of harbors that remain in state ownership. The use of federal funds for navigational improvements requires a matching contribution that should also be paid. Additional dedicated revenue should be placed in a Statewide Harbors Fund for capital improvements. Criteria must be established for capital project needs to be met by the Statewide Harbors Fund.

- **We must preserve our investment in harbors.**

Ownership transfer will establish local authorities as fully responsible for harbor management in each community. Local authorities must establish funding sources that enable long-term preservation of harbors. Through system planning we can assist in establishing an equitable fee structure that works well on a... system-wide basis.



WE NEED TO BUILD A PARTNERSHIP WITH LOCAL GOVERNMENTS TO MAINTAIN THE HIGHWAY SYSTEM

Highway transportation is the source of daily mobility for most Alaskans. Well-maintained highways and ferries are key to our economic vitality. State and local governments must work as partners in meeting statewide, regional, and areawide needs for mobility. Agreement by the Working Group will help to overcome roadblocks that keep the state-local



partnership from working. Statewide and regional needs are met by state highways and ferries which provide year-round access to many of the state's communities. Local responsibility must be emphasized for roads that provide areawide mobility.

- **The Working Group will define by maintenance station how road responsibility should be aligned.**

Agreement needs to be reached on what roads are local responsibility. The Working Group should review each maintenance station jurisdiction to determine appropriate responsibilities for each road. This analysis should also take into account specific

maintenance patterns that will provide for the most efficient use of resources.



- **Through system planning, the department will better define its responsibility for land and marine highways.**

A basic function of state government is to build and operate a state highway network. Clearly, the network should provide for long-

distance travel by connecting our urban centers. The state's rugged terrain, particularly in coastal areas, leads to the use of marine highway links to reach many communities. We need to define a network of land and marine highway links that serves statewide and regional travel. Currently, the Alaska highway system includes too many routes that do not serve long-distance travel. Identification of a state highway network will better define the state role in providing highway transportation to Alaskans.



- **The department will designate portions of the highway system for special uses.**

Current designations include industrial use and scenic highways. Industrial use agreements enable heavier loads to be hauled on state highways. Under these agreements, private firms pay for upgrades so that highways are strong enough to handle extra-heavy vehicles. The department will consider possible designations for other purposes such as public safety and weight enforcement. The installation of better communications (e.g., emergency call boxes) along some highways will enhance public safety. We should evaluate how modern technology can improve the deployment of vehicle weight enforcement efforts.



CHANGES IN HIGHWAY FINANCING ARE NEEDED TO MAKE THE PARTNERSHIP WORK

- **The system planning process will develop recommendations on how to finance Alaska's highways.**

Update of the Highway System Plan will lead to recommendations for funding maintenance and operations from user fees. The system planning process will forecast maintenance costs for the highway system. Further analysis will allocate to different users their share of the costs of maintenance and operations. The most important part of the financial analysis is the assessment of the best combination of fees, taxes, and sharing ratios for funding these costs.



- **Financing for Alaska Marine Highway System operations will continue to be based on the system fund concept.**

Fees collected for each passage are credited to the system fund, and pay approximately half the cost of marine highway operations. This approach can be incorporated into the dedicated fund. Future planning for the system fund must address how to finance different types of marine highway service. The process of setting financial goals for the system fund is complicated because the system provides several types of service. As with other modes, the goal must be to generate revenue to meet the costs of operating and maintaining the system.

- **State and federal capital funds for highways will be allocated through the Capital Improvement Program.**

Through the system planning process, the department will improve the way the Capital Improvement Program identifies the most needed projects. Requirements for the use of federal funding will be clarified after Congress revamps and extends the federal program for another five years. Legislation about to pass in Congress would allow more flexibility in how federal highway dollars are spent. The federal government will place increasing reliance on the department's management of the Capital Improvement Program. More flexibility will require that the process is adaptable to the new options available for consideration.



APPENDIX



HOW A DEDICATED FUND WORKS

With a dedicated fund, Alaskans will receive more stable service levels, and facilities can be better managed for their long term investment value.

Dedicated funding guarantees that public payments for use of the transportation system can be used only to take care of the system. A dedicated fund works by segregating transportation user taxes and fees from state general funds. These user fees—fuel taxes, and other related fees—can be appropriated only for work on highways, airports, and harbors.

Managing transportation facilities (i.e., capital investments) and keeping them useable (e.g., snow removal) requires stable and predictable funding. The best method of guaranteeing stable and predictable funding is by dedicating revenue from public use of the transportation system. In Alaska, dedicating revenue to a specific purpose requires voter approval of an amendment to the state constitution.

With a dedicated fund, Alaskans will receive more stable service levels, and facilities can be better managed for their long-term investment

value. A dedicated fund segregates revenues to provide the resources necessary to manage assets of the transportation system. The concept recognizes that investments in infrastructure require a commitment to protect and care for them. And, if transportation spending needs to be increased, Alaskans will be assured that any increase in revenue will go directly to their transportation system.



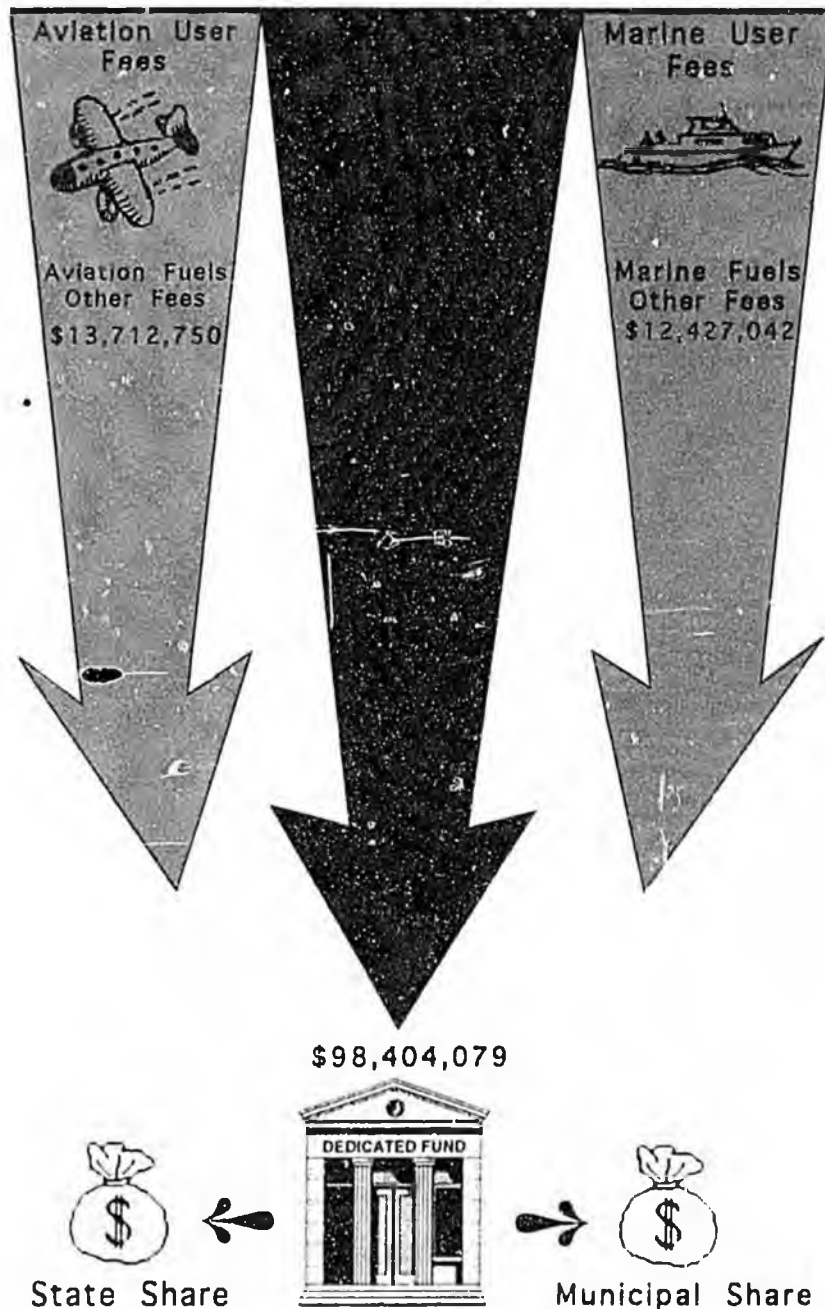
Legislative resolutions are already pending that would put before the voters a constitutional amendment to establish a dedicated transportation fund. If adopted, the amendment would guarantee that payments made for use of the transportation system will go only to support the system.

Both pending legislative resolutions propose creation of create separate dedicated funds for each mode. Under this arrangement, ferry ticket receipts would support the ferry system, motor fuel taxes, fees, and vehicle registration fees would support our highways, aviation fuel taxes and airport leases would support our airports, and marine fuel taxes and related user fees would support Alaska's harbors.



A dedicated fund strengthens the partnership between the legislature and the asset managers. Each have clear and distinct roles and responsibilities which will be better performed when all are focused clearly on the needs of the system. The equation is simple. Use of the facilities generates the revenue stream. The asset managers of each mode establish the needs and recommend how much different types of users should pay. The legislators consider the information provided by the managers and appropriate the money according to the policies they want to pursue. The managers implement the policy.

FY/94 PROJECTED REVENUE FLOW*



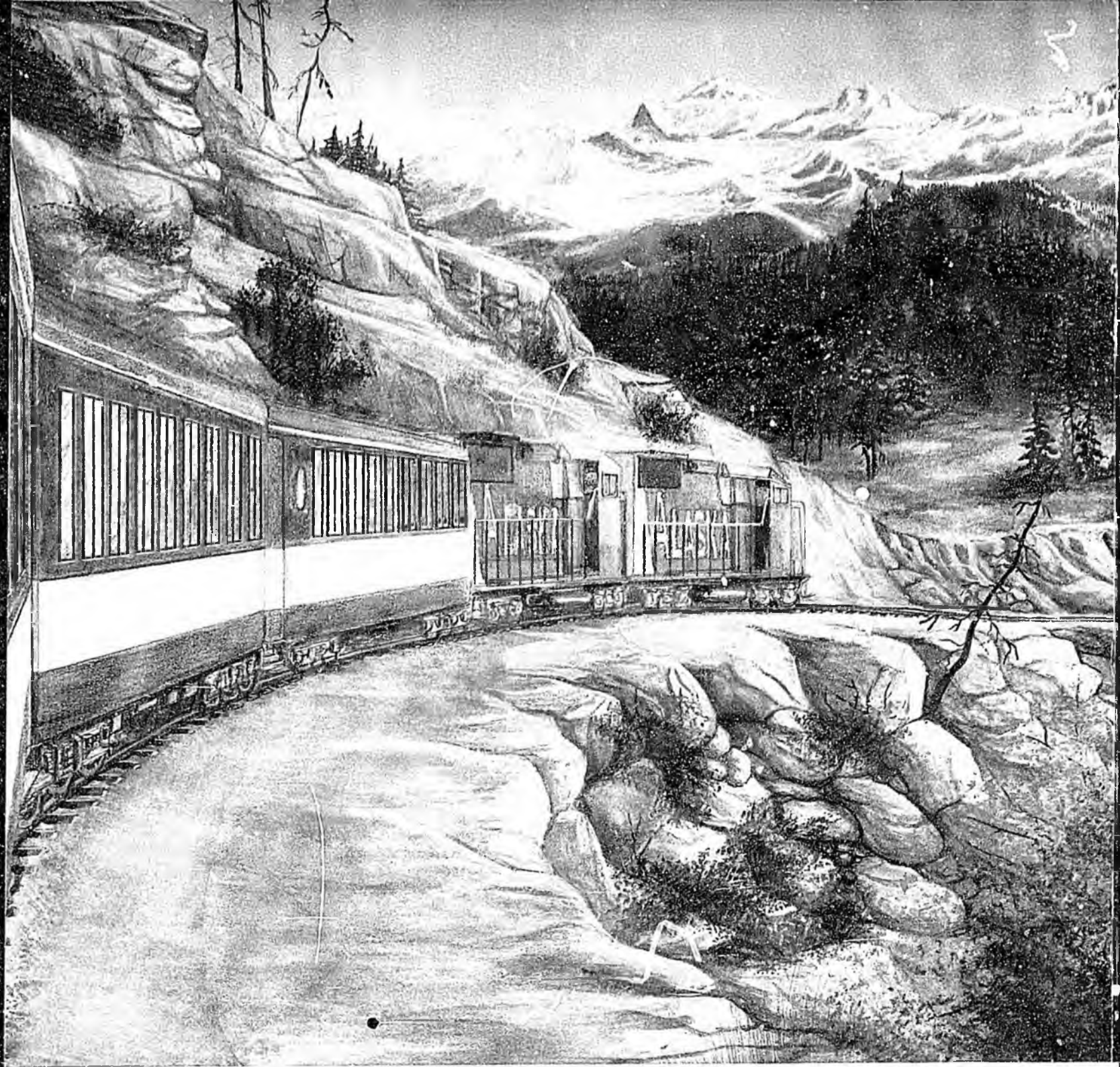
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Thanks to the Division of Tourism for supplying the pictures used on the title page, facing page one, and pages 9, 16, 17, 23, 26 and 39.

This publication was released by the Department of Transportation and Public Facilities. 2,500 copies were produced at a cost of \$2.55 per copy. This cost statement is required under AS 44.99.140. This publication was printed in Juneau, Alaska.





DEDICATED FUND

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December, 1991
Alaska State Transportation Policy Plan

*Prepared by the Office of Strategic Management,
Planning and Policy*

**Department of Transportation and
Public Facilities**

Frank G. Turpin, Commissioner



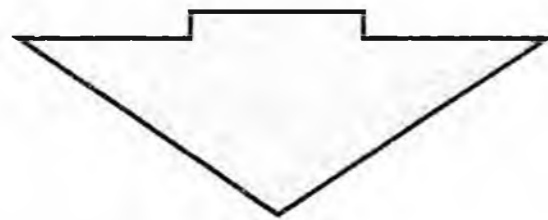
Transportation for the Twenty-First Century

Tomorrow's Alaska will require a balanced and sustainable transportation system. To balance the system, we need to focus on expansion requirements and careful asset management. At the same time, we must provide a stable revenue stream to sustain the system for future generations. To achieve this goal, structural changes are needed. The state, local officials, and users of the system must become partners to forge new roles in both management and responsibility for the system. This partnership is critical to success in building the transportation system for Tomorrow's Alaska.

What improvements are needed to support economic growth, productivity, and our quality of life?

We need to increase the state's level of investment in system expansions and enhancements to support economic and community activity. A balanced system will provide steady, planned growth in the system as well as consistently maintained and useable facilities.

Alaska's competitive position in the U.S. and world economy is at stake. Transportation plays a critical role in facilitating economic diversification, in supporting economic and community activity. Lack of investment in transportation, both in the existing system and to provide for future growth, threatens our economy.



ACTION STRATEGY I

Increase State Investment in Transportation

Initiatives

- I. 1. Increase funds to manage our transportation assets.
- I. 2. Earmark funds for statewide system expansion.
- I. 3. Preserve future transportation corridors.
- I. 4. Provide additional access opportunities in rural areas.
- I. 5. Promote economic development through interagency action.
- I. 6. Establish Alaska's Scenic Highway System.

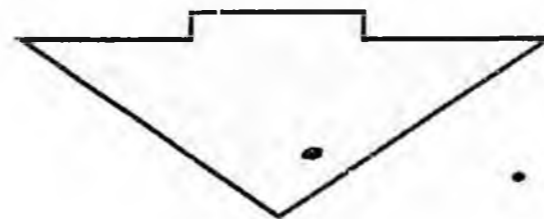
How should we finance the transportation system?

We need to dedicate revenue from user fees to provide stable and predictable funding for transportation infrastructure which is the underpinning of a healthy economy.

We need a dedicated fund to wisely manage the investment we've made in our transportation assets. Further, the direct linkage between services and their costs will help keep expectations aligned with fiscal realities.

Transportation system user fees should be increased.

Alaska is far behind most other states in financing transportation through user fees. The result of this inattention to funding requirements is a dangerous decline in the maintenance and operations funding necessary to keep our existing transportation system in good condition.



ACTION STRATEGY II

Stabilize and Increase Funding for Transportation

Initiatives

- II. 1. Promote dedicated funding.
- II. 2. Provide for immediate revenue needs through interim measures.
- II. 3. Establish revenue targets for managing each transportation mode.
- II. 4. Prepare a financing plan for each transportation mode.

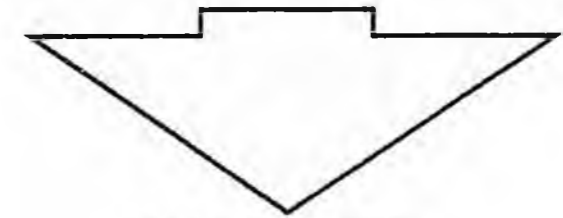
What is appropriate transportation responsibility for each level of government?

We need a more logical pattern of responsibility for transportation facilities. To the extent possible, transportation services should be provided by the government closest to those citizens receiving the service.

The current hodge podge of responsibility leads to confusion and misunderstanding. State maintenance of local-use facilities results in reduced accountability, and the state is prevented from focusing attention and resources on statewide issues important to developing a productive economy.

Sharing revenues is essential to realigning responsibility.

A mechanism for assigning reasonable revenue sharing to go with responsibility has been the key missing link in the solution to management of the transportation system. The state needs a mechanism whereby revenue can be directed to the appropriate jurisdictions for financing and management of their responsibilities.



ACTION STRATEGY III

Transfer Responsibility and Share Revenues

Initiatives

- III. 1. Form a Working Group of Municipal and State Officials to develop an equitable sharing relationship for responsibility, costs, and revenues.
- III. 2. As part of the transfer program, propose and advocate equitable distribution of dedicated funding.
- III. 3. Propose and advocate for funding to rehabilitate local-use facilities.
- III. 4. Continue to pursue opportunities for the transfer of responsibility.