

HJR

5



REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

Committee Substitute HOUSE JOINT RESOLUTION NO. 5 SPONSOR STATEMENT

Updated: March 7, 2000

The adoption of House Joint Resolution 5 will allow the people of Alaska to vote for the opportunity to place a dedicated highway fund, marine highway fund and a dedicated harbor fund within the Alaska Constitution.

By establishing a dedicated fund, Alaska's citizens might be more inclined to accept an increase in the highway and marine fuel tax, if they knew the money would be spent specifically on the maintenance of our highways and harbor facilities.

All states dedicate motor fuel taxes, but states vary in whether the dedication is established by statute or constitution. In Alaska, AS 43.40.010 directs that revenues from motor fuel taxes shall be deposited in a special highway fuel tax account in the state general fund and that the legislature may appropriate funds from this account for transportation purposes. By placing this dedication in the constitution, all monies collected shall be mandated for maintenance.

Transportation is a fundamental component in society's infrastructure. A safe, viable and efficient transportation system provides a reliable corridor towards the other factors in a community's foundation. These other elements include public safety, educational opportunities, proper health care and economic growth. Proper maintenance on the transportation system ensures that all of these underpinnings of public policy will be given a fair chance of delivery and being achieved.

The maintenance portion of the Alaska Department of Transportation's budget has long been inadequately funded. This is evident across our state in the form of potholes, frost heaves, unsafe bridges, inadequate ditching that leads to flooding, little or no vegetation control, little or no sign maintenance and improper guardrail repair. In the wintertime it leads to a lack of snow removal in some areas and poor response times in other areas. It has also led to poor ice control, both on the highways and for the drainage structures, which exacerbates the conditions on the roadway. The stark reality is - people have died on the roadways of Alaska because of the lack of proper maintenance.

Although this dedication may not be enough by itself to fully fund the maintenance of our highways and harbors, it is a step in the right direction. The alternative is deferred maintenance which is considerably more expensive. As it is, the longevity baseline of some of Alaska's highways is uncertain. The lack of proper maintenance these last two decades will eventually cost the state far more than had it been done right the first time.



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P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

Committee Substitute
HOUSE JOINT RESOLUTION NO. 5
SECTIONAL ANALYSIS

Updated: March 7, 2000

1. The first section of this resolution repeals Article IX, Section 7 of the Constitution. It readopts all provisions of Section 7 with minor stylistic changes and specifies the exact date for continuance of any dedications that existed at the date of ratification by the people of Alaska. Article IX is also amended adding three new sections.

2. The second section of this resolution adds language creating a Highway Fund-Section 18. All revenues received after June 30, 2001 from State of Alaska taxes on fuel used for vehicles used on the state's roadways, less administrative costs, shall be placed in a highway fund. The legislature may appropriate money from this fund only for the maintenance costs of these roadways that are maintained by the state or local government. This section does not apply to revenue received from taxes that the state collects on behalf of a local government. The fund shall be properly managed and all earnings shall be deposited into the fund. All other appropriations from this fund may be made with a three-fifths vote of the members of each house of the Legislature.

3. Continuing with the second section, this resolution adds language creating a Harbor Fund-Section 19. All revenues received after June 30, 2001 from State of Alaska taxes on fuel used in and on watercraft shall be placed in a harbor fund. The legislature may appropriate money from the fund only for the construction and improvement of harbor facilities maintained by the state or local government. This section does not apply to revenue received from taxes that the state collects on behalf of a local government. The fund shall be properly managed and all earnings shall be deposited into the fund. All other appropriations from this fund may be made with a three-fifths vote of the members of each house of the Legislature.

4. Continuing, this resolution adds language creating a Marine Highway Fund-Section 20. All revenues received after June 30, 2001 that is generated from the operation of the Alaska Marine Highway System, shall be placed in a marine highway fund. The Legislature may appropriate money from the marine highway fund only for the maintenance and operational costs of the marine vessels and facilities of the Alaska Marine Highway System. The fund shall be properly managed and all earnings shall be deposited into the fund. All other appropriations from this fund may be made with a three-fifths vote of the members of each house of the Legislature.

5. The third section of this resolution is the mechanism by which this resolution would be placed before the voters at the next general election for their consideration.

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HJR5

Revision Date/Time (Note if correction) _____ Dept. Affected Office of the Governor
 Title Constitutional Amendment: Relating to the BRU Elective Operations
creation of a highway fund and a harbor fund Component Elections
 Sponsor Representative Austerman
 Requester House Transportation Committee Component No. 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. However, only six measures can be printed on an 8-1/2 by 14 inch ballot. If this measure requires printing an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Gail Fenuma *Gail Fenuma* Phone 465-3935
 Division Division of Elections Date/Time 1/28/00 10:57 AM
 Approved by Li. Governor Fran Ulmer *Fran Ulmer* Date 01/28/2000
 Agency Office of the Lieutenant Governor

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FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHJR 5(TRA)

Revision Date/Time (Note if correction) _____ Dept. Affected Office of the Governor
 Title Constitutional Amendment: Relating to the BRU Elective Operations
creation of a highway fund and a harbor fund Component Elections
 Sponsor Representative Austerman
 Requester House Judiciary Committee Component No. 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

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Prepared by: Gail Fenuniac *Gail Fenuniac* Phone 465-3935
 Division Division of Elections Date/Time 3/17/00 2:04 PM
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Legislative Research Agency

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Alaska State Legislature



May 30, 1995

MEMORANDUM

TO:

FROM: Linda Brooks *LB*
Legislative Analyst

RE: **Dedicated Highway Funds in Other States**
Research Request 95.205

You requested a list of states with dedicated highway or transportation funds. According to *Earmarking State Taxes*, an April 1995 publication of the National Conference of State Legislators (NCSL), all fifty states dedicate at least a portion of motor fuel tax revenues for transportation purposes. That the NCSL lists Alaska as a state with a dedicated transportation fund may seem surprising, because Article IX, Section 7 of Alaska's Constitution prohibits the establishment of new dedicated funds.¹ However, since Alaska Statute 43.40.010 directs that revenues from motor fuel taxes shall be deposited in a special highway fuel tax account in the state general fund and that the legislature may appropriate funds from this account for transportation purposes, the NCSL holds the view that Alaska essentially has a dedicated transportation fund for all practical purposes.² New Jersey is similar to Alaska with motor fuel tax receipts first going into the general fund and then being appropriated by the legislature for transportation purposes.

¹The Alaska Constitution provides for two exceptions to the prohibition against dedicated funds. Dedicated funds in existence at the time of statehood were allowed to continue. Also, the state may establish a new dedicated fund when it is necessary to participate in a federal program.

²Alaska Statute 43.40.010 separates motor fuel tax revenues into three categories: aviation, watercraft, and all other motor fuel tax revenues. Sixty percent of aviation motor fuel tax receipts are to be returned to a municipality owning and operating or leasing and operating a municipal airport in the proportion that the aviation fuel tax revenue was collected at the airport. All other aviation fuel tax revenues are to be deposited into a special aviation motor fuel tax account in the general fund and may be appropriated by the legislature for aviation facilities. Revenues from watercraft motor fuel taxes are to be deposited into a special watercraft motor fuel tax account in the general fund and may be appropriated by the legislature for water and harbor facilities. All other motor fuel tax revenues are to be deposited into a special highway fuel tax account in the general fund and may be appropriated by the legislature for highways and ferries.

May 30, 1995

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All states dedicate motor fuel taxes, but states vary in whether the dedication is established by statute or constitution. At least twenty-three states dedicate revenues from motor fuel taxes, vehicle licensing, vehicle registration, and/or operator licensing for transportation purposes per provisions in their state constitutions. States with constitutional dedication are Alabama, Arizona, California, Florida, Georgia, Idaho, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Hampshire, New Jersey, Oregon, Pennsylvania, South Dakota, Texas, Utah, Washington, and West Virginia. We include sections from these constitutions as Attachment A. While the constitutional provisions differ, most of these states dedicate all revenues derived from fees, excises, and/or license taxes relating to the registration, operation and use of vehicles on public highways and to fuels used for the propulsion of such vehicles to a transportation fund.

Almost all of these state constitutional provisions are silent on the subject of tax rates. However, Florida's constitution designates a "second gas tax" of two cents per gallon upon gasoline and New Jersey's constitution stipulates that there shall be credited annually to a special account in the general fund an amount equivalent to the revenue derived from two and one-half cents per gallon from the tax imposed on motor fuel. Specifying a tax rate in the constitution would make it difficult to maintain the real value of the dedicated revenues in times of inflation, since an increase in the amount of dedicated taxes would require a constitutional amendment.

Most of the constitutional provisions direct that dedicated transportation revenues are to be spent on highway and road maintenance and construction, but several states also allow their revenues to be spent on traffic law enforcement. Several states use their dedicated transportation funds for local and county roads as well as state highways. The Minnesota and Missouri constitutions specify percentages of highway tax revenues to be spent on local and county roads.

Finally, we should note that while most states dedicate 100 percent of motor fuel tax revenues for transportation purposes, some states dedicate substantially less. For example, according to fiscal year 1993 figures in the NCSL publication, *Earmarking State Taxes*, New York dedicated only 20 percent of its motor fuel tax revenues to transportation purposes. Kentucky dedicated 48 percent, New Jersey 38 percent, and Rhode Island 59. Earmarking less than 100 of motor vehicle registration or licensing fees for transportation purposes appears to be even more common. For example, instead of dedicating all revenues for transportation purposes, Arizona specifically earmarked 17 percent of vehicle licensing fees to the support of public schools in fiscal year 1993. Similarly, California dedicated 25 percent of vehicle license to the support of county health and social service programs.

We include *Highway Taxes and Fees: How They Are Collected and Distributed 1993*, published by the U.S. Department of Transportation's Federal Highway Administration as Attachment B. How states pay for highway construction and maintenance is a complex topic, and this Federal Highway Administration publication provides detailed information on highway funding practices in all fifty states. Appendix A to the NCSL's 1995 publication, *Earmarking State Taxes*, is less detailed but shows the revenues each state raised through various highway user taxes during fiscal

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Page 3

year 1993 and the percentages of these revenues that were earmarked. We include the NCSL appendix as Attachment C. However, the NCSL appendix focuses on highway user *taxes* and omits information on *fees* such as operator licensing fees that might also be dedicated into state transportation funds.

We hope this information is useful to you.

Attachments



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 9, 1989

MEMORANDUM

TO: Representative Alyce Hanley

ATTN: Shirley Armstrong

FROM: Gretchen Keiser *G. Keiser*
Legislative Analyst

RE: Dedicated Revenues in Alaska and Other States
Research Request 89.232

You requested information regarding the types of revenues that are dedicated to specific programs in other states. You also asked for a discussion of Alaska's dedicated funds and special accounts.

DEDICATION OF TAX REVENUES IN THE 50 STATES

According to a 1986 survey available from the National Conference of State Legislatures (NCSL), about 21 percent of state tax revenue was dedicated in 1984.¹ Attachment A provides several tables from the NCSL report which summarize the extent of earmarking, the type of taxes earmarked, and the purposes for which the tax revenue is dedicated. The NCSL study provides comprehensive information according to the following definitions:

- Dedication or earmarking - the designation of certain revenue for specific purposes on a continuing basis.
- Taxes - all taxes as well as licenses and motor vehicle registration fees--according to the U.S. Census Bureau's standardized tax collections data. Excluded are non-tax revenues such as user fees (e.g., park fees, higher education tuition, and hospital charges) and mineral royalties and bonuses.
- State revenues - revenues from tax which are levied by the state and not the local and federal governments.

¹S. Gold, B. Erickson, and M. Kissell, "Earmarking State Taxes," National Conference of State Legislatures, 1986, 87 pp.

Dedication, or earmarking, is widespread in state fiscal systems. The incidence of earmarking revenues for specific purposes has increased in recent years, while the portion of total state tax revenue that is dedicated has declined markedly since the mid-1950s when 51 percent of state tax revenue was dedicated. The decline in the proportion of tax revenue that is dedicated has occurred because 1) the greatest growth in state tax revenue has been experienced in less heavily earmarked taxes and 2) some states have removed substantial earmarking provisions. Alaska, along with Connecticut, Delaware, Hawaii, Louisiana and Rhode Island, earmarked five percent or less of their tax revenue in 1984. At the other extreme, Alabama earmarked 89 percent of its tax revenue for specific purposes.

In 1984, the taxes most widely earmarked were those on motor fuels, motor vehicle registration fees, general sales, alcoholic beverages, and cigarettes. Table 2 in Attachment A summarizes the frequency of earmarking major state taxes and the purposes to which these taxes were dedicated. For example, the motor fuels tax is earmarked to some extent in 48 states, while motor vehicle registration fees are earmarked in 42 states. These revenues are typically dedicated for highways and other transportation purposes. On the other hand, state revenues from general sales, alcoholic beverages, and cigarettes taxes are commonly earmarked for local governments or education (Tables 3 - 6 in Attachment A). Although not tax revenue, lottery proceeds in the majority of lottery states are also earmarked for various purposes (Table 7 in Attachment A).

ALASKA'S DEDICATED REVENUE FUNDS

Article IX, Section 7 of the Alaska Constitution prohibits the dedication of the proceeds of any state tax or license for a special purpose, except 1) revenues that were dedicated prior to ratification of the constitution, 2) mineral revenues dedicated to the Alaska Permanent Fund, and 3) revenues dedicated to funds in order to meet requirements for state participation in federal programs. According to current interpretation, the Alaska Constitution's prohibition against dedication of revenues applies to most sources of state revenue and not solely to tax and license revenue. A 1982 Attorney General's Opinion concluded that Article IX, Section 7 should also be read to contain implied exemptions for pension contributions, proceeds from bond issues, sinking fund receipts, revolving fund receipts, contributions from local government unit for state-local cooperative programs and tax receipts which the state collects on behalf of local governments.²

²Letter from Attorney General Wilson Condon to Gerald Wilkerson, legislative auditor and Carole Burger, commissioner of Administration, November 30, 1982.

In the remainder of this memorandum, I present a brief description of the dedicated revenue funds explicitly permitted under the Alaska Constitution. Fiscal data for FY 88 from the Comprehensive Annual Financial Report, prepared by the Department of Administration, is presented for each dedicated revenue fund. A previous House Research Agency memorandum (85.319) provides detailed descriptions of most dedicated revenue funds and other special accounts which exist outside of the general fund (Attachment B).

Dedicated revenue funds exempted under Article IX, Section 7 include:

- Training and Building Fund (AS 23.20.130) - derived from interest and penalty charges assessed for failure to file timely reports and pay contributions to the Unemployment Compensation Fund. The money is used by the Department of Labor for administration of the Employment Security Act and for job training programs, although any unobligated balance over \$100,000 on the last day of the fiscal year must be transferred within 20 days to the state-administered, federal Unemployment Compensation Fund.
- Fish and Game Fund (AS 16.05.100) - receives sportfishing and hunting license receipts, proceeds from state sale of furs, settlements of state claims, and money from other government units and private donors. The money is spent by the Department of Fish and Game on sportfish and game resource programs.
- University of Alaska Permanent Fund (AS 14.40.400) - consists of monies received from land and mineral lease rentals, lands sales, and bonuses and royalties on minerals from lands designated by a Congressional land grant in 1929. Income from the trust fund must be used exclusively for the School of Mines and Agricultural College.
- School Fund (AS 43.50.140) - derived from Cigarette Tax receipts and is to be used for rehabilitation, construction and repair of Alaska school facilities.
- Alaska Permanent Fund (AS 37.13.010) - receives a portion of all mineral lease rentals, royalties, royalty sale proceeds, net profit shares, and federal mineral revenue sharing payments. The annual net income is available for appropriation.
- Public School Fund (AS 37.15.110) - derived from one-half of one percent of the total receipts from the management of state lands, including proceeds of sale or annual rent of surface rights, mineral lease rentals, royalties, royalty sales, and federal mineral revenue sharing payments. The income is credited to the general fund and reserved for public schools.

Mental Health Trust Income Account (AS 37.14.011) - under 1987 legislation, will receive the equivalent of annual rentals equal to eight percent of the fair market value of lands constituting the mental health trust corpus (as originally established under the federal Alaska Mental Health Enabling Act of 1956) once the trust corpus is reconstituted by the Department of Natural Resources. The monies are to be annually appropriated first to meet the necessary expenses of the state's mental health programs and the remainder may be appropriated for other public purposes.

National Petroleum Reserve - Alaska (NPR-A) Fund. (AS 37.05.530) - consists of money received from the federal government as sharing of oil and gas revenues (bonuses and rentals) in the NPR-A. The legislative intent is that the money be made available for grants to municipalities affected by NPR-A activities, with lapsed monies deposited in the general fund, Public School Fund and Alaska Permanent Fund.

Table 1 presents FY 88 fiscal data for each of these dedicated revenue funds. In most cases, the interest earned on money in the dedicated fund accrues to the fund (i.e., Fish and Game Fund, University of Alaska Permanent Fund, Alaska Permanent Fund, Public School Fund, and the Mental Health Trust Income Account). The School Fund accrues no interest because the fund's cigarette tax revenues are appropriated annually at the beginning of the fiscal year. The NPR-A Fund receives only the federal revenues and does not retain the interest earned on money in the fund. The Annual Financial Report also indicates that the Training and Building Fund does not accrue interest earnings.

OTHER ALASKA FUNDS SEPARATE FROM THE GENERAL FUND

The Annual Financial Report lists several funds which are not part of the general fund but do not qualify under the explicit exemptions of Article IX, Section 7 for dedicated funds. Some of these funds are examples of implicit exceptions, while others do not constitute dedicated funds. These funds are briefly described below, according to categories listed in the financial report.

Special Revenue Funds. Included in this category are the Disaster Fund and the Fire Suppression Fund which are financed through legislative appropriations. This group also includes the previously mentioned Training and Building Fund, School Fund, Fish and Game Fund, and National Petroleum Reserve Fund which are dedicated funds.

Debt Service Funds. These funds are established to repay the state's bond obligations and are funded through the general fund.

TABLE 1

UNBLIGATED REVENUE FUNDS: FY 88
(In thousands)

	Beginning Balance July 1, 1987	Additions	Deductions	Ending Balance June 30, 1988
Training and Building *	\$340	\$738	\$852	\$226
Fish and Game	536	9,367	7,605	2,298
University of Alaska Permanent Fund	11,053	1,413	663	11,803
School Fund	2,349	2,777	3,500	1,626
Alaska Permanent Fund	8,369,114	1,247,014	424,376	9,191,752
Public School Fund	80,835	12,578	7,277	86,136
Mental Health Trust Income Account	760	1,180	0	1,940
National Petroleum Reserve - Alaska Fund	28,984	1,002	25,190	4,796

* Any unobligated balance in excess of \$100,000 in the Training and Building Fund on the last day of the fiscal year must be transferred within 20 days to the state-administered, federal Unemployment Compensation Fund.

Source: State of Alaska, "Comprehensive Annual Financial Report FY 88."

Prepared by the House Research Agency, March 1989 (89.232).

Representative Hanley
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Capital Project Funds. Revenues from general obligation bond sales are deposited in these funds and are committed to the purposes of the bond proposal approved by Alaska voters.

Enterprise Funds. These funds include the numerous revolving loan funds and the International Airport Funds.

Internal Service Funds. The two funds in this category--the Highway Equipment Working Capital Fund and the Correctional Industries Fund--account for the financing of goods and services provided by one state agency to another. The Highway Equipment Working Capital Fund receives money from state agencies using state equipment fleet vehicles; the money is used to purchase new vehicles. The correctional industry program is financed by the Correctional Industries Fund.

Trust and Agency Funds. This group of funds includes several previously mentioned, dedicated revenue funds: Public School Fund, University of Alaska Permanent Fund, and the Alaska Permanent Fund. This group also includes several expendable trust funds: Budget Reserve Fund, Memorial Scholarship Fund, Alaska Housing Finance Corporation Mortgage Insurance Fund, Permanent Fund Dividend Fund, and Unemployment Compensation Fund.³ Finally, the various pension funds (Public Employees' Retirement System, Teachers' Retirement System, Military Retirement System, and Judicial Retirement System) are included in this group.

I hope this information is useful. Please contact me if you have any questions.

Attachments

³The Unemployment Compensation Fund receives all payroll taxes and other contributions collected through the Unemployment Insurance Program and can be used only to pay unemployment compensation. Although it is a dedicated fund, it is technically a federal fund administered by the state outside of the state treasury.