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**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 1/18/08

FURTHER: Finance

Date of 5-Day Notice: _____
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 2-5-2008

Transportation Committee considered SENATE BILL NO. 236

SB 236 TRANSPORTATION FUND

"An Act establishing the Alaska transportation fund and relating to the fund; and providing for an effective date."

and recommends:

- be replaced with SCS or CS _____ ()
- adopt previous SCS or CS _____ ()
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
<i>Admin</i>	<i>1/1/08</i>			✓	2
REV	1/14	✓			1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Gary Wilken</i>	G WILKEN	X			
<i>Wielechowski</i>	Wielechowski			✓	
CHAIR: <i>Kookesh Allert</i>	Allert Kookesh	✓			

January 26, 2008

Building Costs Deal Blow to Local Budgets

By WILLIAM YARDLEY

SEATTLE — State and local governments in many parts of the country are struggling to pay for roads, bridges and other building projects because of rising construction costs, adding another burden to budgets already stressed by the troubled housing market.

The problems have come as many governments pursue ambitious projects to improve roads and airports, build schools and upgrade long-neglected water and sewer systems. Many of the projects were conceived when money from property, sales and income taxes was steady and interest rates low, but officials say the ground has shifted beneath their feet.

“Everybody’s scared,” said Uche Udemezue, director of engineering and transportation for San Leandro, Calif., which will soon put out a request for construction bids on a retiree center and a parking garage. “You don’t know what you’re going to find when you go out to bid.”

Costs have jumped for projects as varied as levee construction in New Orleans, Everglades restoration in Florida and huge sewer system upgrades in Atlanta. The reconstruction of the Interstate 35W bridge in Minneapolis, a \$234 million project, has been fast-tracked for completion by December, and state officials say it is too soon to know whether it will come in on budget.

The impact has been felt in different regions at different times, and not every project has been high-profile. In Oregon, high costs have forced the State Department of Transportation to slow the rate at which it upgrades roads and bridges. In Seattle, school building projects were put on a fast track this fall because of fears of cost overruns.

“We escalated our project schedule to get ahead,” said Fred Stephens, director of facilities and construction for Seattle Public Schools.

Nationwide, increasing costs first became a problem for some projects more than two years ago, and in some regions the rate of increase has dropped in the past year. But some regions are tighter than ever, and the pressure from the high costs can be more acute in the context of general revenue declines.

The list of culprits for the increases often depends on the rate of growth and construction in a particular region, with labor costs playing a role along with the rising prices of materials like steel and concrete, and asphalt, fuel and other petroleum-based products.

Experts say high costs are linked to competition from a global development boom, particularly in China and India; the housing boom in the United States; and the rush to rebuild after Hurricane Katrina in 2005 and other recent hurricanes that struck Florida and the Southeast. In the Northwest, public projects have competed with downtown construction surges in Seattle and Portland. Just across the Canadian border, hotels and highways are being built to prepare for the 2010 Winter Olympics in Vancouver.

The costs have added to what has become an increasingly bleak economic forecast for many states and local governments. At least 25 states expect to have budget deficits in 2009, according to the Center on Budget and Policy Priorities, which estimates the combined budget shortfall for 17 of the states at \$31 billion or more. Many cities, too, see difficult times ahead as revenues wane and costs increase for wages, pensions and health care.

"We're talking about all levels of government being in some revenue constraints at a time when the service costs aren't going down," said Chris Hoene, the director of policy and research for the National League of Cities.

In some places, the news is not all bad. Recent declines in residential construction are beginning to force contractors to be more competitive when they bid for government work. Yet some government officials see that as a dubious silver lining.

In Oregon, low bids for recent bridge projects came in at \$18 million, about 10 percent below what the state had projected. That was unimaginable a year ago, but the relief is relative, said Tom Lauer, the major projects manager for the Transportation Department.

"We've been getting hit so hard that we've been pumping them up the last couple of years," Mr. Lauer said of the state's internal cost projections.

"I didn't get a price break," he said of the recent bid. "I may just have more predictable pricing. I still can't afford to do other stuff."

In Newcastle, a growing Seattle suburb, the situation is emblematic of the struggles confronting towns and school districts across the country. Two main goals prompted the improvements now under way on a main thoroughfare, Coal Creek Parkway. Widening a bottleneck on the road would help relieve congestion on nearby Interstate 405. And doing it with style — using steel on a bridge to evoke an old train trestle and installing landscaped medians between lanes — would send the signal that Newcastle is ready to do business.

Then the bids came back. "Slack-jawed," said John Starbard, the city manager, when asked his reaction

to the bids.

Mr. Starbard said even the project's engineering consultant, CH2M Hill, was stunned when what they believed was a very conservative \$38 million estimate in March 2007 was met with a low bid of more than \$44 million for a mile's worth of road and bridge improvements.

But waiting to build was not an option. The city had already received help from Senator Patty Murray, Democrat of Washington, and state lawmakers, as well as the State Transportation Improvement Board. It went back to the board and received \$2 million more.

"It was a shared sticker shock, but they had seen this with other projects so they were not as surprised," Mr. Starbard said of the board.

In Newton, Mass., a Boston suburb with a population of more than 80,000, the estimate for the new Newton North High School was \$104 million in 2004. Four years later, the foundation is about to be poured and the estimate is now at least \$186 million, said Jeremy Solomon, a city spokesman. Mr. Solomon said about \$25 million of the increase involved changes to the original plan, for asbestos abatement, adjustments to the heating and air-conditioning system and other factors. Otherwise, he said, the increase resulted from rising building costs.

"We kind of got caught in a period where construction costs grew rapidly," said Mr. Solomon, citing steel and fuel costs, among others.

The need for public improvements only grows greater. Costs are rising even as engineers across the country say infrastructure is rapidly decaying.

In San Leandro, a city of 78,000 in the San Francisco Bay Area, Mr. Udemezue said the city could not afford to delay work on the parking garage and retiree center.

"We can't wait," he said, "because we don't know if the prices are going to come down or go up."

In the grading guide known as the Pavement Condition Index, zero is not far from a dirt strip and 100 is a fresh new roadway. When Mr. Udemezue began working for San Leandro 16 years ago, the average road ranking in the city was nearly 70. Now it is closer to 60, despite what Mr. Udemezue said were the city's efforts to keep up maintenance.

Years ago, there was more money in the city's general revenue stream that could be diverted to help with basic maintenance, which Mr. Udemezue said required about \$5 million a year.

That general revenue now goes to other needs, like public safety, and the roads go wanting, with flat revenue from gas taxes and other declines leaving about \$1.2 million to maintain roads each year. The \$13 million retiree center and the \$8 million parking garage have been affected, too, with the city

dropping plans to build commercial space beneath the garage and reducing the space for social programs in the center.

Mr. Udemezue and others say they have heard that things may be stabilizing, but they cannot be sure.

Even in places where the rise of costs has slowed, said Ken Simonson, chief economist with the Associated General Contractors of America, "it's dormant at best."

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Alaska Trucking Association, Inc.

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The authoritative voice of the trucking industry in Alaska

**SB236 Transportation Endowment Fund
Senate Transportation Committee Hearing
1:00 pm, February 5, 2008
Aves D. Thompson, Executive Director
Alaska Trucking Association**

Thank you. Mr. Chairman and members of the committee, I am Aves Thompson, Executive Director of the Alaska Trucking Association. The Alaska Trucking Association is a state wide organization representing trucking interests from Barrow to Ketchikan. In 2008, our association celebrates its 50th Anniversary of serving the interests of the trucking industry in Alaska. Our more than 200 member companies represent all of the diverse trucking operations in the state along with many associate members who provide goods and services to our industry. In Alaska: trucking employs over 21,000 people - 1 out of 14 civilian workers; trucking pays more than \$928 million in wages annually and consists of several thousand family-owned and corporate trucking businesses (most have fewer than 10 employees).

As you can see, the trucking industry makes a huge contribution to the economy of Alaska in terms of jobs and economic impact. The simple truth is that "if you got it, a truck brought it."



If you got it, a truck brought it...

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One of the priorities of ATA is and has been to expand the DOT&PF State General Fund Capital Projects program. It is clear that federal funding will not meet Alaska's transportation infrastructure needs. Given our enormous increase in tax revenue, Alaska needs to invest some of our dollars in our transportation system.

Based on our position that we need to invest in our transportation infrastructure, we feel that the idea of the transportation endowment fund has merit. While the devil is in the details, this endowment fund may very well serve as a primary funding source to enable a significant expansion of the state general fund transportation capital projects program.

Speaking of the devil, we note in the bill on page one, line 13 & 14 that, "The amount identified in (a) of this section is available for appropriation to the capital projects fund identified in AS 44.42.080(2)." This reference is to a fund entitled "transportation and related facilities;". This is a broad title that covers a lot of different projects. While we are all well intentioned, we have seen what has happened to the Federal Highway Trust fund over the years. The Highway Trust fund has been depleted for a number of reasons, not the least of which is the very



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heavy demand placed on the Highway Trust fund by other than highway projects. We are told by both state and federal DOT's that the Federal Highway Trust fund will run out of money sometime in 2009. Realizing that there are other modes of travel than highway, it seems to us that our highway system currently serves, by far, the largest portion of our population. Freight movement, tourist travel and personal travel are on the rise and the demands on our highway system will only continue to grow exponentially. This is the long way of saying that we believe that the largest share of project dollars made available through this fund need to be directed toward our highway system. We want to be sure that our current and future highway needs are met particularly during this time of prosperity. Non highway projects need to be considered on their own merit after seeking other state or federal funding sources.

In Alaska there are two major highway systems, the National Highway System and the Alaska State Highway System. The National Highway System or the NHS is the system of intercity connecting routes that link communities and workplaces in our state. These are the major routes that carry a large portion of all the freight delivered in Alaska. The State Highway System is the



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system of secondary segments that provide further links to our communities. The NHS is the system of vital arteries that enable people and goods to move freely through out the system. Our major highway project funding efforts need to be directed at a modern, safe and efficient system of highways to support and encourage current and future economic development to provide for the maximum benefit for our citizens. The transportation fund earnings can help support both NHS and AHS projects as well as important local projects.

The Alaska Trucking Association supports SB236 and the Transportation Endowment fund concept. We believe it is an appropriate and necessary use of state funds that will pay dividends well beyond our lifetimes. We are hopeful that the fund will grow in size and in earnings in the future to ensure that our highways meet Alaska's needs.

Thank you, I will try to answer any questions.



If you got it, a truck brought it...

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 236
 (S) Publish Date: 1/18/08

Identifier (file name): 0045-DOT-CO-01-11-08 Dept. Affected: _____
 Title: Transportation Fund RDU: Administration and Support
 Sponsor: Rules Committee Component: Commissioner's Office
 Requester: Governor Component Number: 530

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES ()								
-------------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

Implementing this legislation will have no affect on the operating budget of the department

Prepared by: Mary Siroky
 Division: Legislative Liaison
 Approved by: Nancy Slagle
Director, Division of Administrative Services

Phone 465-4772
 Date/Time 1/11/08 12:00 AM
 Date 1/11/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 236
 (S) Publish Date: 1/18/08

Identifier (file name): 0045-DOR-TRE-01-14-08 Dept. Affected: Revenue 04
 Title: Alaska Transportation Fund RDU: Taxation and Treasury
 Component: Treasury
 Sponsor: Governor
 Requester: Governor Component Number: 121

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
OPERATING EXPENDITURES							
Personal Services							
Travel							
Contractual	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0

CAPITAL EXPENDITURES							
-----------------------------	--	--	--	--	--	--	--

CHANGE IN REVENUES ()							
-------------------------------	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	1,000.0		1,000.0	1,000.0	1,000.0	1,000.0	1,000.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0	0
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This fiscal note represents the estimated accounting, custodial, performance measurement, financial advisory and internal and external portfolio investment management costs allocable to the new Transportation Endowment Fund (TEF). As a comparison, the cost of managing the Public Employee Retirement Systems and Teacher Retirement Systems is 21 basis points per year. General fund programs that are separately managed have an average cost of 11 basis points per year. The TEF would be invested with a moderately aggressive risk asset allocation profile meaning that it would include domestic and international equities, real estate, and alternative investments asset classes. These asset classes are managed with external investment managers. Because the fiduciary is the Commissioner of Revenue and not a board of directors there would be a reduction of costs. I believe there would be a preference to use passive as opposed to active investment management for a number of investment allocations that would further reduce investment management fees. At a funding level of \$1 billion dollars an estimated cost of 10 basis point or 1 million dollars would be very reasonable considering the anticipate level of management oversight and investment management that an endowment of this size would require.

Prepared by: Brian C Andrews
 Division: Revenue / Treasury
 Approved by: Jerry Burnett
Department of Revenue

Phone 907 465-3669
 Date/Time 1/14/08 12:00 AM
 Date 1/14/2008

Crossroads Ahead



**Why a State Funded
Transportation Program is
Right for Alaska**

What We Will Address

- State of Alaska's transportation system
 - Declining conditions
 - Limitations to meeting needs
 - What other states are doing; why these approaches are a poor fit for Alaska
- The Alaska Transportation Fund
 - Advantages of non-federal funds
 - Core concepts for using the fund
 - Immediate and future priorities
 - How projects would be selected

State of Alaska's Transportation Infrastructure - 2008

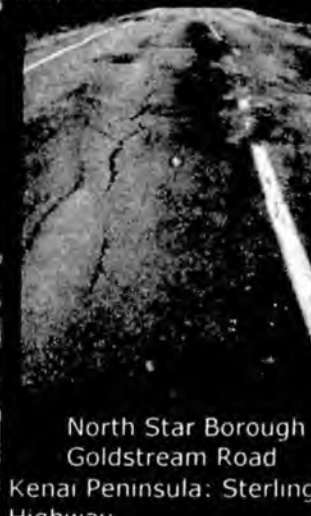
- Safety: high-accident roads await funds, seasonal airport surfaces not ideal
- Congestion: traffic growing faster than new capacity constructed
- Deteriorating conditions: pavement, rutting, ferry machinery breakdowns, harbor facilities aging
- Preventative maintenance: adequate funds to avoid costly repairs not available

3

Poor Pavement Conditions



Kenai Peninsula: Robinson Loop Road



North Star Borough :
Goldstream Road
Kenai Peninsula: Sterling Highway

4

Bridge Deficiencies



Alaska Highway Bridge after over-height strike - reduced to single lane traffic

Bridge No.	518	Structure	Johnson River	Date	06/10/04
Rail/Trk	3	Inspector	Elmer Marx & Son Sutter	Plate	72
Road Span Bridge					



Glenn Hwy: Eagle River Bridge Rail damaged

86 or just over 10% of bridges need seismic retrofits

5

Climate Change Problems

Settlement due to thawing on Glenn Highway (top and bottom).



Copper River is now threatening the CR Highway.

6

AMHS Vessel Issues

Rusted steel

Outdated
technology

Corroded power
cables

7

Harbor Repair Examples

Timber
Float
damage at
Funter Bay

Bent piles at
Kodiak

Corroded pile
At Ketchikan

8

Airport Needs Unmet



Nanwalek Airport,
nearby hazards,
poor drainage



Birchwood
Airport,
pavement
cracking

9

Example of Funding Constraints

Location	Cost to Build	Years of Federal NHS Funds*
Anchorage, Hwy to Hwy	\$750 M	10
Fairbanks, 3 Major Hwys.	\$700 M	9.3
AMHS: New Mainliner	\$250 M	3.3
Totals	\$2.3 Billion	~30 Years

*If all other NHS projects delayed.

These three routes are also
priority safety corridors.

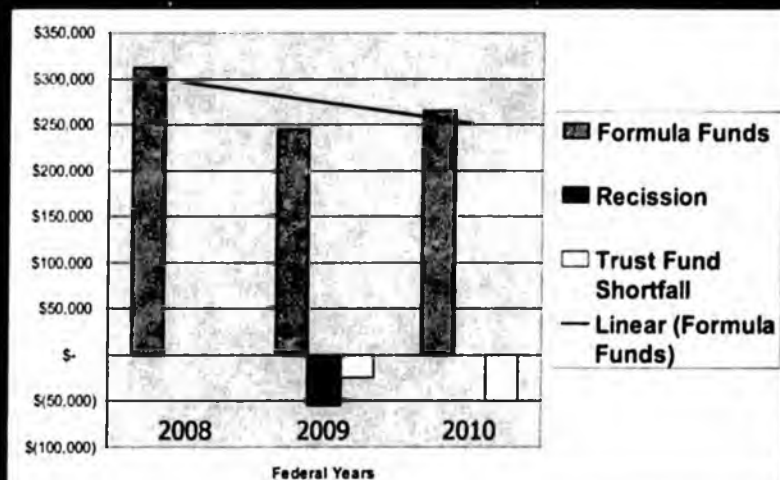
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Contributing Weaknesses

- Federal funds effectiveness has declined because:
 - Earmarks and new set-asides have reduce funds to basic needs
 - Inflation is high, reducing what the funds accomplish
 - Highway trust fund revenue not adjusted since 1993
 - Federal laws and rules keep expanding
 - Limited state M&O funds has changed our use of federal funds

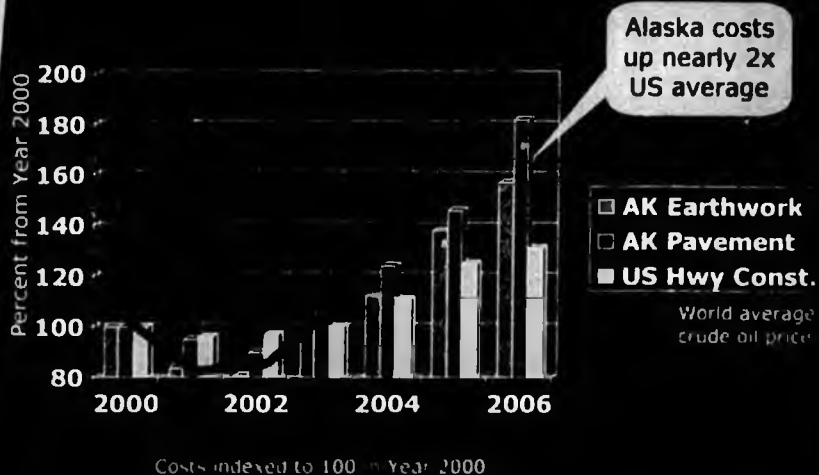
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Federal Funds Decline



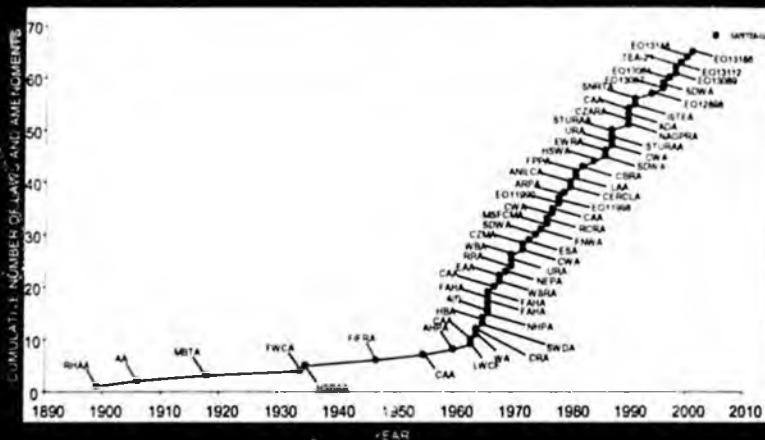
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Inflation is an Issue



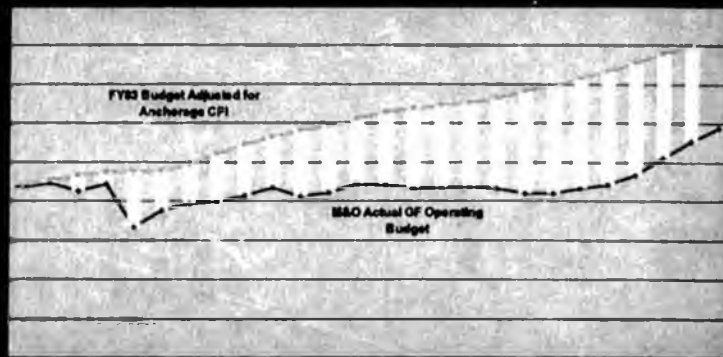
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Growth of Federal Laws



14

M&O \$ Shortfall Since 1983



This gap has been filled by shifting some federal funds to major maintenance activities that were once state funded

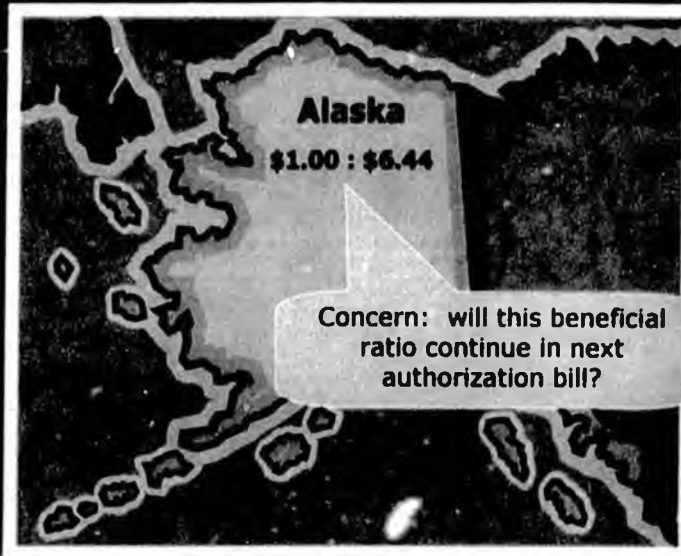
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Scope of Alaska's Needs

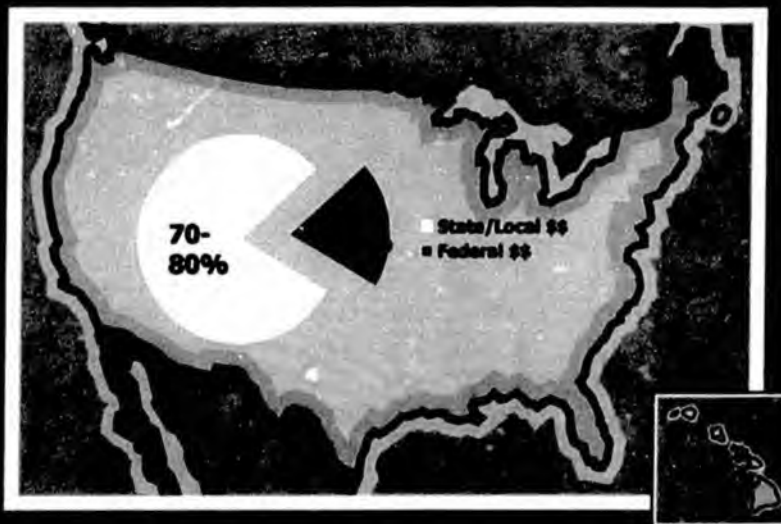
- Lane miles per 1000 population
 - US average: 28 lane miles
 - Alaska: 44 lane miles
- Only 24x7, ocean certified, ferry system, longest route system
- Largest state aviation system
- Longest coastline, high need for ports and harbors
- Unmet needs vastly greater in Alaska due to late start in infrastructure

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Biggest Return of Federal Highway Funds



Most States Have Diversified



Other States

- Adopting user fee approaches:
 - Tolls
 - Lease roads and bridges to private concessions (PPP)
 - County level bonds for state roads
 - Tax on miles driven
- These have little merit to meet the majority of Alaska's needs

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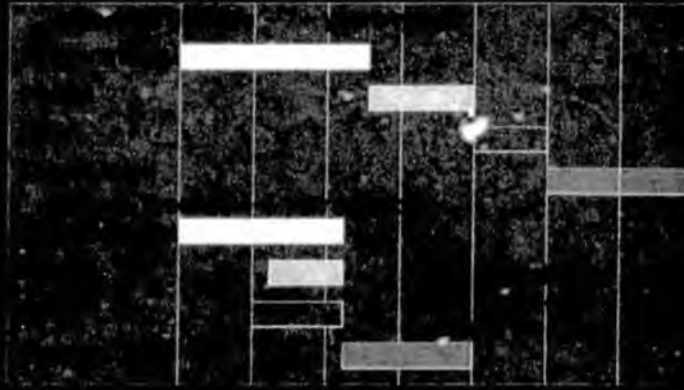
State Fund Advantages

- Projects completed faster
 - Avoided federal oversight, parallel actions
- Less costly to construct
 - Reduced time avoids cost escalation
- Complex federal laws avoided
 - NEPA, 4(f), Buy America, do not always apply
- Significant public benefits achieved sooner
 - Public safety improved
 - Delay time and fuel costs reduced
 - Economic development facilitated
 - Asset life extended

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State Funds Advantages

Years



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State Funded Successes



Dalton Highway: 3 years saved



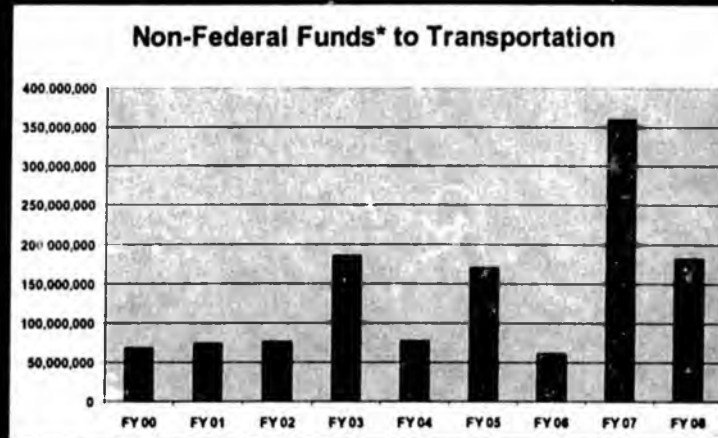
Anchorage, Elmore Road: 2 years saved



McCarthy Road: 3 years saved

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Erratic State Appropriations to Transportation



*Excludes state funds appropriated to match federal funds.

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Federal Fund Limitations

- The Highway and Transit Program can not meet the needs & expectations of Alaska citizens
- Federal Aviation Program, is also limited
- Other transportation needs such as ports and harbors have no continuous funding program

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Alaska Transportation Fund

- Core concepts:
 - Available to all modes
 - Local and state projects eligible
 - Funds used in “program” approach
 - AS 44.42.050 (transportation planning) guides project selection process
 - Data driven needs assessment
 - Public process, with scoring
 - Nationally recognized and respected approach continued

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Why this Approach?

- Episodic funding difficult for both private and public sectors
 - 1987 downturn led to layoffs, business closures
 - ATF will be there when most needed!
- Sustaining a “system” needs a sustainable revenue source
 - Predicted growth in fund provides inflation proofing
- User fees impractical and improbable
 - Raising \$50 million would require raising fuel tax from 8¢ to 20¢ (a 150% increase)

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AS 44.42.050

- DOT&PF commissioner to develop a comprehensive, intermodal, long-range transportation plan:
 - may be in multiple documents and subjects
 - revised as the commissioner determines appropriate.
 - conforms to the requirements for the eligibility and use of federal and other funds
 - transmit notice of the approval of that component to the governor and to the legislature
- seek public review and evaluation by any reasonable means and may
 - consult and cooperate with officials and representatives of government agencies and authorities, interested corporations and other organizations
 - request data and assistance from other units of government
- develop a list of projects scheduled for design, construction for a period of not less than two years that is consistent with the plan
 - list must include an estimate of federal, state, and other funds and a description, location, and itemization of the estimated cost for each project
- cost effectiveness analysis required except for
 - rehabilitation and maintenance of an existing transportation system
 - projects that serve local transportation needs

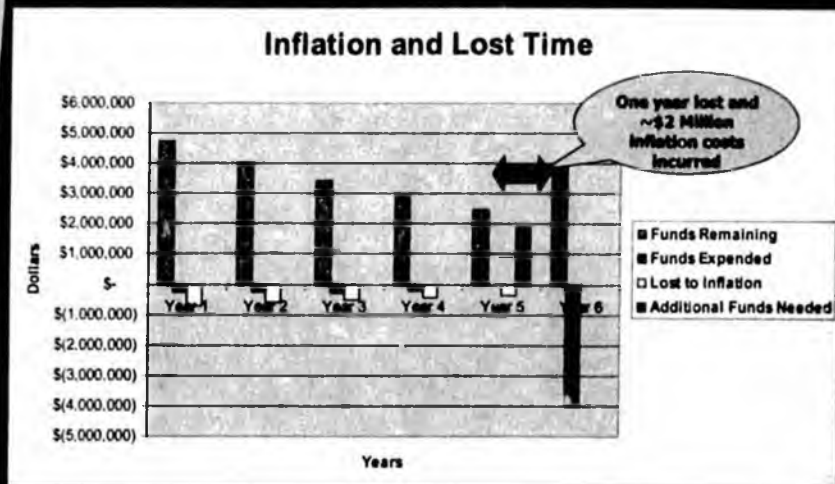
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What a "Program" Means

- Funding applied as needed
- Priorities set, each project proceeds as quickly as possible
 - adjustments made in response to each project's progress
 - earliest projects hold priority
- US Interstate: Fantastic achievement due to a "program" approach

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Costs of "Project" Approach



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Initial Priorities - 2 Years

- Initial priorities for ATF funds:
 - Address priority public safety needs
 - Intersections, rumble strips, signage
 - Ready-to-construct projects
 - Shows immediate progress
 - Uses prior investment to good purpose
 - Preservation, reducing deferred maintenance backlog
 - Support to significant economic needs, congestion issues

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Why Safety?

- Safety's importance:
 - 75-85 lives lost each year in state
 - 500-600 major injuries
 - \$500 Million per year in societal costs
- State goal is to reduce these tragedies by 1/3 over ten years
- Only strong new initiatives and investments will make this possible

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Why Preservation?

- Extends useful life of assets
 - \$1 can save \$4 if timely
- Wealth of data to guide allocations
 - Management systems: pavement, maintenance, bridge
- Often an unfunded gap between federal funds and state M&O budgets
 - Airport needs
 - Bridge guard rail

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Why Congestion?

- Why congestion needs attention:
 - Growing problem in several areas
 - Adds costs to business and users
 - Often a factor in accidents
- Lane miles growing more slowly than number of vehicles on highways
 - Elmore Road estimated to save \$9.5 M per year in congestion and reduced travel
 - Only 4 years to recover state investment

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Why Economic Development?

- Transportation often essential element to economic investment.
 - Red Dog, TSAIA freight success both benefited from state investment in transportation.
- Alaska Constitution: Article 8, Sec. 5: “The legislature may provide for facilities, improvements, and services to assure greater utilization, development, reclamation, and settlement of lands....”
 - Much of Alaska lacks sufficient economic investment to be truly sustainable.
 - Investment leads to good jobs which helps communities and citizens.

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After First 2 Years

- Rely on statewide assessments of modal needs to help divide the funds
 - Consider several modes
 - Review local and state owned assets
- Review both deferred maintenance and new improvements
- Apportion \$\$ to systems based on the degree of overall need

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Update all Needs Assessments

- 2030 Plan good baseline data for:
 - Highways, bridges, aviation, transit
- 2008 AMHS Plan will update ferry needs assessment
 - Will need to review non-state ferries too
- 2008 Port and Harbor study will update system assessment
- Updated assessments will help allocate \$\$ between modes

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Update Project Scoring and Regulations

- Well established project scoring systems already in place:
 - Local and state roads, transit, ferries, trails
 - Ports and harbors
 - Aviation
- Evaluate need for new or updated criteria
 - Criteria for preventative maintenance projects may be needed
- Place these governing rules into regulations

37

Crossroads Ahead

Under Investment:
Stagnation,
Dangers,
Congestion,
Repairs Needed



Alaska Transportation Fund:
Safety
Improvements,
Gas-Line
Readiness,
Congestion Relief,
Economic Support

ALASKA STATE LEGISLATURE
SENATE BILL NO. 236

HISTORY IN THE SENATE

HISTORY IN THE HOUSE

2008

20

Read first time and referred to:

Read first time and referred to:

W/GOV TR + 1 FN, 0 FN
TRA FIN

_____ RPT CS() _____ New Title
_____ DP _____ DNP _____ NR _____ AM
_____ FN _____ OFN / Prev: _____ FN _____ OFN
To: _____

_____ RPT CS() _____ New Title
_____ DP _____ DNP _____ NR _____ AM
_____ FN _____ OFN / Prev: _____ FN _____ OFN
To: _____

_____ RPT CS() _____ New Title
_____ DP _____ DNP _____ NR _____ AM
_____ FN _____ OFN / Prev: _____ FN _____ OFN
To: _____

Read second time

[] CS() Adopted [] New Title

[] Amended _____
[] _____ Advanced / 3rd Rdg. _____

Read third time

[] Title Amendment
[] Return to 2nd & amended _____

[] Passed Y _____ N _____ E _____ A _____
[] EFD same or Y _____ N _____ E _____ A _____
[] CBR same or Y _____ N _____ E _____ A _____
[] CRT same or Y _____ N _____ E _____ A _____
[] _____

Reconsideration

Reconsideration not taken up

[] Title Amendment
[] Return to 2nd & amended _____

[] Passed/Rec Y _____ N _____ E _____ A _____
[] EFD same or Y _____ N _____ E _____ A _____
[] CBR same or Y _____ N _____ E _____ A _____
[] CRT same or Y _____ N _____ E _____ A _____
[] _____

Engrossed, signed by the President
Transmitted to the House

Secretary of the Senate

_____ RPT HCS() _____ NT: HCR _____
_____ DP _____ DNP _____ NR _____ AM
_____ FN _____ OFN / Prev: _____ FN _____ OFN

_____ RPT HCS() _____ NT: HCR _____
_____ DP _____ DNP _____ NR _____ AM
_____ FN _____ OFN / Prev: _____ FN _____ OFN

_____ RPT HCS() _____ NT: HCR _____
_____ DP _____ DNP _____ NR _____ AM
_____ FN _____ OFN / Prev: _____ FN _____ OFN

_____ RPT HCS() _____ NT: HCR _____
_____ DP _____ DNP _____ NR _____ AM
_____ FN _____ OFN / Prev: _____ FN _____ OFN

Read second time

[] CS() Adopted [] New Title

[] Amended _____
[] _____ Advanced / 3rd Rdg. _____

*State
Affairs*

Reconsideration not taken up

[] Title Amendment
[] Return to 2nd & amended _____

[] Passed/Rec Y _____ N _____ E _____ A _____
[] EFD same or Y _____ N _____ E _____ A _____
[] CBR same or Y _____ N _____ E _____ A _____
[] CRT same or Y _____ N _____ E _____ A _____
[] _____

Engrossed, signed by the Speaker
Returned to the Senate

Chief Clerk of the House

SENATE-HOUSE HISTORY (continued)

20

Version Received from the House:

Concur in House Amendment
Y ___ N ___ E ___ A ___
 EFD same or Y ___ N ___ E ___ A ___
 CBR same or Y ___ N ___ E ___ A ___
 CRT same or Y ___ N ___ E ___ A ___

Failed concur in House amd., ask House recede
Y ___ N ___ E ___ A ___

House failed to recede from amendment
Y ___ N ___ E ___ A ___

CC appointed by Senate _____ **Chair**

CC appointed by House _____ **Chair**

(S) Granted Limited Powers of Free Conference
(H) Granted Limited Powers of Free Conference

20

(S) Adopted CC Rpt _____
Y ___ N ___ E ___ A ___
 EFD same or Y ___ N ___ E ___ A ___
 CBR same or Y ___ N ___ E ___ A ___
 CRT same or Y ___ N ___ E ___ A ___

(H) Adopted CC Rpt _____
Y ___ N ___ E ___ A ___
 EFD same or Y ___ N ___ E ___ A ___
 CBR same or Y ___ N ___ E ___ A ___
 CRT same or Y ___ N ___ E ___ A ___

Sent to enrolling
Received from Enrolling _____ **Manifest Error**

Sent to Governor
_____ **By Governor**

Chapter Number _____

Filed with Lieutenant Governor

SENATE BILL NO. 236

**IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/18/08

Referred: Transportation, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act establishing the Alaska transportation fund and relating to the fund; and**
2 **providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1. AS 37.14 is amended by adding new sections to read:**

5 **Article 10. Alaska Transportation Fund.**

6 **Sec. 37.14.900. Alaska transportation fund. (a) The Alaska transportation**
7 **fund is established as a separate endowment trust fund of the state. The fund consists**
8 **of**

- 9 (1) appropriations to the fund;
- 10 (2) donations or gifts to the fund;
- 11 (3) income earned on investments of fund assets; and
- 12 (4) realized and unrealized capital gains.

13 (b) The commissioner of revenue shall manage the fund as an endowment,
14 with the goal that the purchasing power of the fund will not diminish over time

1 without regard to additional contributions that may be made to the fund. The
 2 commissioner shall invest the assets of the fund in a manner likely to yield at least a
 3 five percent real rate of return over time.

4 (c) Money from an appropriation made to the fund remaining in that fund at
 5 the end of a fiscal year does not lapse and remains available for investment and
 6 appropriation in successive fiscal years.

7 (d) Nothing in this section creates a dedicated fund.

8 **Sec. 37.14.910. Use of the fund.** (a) On or before October 1 of each year, the
 9 commissioner of revenue shall prepare a report for the legislature that identifies that
 10 amount defined as five percent of the average of the market values of the assets of
 11 the fund on June 30 for the five fiscal years immediately preceding the fiscal year in
 12 which the report is prepared.

13 (b) The amount identified in (a) of this section is available for appropriation
 14 to the capital projects fund identified in AS 44.42.080(2).

15 **Sec. 37.14.920. Market value of the fund.** The Department of Revenue shall
 16 determine the market value of the fund annually as of the close of business on
 17 June 30 of each year in accordance with generally accepted accounting principles for
 18 the determination of fair value.

19 **Sec. 37.14.930. Powers and duties of the commissioner of revenue.** In
 20 carrying out the investment duties under AS 37.14.900 - 37.14.990, the
 21 commissioner of revenue has the powers and duties set out in AS 37.10.071. Not
 22 later than the 10th day following the convening of each first regular session of the
 23 legislature, the commissioner shall make available a report to the legislature on the
 24 condition and investment performance of the fund.

25 **Sec. 37.14.990. Definition.** In AS 37.14.900 - 37.14.990, "fund" means the
 26 Alaska transportation fund established in AS 37.14.900.

27 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
 28 read:

29 **TRANSITION.** (a) Notwithstanding AS 37.14.900 - 37.14.990, as enacted by sec. 1
 30 of this Act, the commissioner of revenue shall calculate average fund values in the years
 31 2008 through 2012 as follows:

1 (1) for fund value calculation for year 2008, the commissioner of revenue
2 shall prepare a report to the legislature on or before October 1, 2008, identifying that amount
3 defined as five percent of the market value of the fund on July 1, 2008; the amount is
4 available for appropriation during the first regular session of the Twenty-Sixth Alaska State
5 Legislature under AS 37.14.910(b), enacted by sec. 1 of this Act;

6 (2) for average fund value calculations for years 2009 through 2012, on or
7 before October 1, 2009, and on or before October 1 in subsequent years through the year
8 2012, the commissioner of revenue shall prepare a report to the legislature that identifies that
9 amount defined as five percent of the average of the market values of the assets of the fund
10 on July 1, 2008, and on June 30 of each subsequent year, as identified in the reports required
11 by this paragraph; the amounts are available for appropriation during the respective regular
12 sessions of the Alaska State Legislature under AS 37.14.910(b), enacted by sec. 1 of this
13 Act.

14 (b) In this section, "fund" means the Alaska transportation fund established in
15 AS 37.14.900, enacted by sec. 1 of this Act.

16 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

Sectional Analysis of SB 236.

SB 236 creates a transportation fund, gives the commissioner of revenue management authority, and specifies a predictable yearly amount which will be available for appropriation for transportation purposes.

A new section will be added to Alaska Statute 37.14 which already recognizes other funds such as the Alaska Heritage Endowment Fund, the Mine Reclamation Trust Fund, and the Investment Loss Trust Fund.

Section 1. Creation of Alaska Highway Transportation Fund

Section 1 of the bill creates a transportation fund, determines how the fund value will be calculated, and gives authority to manage the fund to the commissioner of revenue.

Proposed Sec. 37.14.900 creates the transportation fund. The fund would consist primarily of appropriations, but will also include other contributions or investment income. The commissioner of revenue would manage the fund so that the fund would be self-sustaining.

Proposed 37.14.910 provides that, on a yearly basis, 5% of the five year average value of the fund will be made available for appropriation to the capital projects fund established in AS 44.42.080. The Department of Transportation and Public Facilities could use the funds for transportation projects.

Proposed sections 37.14.920 & 930 provide the commissioner of revenue with necessary authority to manage and invest the funds, and specify that the market value of the fund must be calculated in accordance with generally accepted accounting principles.

Section 2: Transition Clause.

Section 2 is a transition clause which will be in effect during the years 2008-2012. This section is necessary because the statute will require that any appropriations be based upon a five year average fund value. Until the fund has been in existence for a full five years, the fund's average values will be calculated according to the fund's value during all available years.

Section 3: Effective Date

Section 3 provides for an immediate effective date.

SARAH PALIN
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

SENATE BILL NO. 236

P.O. BOX 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

January 15, 2008

The Honorable Lyda Green
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Green:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing a state transportation fund.

An efficient and functional transportation system is vital to Alaska's economy. For the first time in Alaska's history, a reliable source of state financing would be in place. The bill would result in a predictable yearly amount that would be available to supplement state transportation financing. With growth over time through investment and future contributions, the fund could help ensure Alaska's transportation infrastructure is adequately maintained and improved.

Declining federal funding and the need for transportation infrastructure to grow our economy make establishing a transportation fund a smart and fiscally responsible decision. In addition, high oil prices resulting in budget surpluses, uniquely position Alaska to utilize our non-renewable natural resource wealth to generate renewable dollars for years to come. A stable source of transportation funding would benefit current and future generations of Alaskans alike, and would reduce Alaska's dependence on federal aid dollars. Furthermore, the use of state funds would allow critical projects to be completed much sooner than through the traditional federal highways program. This is because the state funded projects are not subject to the time consuming scrutiny the federal funding process entails.

COMMITTEE COPY

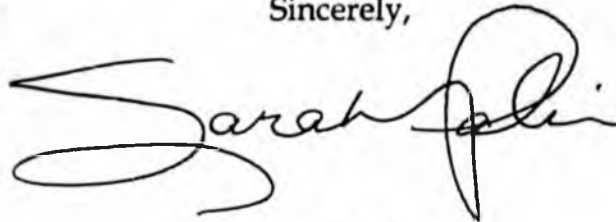
SENATE BILL NO. 236

The Honorable Lyda Green
January 15, 2008
Page 2

The need for this new, permanent source of funding for transportation could not be more evident. Ruttled pavements, delayed projects, and urban congestion are common problems in this state. Federal transportation dollars, though adequate in past decades, no longer meet all the basic needs of the state. Like education, transportation is a basic government service and one that affects the daily lives of all citizens. Other states are enacting their second and third tier of non-federal financing mechanisms. It is time for Alaska to enact its first.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Sarah Palin". The signature is written in black ink and is positioned below the word "Sincerely,".

Sarah Palin
Governor

Enclosure

STATE OF ALASKA

SARAH PALIN, GOVERNOR

**DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES**
OFFICE OF THE COMMISSIONER

3132 CHANNEL DRIVE
PO Box 112500
JUNEAU, ALASKA 99811-2500

FAX: (907) 586-8365
PHONE: (907) 465-3900

January 23, 2008

The Honorable Albert Kookesh
Alaska State Legislature
State Capitol, Room 11
Juneau, AK 99801-1182

Dear Senator Kookesh:

I respectfully request a hearing on SB 236 establishing a state transportation fund. This powerful idea ensures a permanent solution to meet the state's transportation needs. Alaska's transportation needs now far exceed the capacity of long standing federal sources.

Transportation infrastructure is at the heart of a growing economy, and Alaska needs to take charge of this responsibility. The state funds generated by this transportation endowment offer significant advantages over the rule-bound federal sources, which often result in both project delays and much higher costs. Alaska can no longer expect to see an ever improving transportation system, without a sustained level of funding from our own contribution.

In the 1980's the state surplus was used to build as much as possible resulting in a severe boom then bust economy. When oil prices dropped, the state economy took a significant downturn. A transportation fund bridges over the lean years, ensuring a stable source of funding that leads to a positive economic environment.

Enclosed is a copy of the legislation, the Governor's transmittal letter, a sectional analysis and fiscal notes.

I look forward to discussing this important piece of legislation with you and your committee.

Sincerely,



Leo von Scheben, P.E., L.S., M.B.A.
Commissioner

Enclosures

cc: Russ Kelly, Legislative Director, Office of the Governor
Randy Ruaro, Special Staff Assistant, Office of the Governor
Mary Siroky, Legislative Liaison, Dept. of Transportation & Public Facilities