

**HJR**

**42**

**Representative Jay Ramras**  
**Chair, Judiciary**  
**Chair, Economic**  
**Development, Trade &**  
**Tourism**  
**Energy**  
**Military & Veteran Affairs**  
**Joint Armed Service**  
State Capitol, Room 118  
Juneau, Alaska 99801-1182  
Phone: (907) 465-3004  
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# Alaska State Legislature



## House of Representatives

**Interim:**  
1292 Sadler Way, Suite 324  
Fairbanks, Alaska 99701  
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**House District 10**

### Fax

To: Brian Kane  
Leg. Legal

Fax #: (907) 465-2029

Number of pages including cover: 1

From: Jane W. Pierson

Date: March 1, 2010

Re: Final for HJR42

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Brian,

Today HJUD passed HJR42 from committee. Please go final on the work draft for CSHJR42 (26-LS1411S) with amendment S.3 included.

Thank you -

Representative\_Jay\_Ramras@legis.state.ak.us

#1 PASSED

AMENDMENT

OFFERED IN THE HOUSE

JAY RAMRAS for  
BY REPRESENTATIVE PEGGY WILSON

TO: CSHJR 42( ), Draft Version "S"

- 1 Page 2, line 5, following "law":
- 2       Insert "and for costs related to motor vehicle licensing and registration that are
- 3 designated by law"

# 2 W/A

26-LS1411\S.1  
Kane  
2/22/10

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE GRUENBERG

TO: CSHJR 42( ), Draft Version "S"

- 1 Page 2, line 4, following "capital":
- 2 Insert "and preservation"

26-LS1411\S  
Kane  
2/17/10

**CS FOR HOUSE JOINT RESOLUTION NO. 42( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-SIXTH LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): HOUSE TRANSPORTATION COMMITTEE**

**A RESOLUTION**

1 **Proposing amendments to the Constitution of the State of Alaska creating a**  
2 **transportation infrastructure fund.**

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

4 **\* Section 1.** Article IX, sec. 7, Constitution of the State of Alaska, is amended to read:

5 **Section 7. Dedicated Funds.** The proceeds of any state tax or license shall not  
6 be dedicated to any special purpose, except as provided in **Sections 15 and 18**  
7 **[SECTION 15]** of this article or when required by the federal government for state  
8 participation in federal programs. This provision shall not prohibit the continuance of  
9 any dedication for special purposes existing **on April 24, 1956** **[UPON THE DATE**  
10 **OF RATIFICATION OF THIS SECTION BY THE PEOPLE OF ALASKA].**

11 **\* Sec. 2.** Article IX, Constitution of the State of Alaska, is amended by adding a new  
12 section to read:

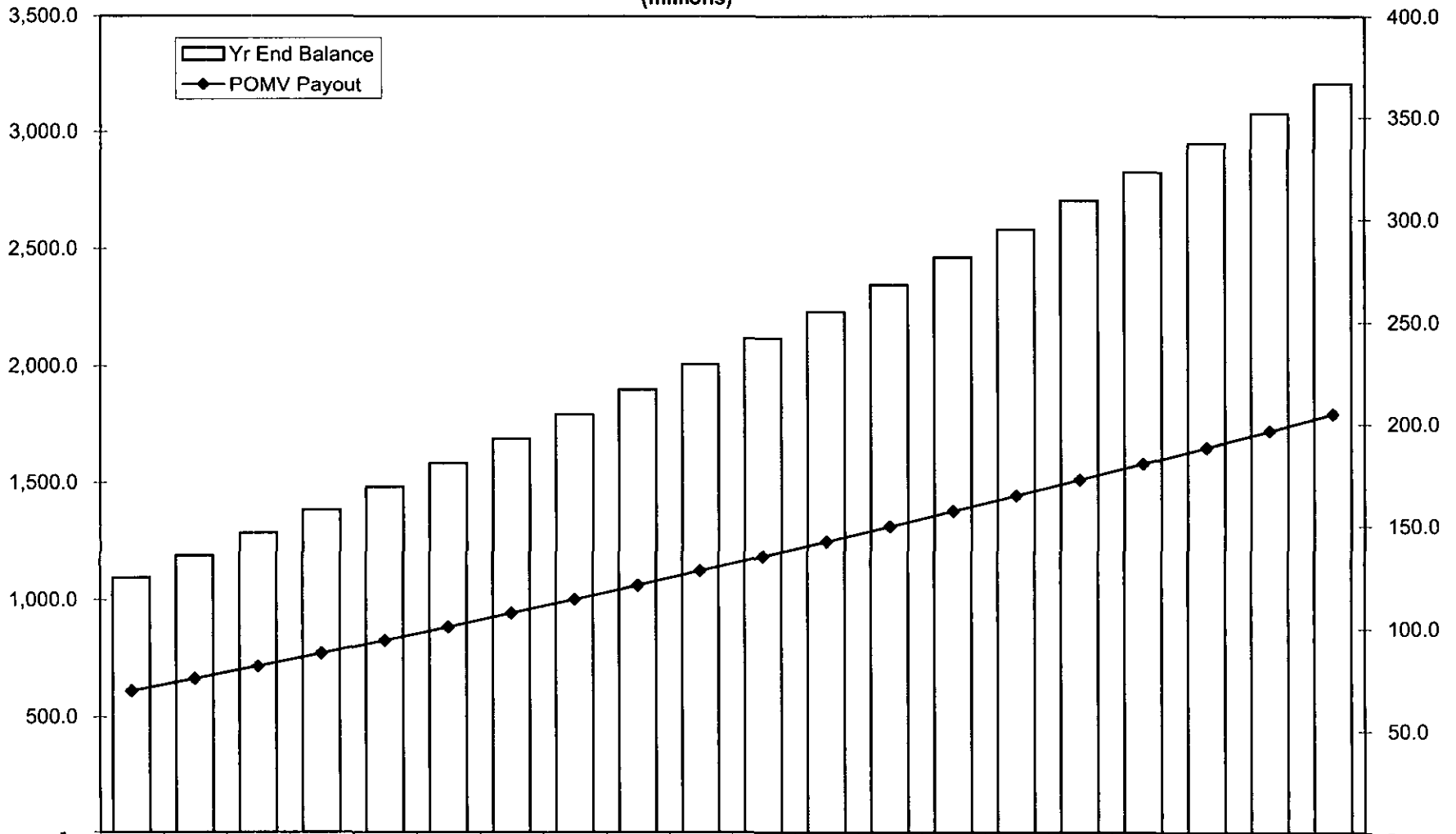
13 **Section 18. Transportation Infrastructure Fund.** (a) The revenue received  
14 after July 1, 2011, from any state tax on fuel used for the propulsion of motor vehicles,  
15 aircraft, and watercraft, less refunds, credits, and collection costs as provided by law,  
16 and from a registration fee levied for a motor vehicle that is not a special registration

1 fee provided by law shall be placed in a transportation infrastructure fund. The  
2 legislature may appropriate additional amounts to the fund. The fund shall be managed  
3 as an endowment. Each year, the legislature may appropriate a percentage of the  
4 average market value of the fund as established by law for capital projects for  
5 transportation and related facilities that are designated by law.

6 (b) The legislature shall provide by law for the management and investment of  
7 the fund balance. The income earned from the fund shall be deposited into the fund.

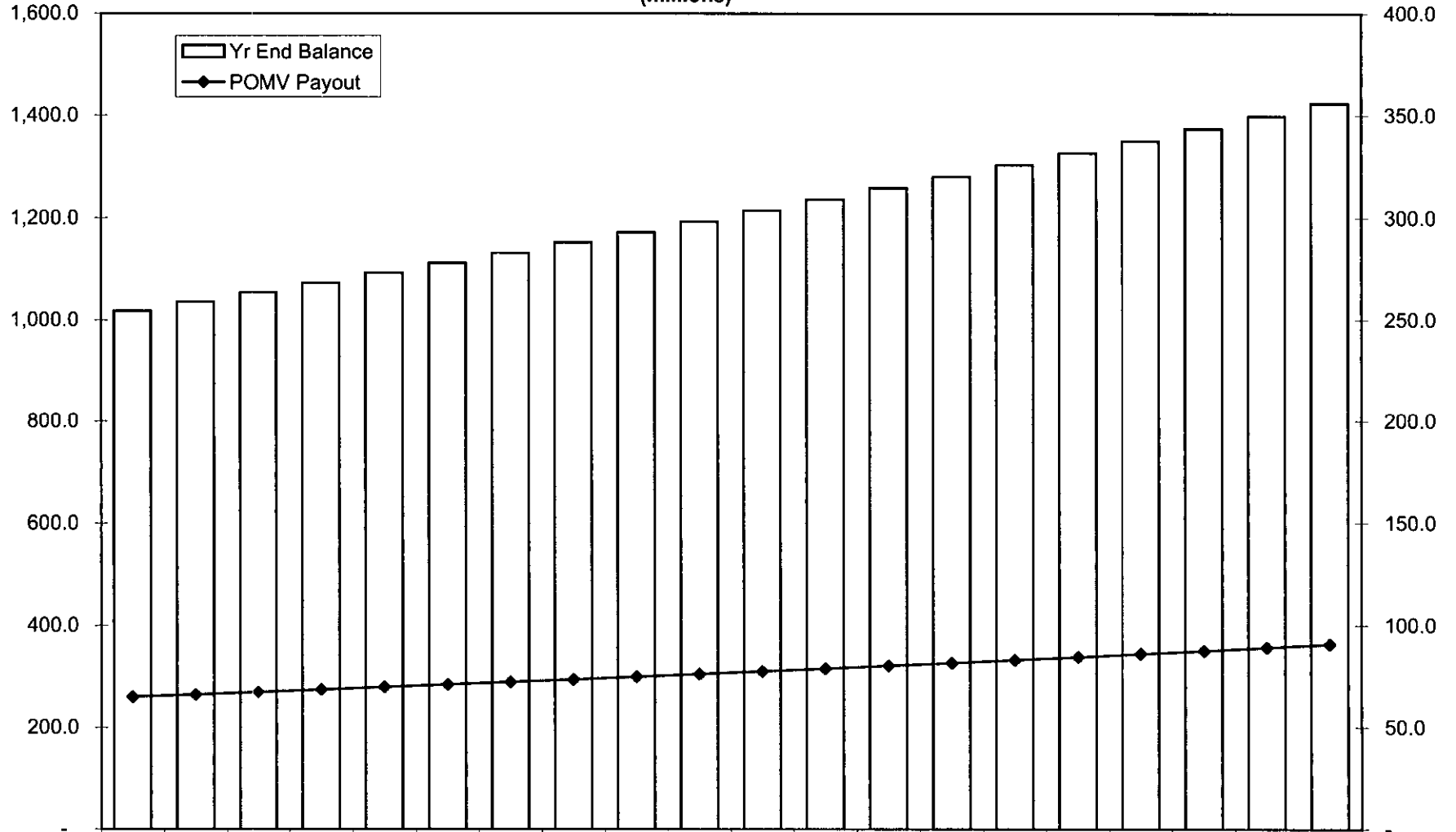
8 \* **Sec. 3.** The amendments proposed by this resolution shall be placed before the voters of  
9 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the  
10 State of Alaska, and the election laws of the state.

**Transportation Fund**  
**Scenario - 8.28% IR; 6% POMV, \$80/yr new revenue to fund**  
(millions)



	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Yr End Balance	1,093.0	1,187.7	1,284.1	1,382.2	1,482.0	1,583.7	1,687.1	1,792.4	1,899.6	2,008.6	2,119.7	2,232.7	2,347.7	2,464.7	2,583.9	2,705.2	2,828.6	2,954.2	3,082.1	3,212.3
POMV Payout	69.8	75.8	82.0	88.2	94.6	101.1	107.7	114.4	121.2	128.2	135.3	142.5	149.9	157.3	164.9	172.7	180.5	188.6	196.7	205.0

**Transportation Fund**  
**Scenario - 8.28% IR; 6% POMV**  
(millions)



Yr End Balance	1,017.8	1,036.0	1,054.5	1,073.3	1,092.4	1,111.9	1,131.7	1,151.9	1,172.4	1,193.3	1,214.6	1,236.3	1,258.3	1,280.8	1,303.6	1,326.8	1,350.5	1,374.6	1,399.1	1,424.0
POMV Payout	65.0	66.1	67.3	68.5	69.7	71.0	72.2	73.5	74.8	76.2	77.5	78.9	80.3	81.8	83.2	84.7	86.2	87.7	89.3	90.9



February 16, 2010

Representative Peggy Wilson, Chair  
House Transportation Committee  
State Capitol, Room 406  
Juneau, AK 99801

Dear Representative Wilson:

The Aircraft Owners and Pilots Association (AOPA) is a membership organization consisting of over 415,000 pilots and aircraft owners. Over 4,400 of our members reside in Alaska. AOPA is committed to the health and viability of aviation and airports in Alaska, and across the nation. Thank you for taking up the issue of creating a state funded transportation program for Alaska.

AOPA supports HJR 42, allowing the citizens to vote on an amendment to the Alaska Constitution to establish a transportation infrastructure endowment fund. The endowment is to be dedicated to funding projects that maintain and improve our public infrastructure, including airports, roads and marine facilities. We can speak to the tremendous needs within the airport system that benefits all the citizens of the state, and is absolutely essential for communities that are not on the road system, and rely solely on aviation for year-around access.

Thank you again for undertaking this legislation. I look forward to working with you and your committee on this initiative to address the needs of the state's transportation system.

Sincerely,

A handwritten signature in black ink that reads "Tom George".

Tom George  
Alaska Regional Representative

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TOM GEORGE  
ALASKA REGIONAL REPRESENTATIVE  
PERSONAL ADDRESS: P.O. BOX 83750 FAIRBANKS, AK 99708  
907-388-9955 E-MAIL: tom.george@aopa.org

# Alaska State Legislature

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Alaska State Capitol  
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600 E Railroad Avenue  
Wasilla, AK 99654  
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## Representative Carl Gatto

To: Representative Jay Ramras  
Chair, House Judiciary Committee

Fr: Representative Carl Gatto

Date: March 1, 2010

Re: removal of objection to HJR 42

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I respectfully withdraw my objection to moving Representative Wilson's HJR 42 out of the House Judiciary Committee. Representative Wilson's office has coordinated with my staff to ensure that my concerns regarding the funding source for the proposed infrastructure fund were addressed. I have also concluded, upon further guidance from legal services, that there are no significant constitutional issues with HJR 42.

Sincerely,

A handwritten signature in black ink that reads "Carl Gatto".

Representative Carl Gatto  
District 13



# *Alaska State Legislature*

Representative Peggy Wilson  
House District 2

## MEMORANDUM

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Date: February 10, 2010

To: Representative Jay Ramras, Chair  
House Judiciary Committee

From: Representative Peggy Wilson (PW)

Re: HJR 42 - Constitutional Amendment:Transportation Fund

I would like to request the House Judiciary Committee schedule a hearing on HJR42.

HJR 42 will put a constitutional amendment before voters to change the Alaska constitution to allow a dedicated fund for Capital Transportation Projects.

Alaska is geographically the largest state in the country, and the future of the economic and social well being of its citizens is critically dependent on a reliable transportation system. This change to the State Constitution, allowing a dedicated transportation fund, is needed to create and maintain a modern, reliable transportation system for Alaska.

Thank you for your consideration.

# ALASKA STATE LEGISLATURE

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*Session:*  
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REPRESENTATIVE PEGGY WILSON  
HOUSE DISTRICT 2

## SPONSOR STATEMENT House Joint Resolution 42

### **“Proposing amendments to the constitution of the State of Alaska creating a transportation infrastructure fund”**

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HJR 42 will put a constitutional amendment before voters to change the Alaska constitution to allow a dedicated fund for Capital Transportation Projects.

In FY10 87% of our transportation budget came from the federal government. The current federal reauthorization legislation has expired and is being extended month to month until new legislation can be passed. The new federal reauthorization bill is unfavorable for states with small populations by emphasizing mass transit and green transportation. It favors toll roads, bridges, and other transportation that are self-funding. Alaska's small population makes these self pay options prohibitive. There aren't enough cars on the road, people on the ferries or residents landing at our airports to generate the scale of economy that is needed.

The roads, bridges, airports, ferries and other transit systems that make up our state's transportation system are essential to mobility, commerce and economic development. These systems increase safety, enhance economic competitiveness, and lead to a better quality of life. To ensure Alaska has the infrastructure necessary to develop our resources as well as improve the living conditions for our citizens we must commit to funding transportation. Having an amount that is guaranteed from year to year will allow Alaska to manage current congestion, safety and maintenance projects as well as develop access to needed resources and energy.

Alaska is geographically the largest state in the country, and the future of the economic and social well being of its citizens is critically dependent on a reliable transportation system. This change to the State Constitution, allowing a dedicated transportation fund, is needed to create and maintain a modern, reliable transportation system for Alaska.

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: HJR 42  
 (H) Publish Date: 2/10/10

Identifier (file name): HJR-042-OOG-DOE-2-9-10 Dept. Affected: OOG  
 Title Constitutional amendment creating a transportation RDU Elections  
infrastructure fund Component Elections  
 Sponsor House Transportation Committee  
 Requester House Transportation Committee Component Number 21

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual			1.5					
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>		<b>0.0</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES ( )</b>								
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF			1.5					
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>		<b>0.0</b>	<b>1.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

**ANALYSIS:** (Attach a separate page if necessary)

The passage of this resolution would require the constitutional amendment to appear on the 2010 general election ballot. The cost of providing information about the constitutional amendment in the Official Election Pamphlet, as required by AS 15.58 is \$1.5. Should the addition of this question require printing an 8-1/2 by 18 inch ballot, the cost will increase to \$22.0.

Prepared by: Gail Fenumiai, Director  
 Division Division of Elections  
 Approved by: Linda Perez, Director  
Division of Administrative Services

Phone 465-4611  
 Date/Time 2/9/10, 3:49pm  
 Date 2/9/2010

**Alaska Transportation Finance Study**

final

**report**

*prepared for*

**Alaska Municipal League**

*prepared by*

**Cambridge Systematics, Inc.**

# Executive Summary

The Alaska Municipal League (AML) commissioned Cambridge Systematics, Inc. to conduct an objective assessment of the current finance trends, challenges, and possible options to meet Alaska's transportation funding needs. This work involved a significant amount of analysis and produced multiple layers of findings that have been documented in this report, the Transportation Finance Study. Nevertheless, the work may be summarized into the following three categories of findings.

## UNDER INVESTMENT IN THE STATE'S TRANSPORTATION INFRASTRUCTURE

Almost every state and the Federal Government have been chronically under investing in their transportation infrastructure and Alaska is not an exception. Over the last several years, studies at the national and state levels have painted a dire picture of transportation funding over the long term: the average funding gap for the Federal shortfall is almost \$60 billion annually through 2017 (10-year average) to maintain the current condition and performance of the nation's surface transportation system.

- Underinvestment in Alaska may have more severe consequences than for almost any other state because the Alaska's economy is highly dependent on resource extraction industries. These industries are highly transportation-intensive; their growth is the most likely offset to declining oil production and may be the State's best opportunity to diversity, but will require investment. In addition, the State's far-flung communities, harsher environment and less mature roadway network amplify the effects of under investment.
- In its 2030 Transportation Plan, the Alaska Department of Transportation and Public Facilities (ADOT&PF) estimated its annual highway and bridge needs at approximately \$1.1 billion per year of which about \$530 million is unfunded on state-owned facilities alone (excluding local roads and street needs), with Federal and state funding covering about half of the needs.
- In Alaska, routine highway maintenance remains underfunded and the backlog in life-cycle needs is over three times the level of spending in annual highway maintenance activities at the state level. Adding the AMHS unfunded needs, and Alaska's transportation funding gap increases to \$720 million. These figures still do not include needs of transit, and locally funded roads, both in urban and rural areas of the State, or aviation. Furthermore, it does not include any transportation capacity needs to meet travel demand growth in the future.

- Alaska's transportation capital spending (from state and local revenue sources) as a percentage of the Gross State Product (GSP) for 2006 is the fourth lowest compared to other states. If Federal funding is included, the transportation spending as a percentage of GSP increases placing Alaska in the top 10 states, clearly indicating the State's reliance on Federal funding to meet its transportation needs.

## CURRENT FEDERAL FUNDING AT RISK

Alaska has historically received on average roughly 75 percent of its total transportation funding needs from Federal sources. This dependence is quite likely to put Alaska in a very vulnerable position when the Federal transportation funding is reauthorized next year for the following reasons:

- Federal Highway Trust Fund went broke this past year and Congress provided only one year of stop-gap funding. Longer-term fixes, however, may include lower levels of funding, which would increase state competition for Federal allocations.
- The current negotiations over reauthorization are further reducing the difference between donor states (which have increased in the previous reauthorization from 90 percent of their contribution to 92 percent) and donee states, of which Alaska is one of the highest.
- Reauthorization funding policies appear to place far more emphasis on tolling or other user fees and metropolitan transit/transportation networks, rather than highway funding or legislative earmarking. Some proposals would push greater responsibility to states or cities for financing their transportation improvements.
- Federal support for Alaska's transportation needs is being challenged by other states because of the perception that Alaska's financial capacity is substantially better off than other states. The lower 48 and the Federal government see the Alaska Permanent Fund currently has almost \$28 billion and Alaska is the only State that collects neither income taxes nor state sales taxes, and its 8 cents-per-gallon (cpg) gas tax is the lowest rate in the country.

## OPTIONS FOR CLOSING THE GAP

In order for Alaska to close some of the gap in underinvestment and improve its competitive position for the next reauthorization of Federal transportation legislation, we propose some options for increasing state revenues with a mix of six sources that include increases to user fees such as the fuel tax and vehicle registrations fees, new sales tax on vehicles and the wider use of local sales taxes, reinstatement of the Local Service Roads and Trails (LSR&T) fund, and establishment of an Alaska Transportation Fund (ATF) or comparable fund.

**Option One** would generate roughly \$151 million annually, or about 28 percent of the \$535 million annual gap. It has the following six components:

- Increase fuel taxes from 8 cents per gallon (cpg) to 18 cpg (national average) and index the rate to inflation, generating about \$38 million annually.
- Increase vehicle registration fees by 50 percent from \$100 to \$150 biannual fee, generating slightly less than \$23 million annually.
- Impose a vehicle sales tax of 0.5 percent, yielding about \$10 million annually
- Encourage local jurisdictions to impose a 0.5 percent sales tax, which if enacted throughout the State would earn about \$30 million annually
- Capitalize the Alaska Transportation Fund (ATF) with \$1 billion, which with a 8 percent return should earn about \$50 million annually.

**Option Two** would generate roughly \$291 million annually, or about 55 percent of the \$535 million annual gap. It has the following six components:

- Increase fuel taxes from 8 to 28 cpg and index the rate to inflation, generating about \$76 million annually.
- Double vehicle registration fees from \$100 to \$200 biannual fee, generating over \$45 million annually.
- Impose a vehicle sales tax of 1.5 percent, yielding over \$31 million annually
- Encourage local jurisdictions to impose a 1.5 percent sales tax, which would earn about \$89 million annually
- Capitalize the Alaska Transportation Fund (ATF) with \$1 billion, which with a 8 percent return should earn about \$50 million annually.

**Option Three** also would generate \$291 million annually (55 percent of the \$535 million annual gap), but it would reduce the two sales taxes and instead reinstitutes the Local Service Roads and Trails (LSR&T) fund:

- Same increase in fuel taxes (8 cpg to 28 cpg and index the rate to inflation), generating about \$76 million annually.
- Same doubling of vehicle registration fees from \$100 to \$200 biannual fee, generating over \$45 million annually.
- Impose a state vehicle sales tax of 1.25 percent and a 1.25 percent local sales tax, which would earn over \$26 million and \$74 million annually, respectively
- Capitalize the Alaska Transportation Fund (ATF) with \$1 billion, which with a 8 percent return should earn about \$50 million annually.
- Assume the State reinstitutes the LSR&T program at about \$20 million annually.

**SWAMC RESOLUTION 09-02****A RESOLUTION OF THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE URGING THE GOVERNOR AND THE ALASKA LEGISLATURE TO CAPITALIZE STABLE LONG-TERM TRANSPORTATION FUNDING FOR ALASKA**

**WHEREAS**, Alaska's transportation system has fallen far behind the needs of Alaska for cost effective transportation which allows economic growth and the safe cost effective movement of people, goods, and services; and

**WHEREAS**, the Alaska Highway System, the Alaska Marine Highway System, Alaska Airports, Alaska ports and harbors, and Alaska's local roads all need several years of significant funding for infrastructure improvement, upgrade and expansion; and

**WHEREAS**, the general appropriation process has resulted in significant underfunding of transportation infrastructure; and

**WHEREAS**, the Federal Highway Trust Fund is experiencing significant shortfalls, further contributing to a decrease in transportation funding for Alaska; and

**WHEREAS**, the economic future of Alaska is highly dependent upon a quality, cost effective transportation system; and

**WHEREAS**, the development of Alaska transportation infrastructure is dependent upon a steady and reliable stream of revenue; and

**WHEREAS**, the development of an energy policy that works for Alaska requires a quality transportation system in order to be successful; and

**WHEREAS**, estimates of annual funding needs for transportation infrastructure improvements, upgrades, and expansions exceed \$300 million per year; and

**WHEREAS**, the State of Alaska is in a position to proactively develop a long-term transportation financing program.

**-MORE-**

**NOW, THEREFORE BE IT RESOLVED** that the Southwest Alaska Municipal Conference urges the Governor and the Alaska Legislature to establish a Transportation Trust Fund for Alaska or other suitable and sustainable funding mechanisms that generate at least \$300 million annually to accomplish the following purposes:

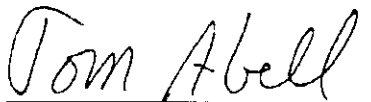
- Generate investment earnings to develop transportation infrastructure in Alaska.
- Improve, upgrade and expand State of Alaska roads and highways.
- Improve, upgrade and expand the Alaska Marine Highway System.
- Improve, upgrade and expand the airports in Alaska.
- Improve and expand Alaska's ports and harbors.
- Provide regular funding to Alaska's communities to improve, upgrade and expand local roads built to local road standards.

**AND, BE IT FURTHER RESOLVED** that not less than 15-percent of the total funding will be allocated to each of the five programs each year (roads and highways; Alaska Marine Highway System; airports; ports and harbors; public transit and local roads).

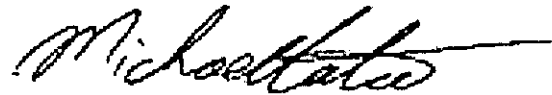
**PASSED AND ADOPTED** by a duly constituted quorum of the Southwest Alaska Municipal Conference Membership this Thirtieth day of January, 2009.

Signed:

Attest:



Tom Abell  
President



Michael Catsi  
Executive Director

# Surface Transportation Authorization



Briefing for the Alaska  
House Transportation Committee  
By the  
National Conference  
of State Legislatures  
October 1, 2009

# Presentation Overview

- Overview of SAFETEA-LU
- Current Congressional Activity
  - The New Authorization (House)
  - Where it stands
- What does it mean for Alaska
- State Revenue Issues

# SAFETEA-LU – Funding Levels

- \$286.4 billion over 6 years
  - \$244 Billion 2005-2009
    - \$189.5 Billion Highways
    - \$ 45.3 Billion Public Transportation
    - \$ 5.6 Billion Highway/Motor Carrier Safety
    - \$ 3.6 Billion Exempt from Obligation Limits
      - Emergency relief
      - A specified amount of the Equity Bonus Program
      - Certain projects funded before 1998

# SAFETEA-LU Innovative Financing

## State Infrastructure Bank

- Expands the program to all 50 states, allows capitalization with federal funds
- Allows 2 or more states to establish a multi-state bank

## Transportation Infrastructure Finance and Innovation Act

- Lowers to \$50M (from \$100M) the minimum cost of eligible project
- Lowers to \$15M the minimum cost for eligible ITS project

## Private Activity Bonds

- Expanded bonding authority for private activity bonds

## Provided States Increased Flexibility to Use Tolling (*congestion management tool as well*)

- Creates a number of pilot/demonstration programs.

# SAFETEA-LU Traffic Safety

**Created a new core Highway Safety Improvement Program**

**Contained a number of targeted grants and incentive programs**

- Occupant protection
- Safety belt
- Impaired driving
- Child safety and booster seat use

**Maintained existing driving sanctions**

- Open Container
- .08 BAC
- Zero tolerance
- National minimum drinking age
- Repeat offender

# SAFETEA-LU- Environment

Expanded environmental considerations in Metropolitan and Statewide  
Transportation Planning

- Consultation
- Mitigation

# Congressional Activity: The New Authorization (Current House proposal: Oberstar)

\$450 billion\* over 6 years (plus an additional \$50 billion for high speed rail)

- \$337 billion – Highway construction, including at least \$100 billion for Capital Asset Investment
- \$12.6 billion in highway and motor carrier safety
- \$87.6 billion from the Mass Transit Account (of the Highway Trust Fund)
- \$12.2 billion from the General Fund for public transit investment

*\*The \$450 billion includes \$50 billion for Metropolitan Mobility and Access and \$25 billion for Projects of National Significance*

**Challenge:** There is no legislative text on how to pay for it. There are also a number of places in the bill where it states “to be supplied.”

# **Congressional Activity: The New Authorization** (Current House proposal)

## **Consolidates or terminates more than 75 programs**

- Proposes 4 core highway categories
- Proposes 4 core transit categories

## **Establishes new initiatives to address congestion relief**

- New discretionary program for direct funding to MPOs.

## **Large focus on Livability and Environment, Sustainability of Communities**

- Creates an Office of Livability with FHWA

# **Congressional Activity: The New Authorization** (Current House proposal)

**Eliminates certain existing incentive/grant programs and replaces them with mandates/sanctions. Establishes other mandates/sanctions**

- Primary seat belt laws
- Ignition interlock
- Revocation/suspension of license for individuals convicted to drug offenses

**Eliminates tolling pilots, establishes new guidelines/requirements for tolling**

**Expands U.S DoT's role in PPPs**

# National Infrastructure Bank

- Proposal by the Administration and members of Congress
- Would target large capacity-building projects not adequately served by current funding mechanisms
- Independent government entity
- Would make loans, insure bonds, provide preconstruction phase assistance
- \$60 billion in bonding authority over 10 years
- Revenue stream needed to repay debt
- Several bills in this Congress and previous sessions

# Congressional Activity: Where we Stand



- The Senate and the Administration want an 18 month extension.
- House has passed a 3 month extension- challenge the Senate in conference
- Stay tuned!

# What does it Mean for Alaska

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- A lot of uncertainty at this point in time.
- Most likely less dedicated funding – SAFETEA-LU contained over \$1 billion in highway and transit set asides.

## Average Annual State Sources of Transportation Revenue by % Compared to Alaska %

- State motor fuels taxes—28% / 5%
- Federal funding—27% / 54%
- Motor vehicle/truck fees and taxes—16% / 5%
- Bonding, borrowing—12% / 3.5%
- Tolls—5% / 3.2%
- State general fund—4% / 19.5%
- Misc. and other—6% / 4.3%
- Local gov't contribution—2% / 5.7%



- NCSL Report, page 59

## State Responses to Revenue Gap

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1. More reliance on general sales tax and general fund.
2. Growing funding of transportation by local entities.
3. Greater efficiency and accountability in delivering transportation projects.
4. Greater borrowing
5. Increasing use of public private partnerships
6. Greater use of tolling as funding option
7. Program cuts
8. Study of alternatives

# Rural Transportation Challenges

- Public transportation is important for the Transportation Disadvantaged--elderly, disabled, low-income, jobless. Better coordination of existing funding for human service transportation.
- Multi-modal approach needed to improve mobility and regional connectivity--better rail, air service issues (Essential Air Service).
- Traffic fatalities--60% of total occur in rural areas.

## **Conclusion: Additional Transportation Funding Needed**

- Unmet needs--\$225 billion needed nationwide annually for the next 50 years
- Poor infrastructure is a threat to safety, security, economic prosperity, international competitiveness and quality of life.
- Need to catch up on deferred maintenance, especially for bridges
- Hard Choices- Extensive documentation of need and recommended action completed in most states but little new legislation

# NCSL Contact Information

- **Jim Reed, Denver Transportation Program**
  - (303) 856-1510
  - [jim.reed@ncsl.org](mailto:jim.reed@ncsl.org)
  
- **Molly Ramsdell, Wash. D.C. Office**
  - (202) 624-5300
  - [molly.ramsdell@ncsl.org](mailto:molly.ramsdell@ncsl.org)

For more information on the Surface Transportation Authorization:  
Search GO 17889, on NCSL Homepage

such finding is arbitrary and without any reasonable basis in fact (*DeArmond v. Alaska State Development Corporation*, 376 P.2d 717, 1962).

The Alaska Supreme Court has yet to find a legislative determination of public purpose arbitrary and without any basis in fact. It has upheld the use of revenue bonds by a public corporation and general obligation bonds of a municipality for industrial development purposes (*DeArmond*; and *Wright v. City of Palmer*, 468 P.2d 326, 1970). It has upheld the use of revenue bonds by a public corporation to purchase home mortgages (*Walker v. Alaska State Mortgage Association*, 416 P.2d 245, 1966). It has upheld state grants to homeowners to pay off the mortgages of property lost in the 1964 earthquake (*Suber v. Alaska State Bond Committee*, 414 P.2d 546, 1966). In *Suber* the court said: "It is not essential that the entire community or any particular number of persons should benefit from remedial legislation in order that a public purpose be served. The purpose of the Program is no less public because its benefits may be limited by circumstances to a comparatively small part of the public." The court found no violation of this section by the Anchorage municipal telephone utility competing with private vendors of telephone equipment (*Comtec, Incorporated v. Municipality of Anchorage*, 710 P.2d 1004, 1985).

A complex issue related to the public purpose safeguard of this section of the constitution concerns the activities of incumbent elected public officials in their quest for reelection. A governor running for reelection, for example, is vulnerable to the allegation that official travel and public appearances are campaign-related and not *bona fide* public business. The courts in Alaska have not been confronted with such a suit, and court decisions elsewhere give little encouragement to those contemplating one.

#### Section 7. Dedicated Funds

**The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in Section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.**

Convention delegates prohibited the dedication, or "earmarking," of funds for specific purposes so that the legislature would not tie its own hands in providing for the public needs of the day. The commentary on this section by the constitutional convention committee that drafted it included this observation:

Even those persons or interests who seek the dedication of revenues for their own projects will admit that the earmarking of taxes or fees for other interests is a fiscal evil. But if allocation is permitted for one interest the denial of it to another is

## Article IX

difficult, and the more special funds are set up the more difficult it becomes to deny other requests until the point is reached where neither the governor nor the legislature has any real control over the finances of the state.

The phrase "as provided in Section 15 of this article" in the second sentence was added by an amendment in 1976 to allow creation of the Alaska Permanent Fund (see Section 15). Two exceptions to the prohibition against earmarking were allowed by the convention delegates. One exception is a dedicated fund that was already in existence, such as the school fund of AS 43.50.140, which receives proceeds from the tobacco tax for use of school repair and construction. The other exception allows new earmarking when it is required by federal law to participate in a federal program. This is the case with the Fish and Game Fund of AS 16.05.100, to which sport hunting and fishing license fees are dedicated.

A statutory dedication of revenue may not seem too serious because future legislatures are not bound by it. But a statutory dedication is likely to be self-perpetuating. A governor's veto might block a future legislature's effort to repeal the dedication. The flow of money into and out of the fund may be "off-budget" and shielded from annual review by the finance committees. And the dedication fosters the development of a constituency that benefits from the dedication and resists changes to it.

How comprehensive did the convention delegates mean to be with this prohibition against dedicated funds when they adopted the phrase "proceeds of any state tax or license" in the first sentence? Did they mean all state revenue, or did they want to exclude from the prohibition against dedication those state revenues that are not derived from a tax or license? The question became important when Alaska began to receive substantial income from oil lease bonuses and royalties, which are not proceeds from a tax or license. An opinion of the attorney general of an early administration said that oil lease royalty income was outside the prohibition against earmarking in this section. A later opinion reversed this interpretation and held that the historical record of the convention made it clear that the delegates intended to bar the dedication of all state revenues, whether or not they derive strictly from a tax or license (1975 Opinion Attorney General No. 9, May 2). Consequently, a constitutional amendment was required to create the Alaska Permanent Fund.

The courts have not ruled on the matter, but it is generally understood that the authors of the constitution intended certain exceptions to the prohibition against dedicated revenues, such as pension contributions, proceeds from bond issues, revolving fund receipts and sinking fund receipts (1982 Informal Opinion Attorney General, November 30). Indeed, beyond these practical exceptions to the prohibition on the dedication of revenue, it must be noted that such dedications have a legitimate role in state financial management, despite the public policy problems that caused them to be prohibited in the Alaska Constitution. Dedication allows the benefits of a public program to be directly linked to those who pay for them. Revenues are dedicated in Alaska today in a manner that makes the practice constitutionally acceptable, namely that the pertinent statutes say that the legislature "may" appropriate the money for its designated purpose. It is understood that the legislature will do so, and

failure to do so will abrogate a political agreement. An example of this practice is the fisheries enhancement tax levied under AS 43.76.010. This is a tax on salmon fishermen intended to support salmon hatcheries. The tax receipts are deposited to the general fund, and "the legislature may make appropriations to the Department of Community and Economic Development for the purpose of providing financing to qualified [regional aquaculture] associations" (AS 43.76.025).

Enterprise funds are also examples of de facto dedication of revenues, such as the Marine Highway System Fund, which directs receipts from the sale of tickets on the ferry system to the support of that system. The constitutionality of this fund was challenged in court and upheld because the language of its authorizing statutes is permissive and does not restrict the authority of the legislature to appropriate money from the fund (although parts of the act creating this fund that restricted the authority of the executive branch to request appropriations from the fund were found to violate the prohibition of this section; see *Sonneman v. Hickel*, 836 P.2d 936, 1992).

### Section 8. State Debt

**No state debt shall be contracted unless authorized by law for capital improvements or unless authorized by law for housing loans for veterans, and ratified by a majority of the qualified voters of the State who vote on the question. The State may, as provided by law and without ratification, contract debt for the purpose of repelling invasion, suppressing insurrection, defending the State in war, meeting natural disasters, or redeeming indebtedness outstanding at the time this constitution becomes effective.**

Limitations on the ability of states to incur debt are a common feature of fiscal articles of state constitutions. They are the consequence of well-publicized defaults by some of the older states on bonds issued for overly ambitious public works projects and of scandals arising from corrupt public construction and financing schemes. Some constitutional limitations restrict general debt to specific purposes (only road construction, for example); some limit the amount of debt that may be issued by establishing a ceiling on total allowable annual debt payments (usually expressed as maximum percentage of general fund revenue); some require a supermajority vote of the legislature to contract debt; and others require a referendum for the electorate to approve state indebtedness. The Territorial Organic Act of 1912 originally prohibited the territory of Alaska and its municipalities from acquiring any kind of debt without congressional approval, but this stricture was removed in 1935.

In 1982 a constitutional amendment was ratified that inserted "or unless authorized by law for housing loans for veterans." This allowed the state to incur tax-exempt general obligation debt for veterans' housing loans. The amendment was a response to a 1980 federal law that prevented states or public corporations such as the Alaska Housing Finance Corporation from selling housing bonds in the tax-exempt market, but allowed an exception for general obligation bonds for veterans' housing.

**Jane Pierson**

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**From:** mdmiller@gci.net on behalf of Michael Miller [mdmiller@gci.net]  
**Sent:** Sunday, February 21, 2010 7:46 PM  
**To:** Rep. Jay Ramras  
**Subject:** Support HJR 42

Alaska has become masters of spending someone else's money, particularly from the federal government's Highway Trust Fund.

Now the Highway Trust Fund is broke. Congress has had to pump dollars into the fund to fulfill last year's obligations and will again this year.

With Alaska having no state income tax, no state sales tax, the lowest fuel tax in the nation, a +/- \$35 billion savings account and annual entitlement (PFD) to every citizen, we are going to have huge shortfalls in funding our transportation infrastructure.

The establishment of a constitutional dedicated fund for transportation is the smart thing to do.

Again, please support HJR42. We can't afford not to.

*Mike*

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