

**HJR**

**42**

# ALASKA STATE LEGISLATURE

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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.

**Testimony of Lois N. Epstein, P.E.**  
**Alaska Transportation Priorities Project**  
**Before the House Transportation Committee**  
**February 9, 2010**

Thank you Madame Chair and members of the Committee. Good afternoon. My name is Lois Epstein and I am a licensed engineer and director of the Alaska Transportation Priorities Project, or ATPP. ATPP works with conservation organizations, transit advocates, community and governmental leaders, neighborhood organizations, engineers, and others to promote sensible transportation systems and policies in Alaska.

ATPP believes it is a good idea to address the upcoming decline in federal transportation funds, but there are some problems with today's approach, and it is limited in its overall impact on transportation funding as I will discuss. First, HB 329 does not include money for maintenance, preservation, and operation (roughly \$500 mill./year for highways and bridges, plus over \$100 mill./year for maintaining and operating ferries). We shouldn't build projects we can't maintain, and this approach does not address maintenance even if that's the greatest need.

Second, HB 329 is very specific with respect to allocations – e.g., 60% to major roads and bridges, and only 5% to community roads and public transportation. These allocations might not be the most appropriate in the future – especially with federal requirements likely to be coming dealing with climate change. Regardless, there will be an advisory council overseeing funding decisions and a scoring system, so why bind the decisions so tightly? I wouldn't be opposed to a maximum percentage to be spent on roads, however, in the range of 40-60% to ensure that other modes are appropriately funded. Note that I sit on the AMATS Technical Advisory Committee in Anchorage and AMATS allocates funds by mode within predetermined ranges.

Last, today's approach does not at all address the high amounts many in the state would like to spend on questionable major projects like the Juneau Road (\$0.5 billion), the Road to Nome (\$2.5 billion), the ongoing Gravina Access saga (\$0.4 billion), etc. There's not enough money for these projects but the state's appetite for researching and studying them at the level of millions of dollars each year (and I can document that statement), regardless of the project's full cost, never goes away! The FHWA and the FTA recently sent a letter to Alaska DOT that confirms this overreach problem by the state. The November 2009 letter says that Alaska "will be over programmed in the long term and that sufficient funds are not available from current recognizable sources to complete a number of large projects contemplated by the State's Program." The projects I identified above cost from \$400 million to \$2.5 billion and would not be much affected by the bill under consideration today because they require federal dollars to build them. I urge both the legislature and the governor to show fiscal leadership and seriously consider cancelling one or more of these projects rather than spending millions of our state's transportation dollars each year pursuing them without a financial plan to complete any of them. I would be very happy to work with your Committee and its staff to hold a hearing on the state's lack of fiscal constraint, perhaps an even more important topic given federal concerns than today's transportation funding discussion.

Thank you very much for considering these comments.

**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 diversify, 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 reinstates 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 reinstates the LSR&T program at about \$20 million annually.

**INSERT FOR GOVERNOR HICKEL'S STATE OF THE STATE  
ADDRESS:**

**RE: DEDICATED TRANSPORTATION FUND/DEPARTMENT  
ORGANIZATION**

ANOTHER MAJOR CHALLENGE CONFRONTING ALASKA IS FINANCING THE REPAIR AND REPLACEMENT OF OUR CAPITAL ASSETS. THROUGHOUT THE NATION THERE IS A GROWING AWARENESS OF THE VITAL IMPORTANCE OF REBUILDING OUR INFRASTRUCTURE TO GUARANTEE AMERICA A STRONG AND HEALTHY ECONOMY. WHILE PART OF ALASKA'S CHALLENGE IS SIMPLY THE NEED TO BUILD MORE INFRASTRUCTURE, THE COMBINATION OF AGING FACILITIES AND THE CUMULATIVE EFFECT OF DEFERRED MAINTENANCE DICTATES WE ACT PROMPTLY AND DECISIVELY.

MANY OF OUR ROADS ARE WEARING OUT, OUR FERRIES ARE AGING, OUR PORT AND HARBOR FACILITIES ARE LITERALLY SINKING OR FLOATING AWAY, AND OUR BUILDINGS ARE BREAKING DOWN AND FALLING APART. THE BUDGET DIFFICULTIES SINCE THE MID-80'S HAVE EXACERBATED THE PROBLEM THROUGH DEFERRING OF ROUNTINE AND PREVENTATIVE MAINTENANCE. SOME ESTIMATES PLACE THE TOTAL BILL AT NEARLY \$500 MILLION OR MORE.

OUR TRANSPORTATION SYSTEM IS A KEY INGREDIENT IN PROVIDING ALASKA A VIBRANT AND PROSPEROUS ECONOMY. WHILE THERE IS NO CALCULATION AVAILABLE OF THE STATEWIDE ECONOMIC COSTS FROM A DETERIORATING SYSTEM, YOU CAN BE ASSURED THE FINANCIAL IMPACT TO ALL ALASKANS IS SIGNIFICANT.

THE TIME FOR ACTION IS NOW. THE ADMINISTRATION AND LEGISLATURE MUST WORK TOGETHER AND ADDRESS THE CHALLENGE TODAY. IT IS CLEAR A SIGNIFICANT PORTION OF THE CURRENT REVENUE SURPLUS SHOULD BE USED TO ADDRESS THESE CAPITAL NEEDS.

IN ADDITION, I INTEND TO SUBMIT A PROPOSAL TO OBTAIN A CONSTITUTIONAL AMENDMENT ESTABLISHING A DEDICATED TRANSPORTATION FUND. THIS ACTION WOULD GUARANTEE ALASKANS THAT THE USER FEES AND TAXES WHICH THEY PAY FOR TRANSPORTATION SERVICES WILL ONLY GO TO SUPPORT THOSE TRANSPORTATION SYSTEMS. UNDER THIS ARRANGEMENT FERRY TICKET RECEIPTS WOULD SUPPORT THE FERRY SYSTEM, MOTOR FUEL TAXES AND VEHICLE REGISTRATION FEES WOULD SUPPORT OUR HIGHWAYS, AVIATION FUEL TAXES AND AIRPORT LEASES WOULD SUPPORT OUR AIRPORTS, AND WATERCRAFT FUEL TAXES AND RELATED USER FEES WOULD SUPPORT ALASKA'S PORTS AND HARBORS.

THIS IS NOT AS RADICAL A PROPOSAL AS IT MIGHT SOUND. OVER HALF THE STATES ALREADY HAVE THE SAME TYPE OF FINANCING ARRANGEMENT. IN FACT, ALASKA'S FOUNDING FATHERS SUPPORTED THIS EXACT MECHANISM AND PROVIDED FOR IT AT STATEHOOD. WITH A DEDICATED FUND ALASKANS WILL RECEIVE MORE STABLE SERVICE LEVELS. AND IF NEW REVENUES ARE NEEDED TO PRESERVE OR IMPROVE SERVICE, ALASKANS WILL BE ASSURED THAT ANY NEW FEE WILL GO DIRECTLY TO THEIR TRANSPORTATION SYSTEM.


WE ARE REVIEWING A NUMBER OF OTHER PROPOSALS TO ENSURE ALASKANS RECEIVE NEEDED TRANSPORTATION SERVICES EFFICIENTLY. MANY ARGUE THE ANCHORAGE AND FAIRBANKS INTERNATIONAL AIRPORTS AND THE MARINE HIGHWAYS SHOULD BE BROKEN OUT AND ESTABLISHED AS SEPARATE, INDEPENDENT AUTHORITIES. IT'S A MECHANISM THAT HAS WORKED WELL FOR THE ALASKA RAILROAD, AND SHOULD WORK AS WELL FOR THESE TWO VITAL TRANSPORTATION SYSTEMS. SIMILAR CONCEPTS MAY MAKE SENSE FOR THE EQUIPMENT FLEET AND BUILDINGS RESPONSIBILITIES.

HICKEY

# CROSSROADS:

**A REPORT ON THE DELIVERY OF  
TRANSPORTATION SERVICES IN ALASKA**

**Final Report to  
the Governor and Legislature**



**Governor's Task Force On  
Transportation Facilities  
July 1988**

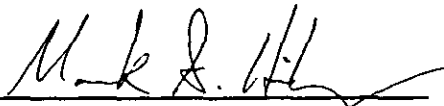
## PREFACE

The task force has reviewed the problems associated with the efficient and equitable delivery of transportation services in Alaska as directed by the Governor and the Legislature and provides this report for the general public and for state policy makers.

In addition to other benefits gained, the task force has determined that the delivery of transportation services could be more efficiently and equitably provided if the continued care of some of Alaska's transportation facilities would be more widely distributed among various private and governmental entities. As an example, the Department of Transportation and Public Facilities (DOT/PF) estimates that 28% of the department's highway responsibilities are roads that primarily serve a local function.

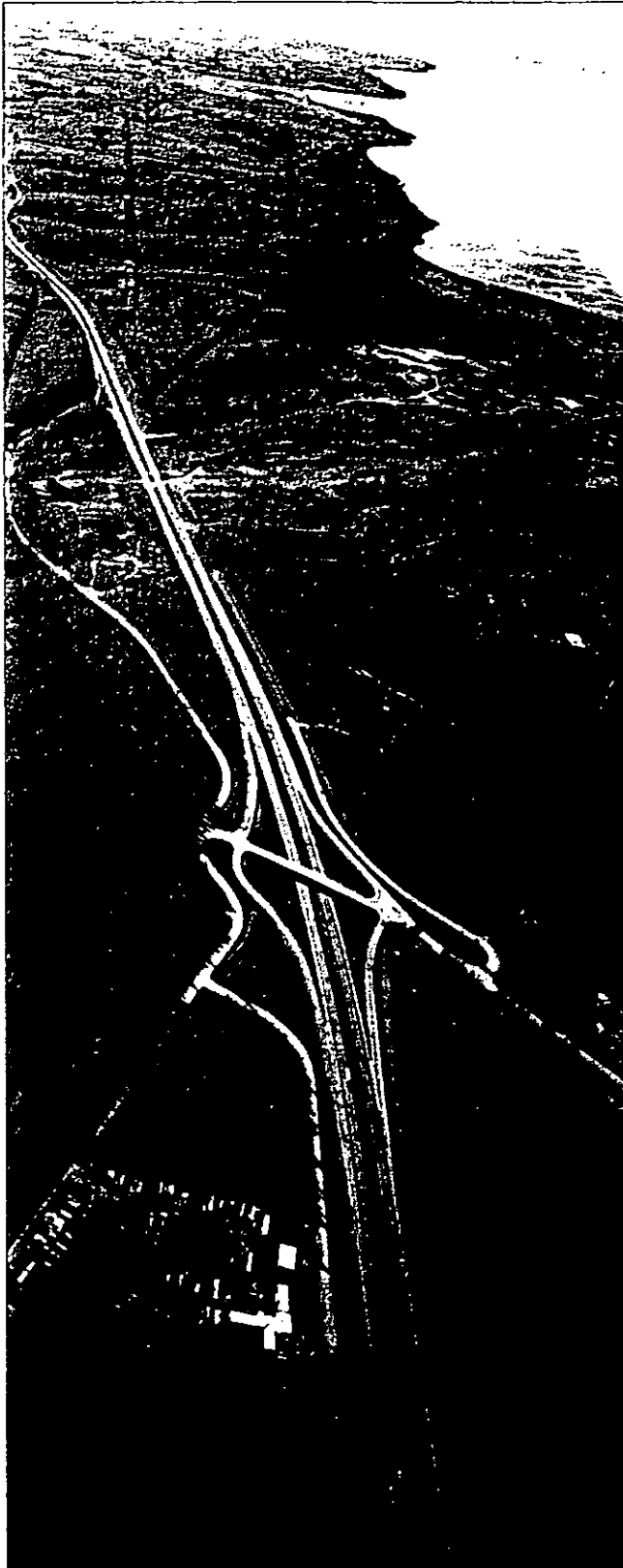
For all facets of the problems related to the delivery of transportation services, adequate funding and the ongoing stability of funding are the critical issues. In this regard, the task force is unanimous in recommending that the maintenance of the transportation system should be supported to the extent practical with dedicated user fees.

The problems associated with the efficient and equitable delivery of transportation services present many complicated issues which the task force finds need addressing as a state policy matter. This report sets out a policy framework which the task force believes will assist state policy makers at this critical juncture of the development of the transportation delivery system.

  
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Mark S. Hickey  
Chairman



## INTRODUCTION



The main task of the Governor's Task Force on Transportation Facilities was to make recommendations on the equity and efficiency of Alaska's transportation delivery system. The task force understood the transportation delivery system to be the sum of all activities and physical facilities managed or undertaken by an Alaskan government entity that results in the provision of transportation services to the general public. (The Alaska Railroad is not part of this discussion because of its unique position in the state system by statute.)

For this report, the goal of the task force was to present a short concise synopsis of the issues relevant to achieve an efficient and equitable transportation delivery system. The task force understood the equity and efficiency of Alaska's transportation delivery system to be dependent in large part on what entity is responsible for components of the system and how the system is funded.

The report is organized so that the first section develops the context that decision-makers should be aware of with funding being the most important issue. The second and third sections of the report focus on the responsibility issues related to Alaska's transportation delivery system with the delineation of responsibility between state government and local government being the major focus.

## SUMMARY OF FINDINGS

1. The condition and efficiency of Alaska's transportation system is of vital importance to all Alaskans.
2. There is a vast inventory of transportation facilities that requires constant maintenance and periodic rehabilitation.
3. There is currently not enough funding allocated to maintain and rehabilitate the transportation system.
4. Maintenance is being increasingly deferred over portions of the transportation system.
5. Portions of the transportation system are deteriorating and as deterioration progresses become more costly to repair.
6. There is little likelihood that additional funding will be available from the general fund; therefore, other sources of funding need to be examined.
7. The DOT/PF is responsible for some transportation facilities that would ordinarily in other states be the responsibility of local government.
8. The DOT/PF's responsibility for local transportation facilities makes it difficult to give clear focus to statewide issues including performance of a statutory duty to provide statewide planning.
9. Financial considerations associated with rehabilitating local roads will need to be addressed regardless of how alignment of responsibility is resolved.
10. The frequent changes in leadership at DOT/PF cause problems that affect the efficiency of the delivery of transportation services.
11. Funding for the road service account in the Municipal Revenue Sharing Program should be stabilized.

## SUMMARY OF RECOMMENDATIONS

1. The maintenance of Alaska's transportation system should be supported, to the degree possible, through user fees. ☆
2. User fee revenues should be dedicated. ☆
3. The state should have an annually updated six year revenue plan for transportation.
4. There should be greater emphasis on a cost/benefit analysis of capital projects during the state planning process.
5. Responsibility for the maintenance of capital projects should be determined before they are built.
6. Responsibility for existing transportation facilities should be clarified and revisions made where cost efficiencies can be clearly indicated.
7. There should be an orderly program developed to transfer responsibility for some transportation facilities from the state to local government.
8. Statutory powers of local government for providing transportation services should be made more uniform.
9. The state and local communities should eliminate duplication of transportation services in some communities.
10. The state should aggressively attempt to influence the new federal highway program.
11. The merits of creating a board of commissioners to oversee DOT/PF should be analyzed.



**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).

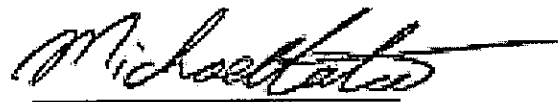
**PASSED AND ADOPTED** by a duly constituted quorum of the Southwest Alaska Municipal Conference Membership this Thirtieth day of January, 2009.

Signed:

Attest:



Tom Abell  
President



Michael Catsi  
Executive Director