

HB

30

<TARGET><BILL>HB 30</BILL><SUBJECT>HB
30</SUBJECT><COMM>HFIN27</COMM></TARGET>

ALASKA STATE LEGISLATURE

Interim:
P.O. Box 109
Wrangell, AK 99929
Phone: (907) 874-3088
Fax: (907) 874-3055



Session:
State Capitol, Room 406
Juneau, AK 99801-1182
Phone: (907) 465-3824
1-800-686-3824
Fax: (907) 465-3175

REPRESENTATIVE PEGGY WILSON
HOUSE DISTRICT 2

SPONSOR STATEMENT House Bill 30

“An Act relating to the transportation infrastructure fund, to local public transportation, to the municipal harbor facility grant fund, to motor fuel taxes, to the motor vehicle registration fee, to driver’s license fees, to identification card fees, to the studded tire tax, and to the vehicle rental tax; and providing for an effective date.”

HB 30 will define the Alaska Transportation Infrastructure Fund (ATIF), how it will be funded and where the funds will be spent.

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 a dependable revenue stream from year to year will allow Alaska to manage current congestion and maintenance projects as well as develop access to needed resources and energy.

Additionally the use of state funds for construction means we will have greater control and funding will go towards completing projects as opposed to the expensive and lengthy federal process. Anchorage has benefited from the use of state funds and has seen projects such as the Bragraw Intersection and Dowling Street Extension get done faster and cheaper than they would have using the federal guidelines.

In FY10, 87% of our transportation budget came from the federal government. There have been several major deposits to the Federal Highway Fund to keep the expired federal transportation reauthorization program going. After 2 years we are still operating under the old reauthorization guidelines. All indicators show that the new reauthorization bill will be unfavorable for states with small populations due to an emphasis on mass transit and green transportation. It favors toll roads and bridges and other transportation that pays for itself or that can be supported with a public private partnership. Our own DC delegation have told the legislature that Alaska needs to rely less on the federal government and start shouldering some of the burden of improving our transportation infrastructure.

HJR 4 will put an initiative before the voters to change the Alaska State Constitution to allow a dedicated fund for Transportation Projects. With passage of the initiative, HB 30 will define the fund. It will outline how the fund will be managed, how the earnings will be spent and who will decide which projects will be funded each year.

The fund will be seeded with a \$1B endowment. In addition to the endowment ATIF will receive the revenue generated from fuel taxes, vehicle registrations, driver’s license and identification card fees, studded tire tax, and vehicle rental taxes. One half of these revenues will be available each year for appropriation. The other half will be deposited into the fund to both grow the fund and inflation proof it. In addition, six percent of the market value (POMV) of the fund will be available for appropriation. The Department of Revenue will be charged with administering the fund. The Legislature should be able to

ALASKA STATE LEGISLATURE

Interim:
P. O. Box 109
Wrangell, AK 99929
Phone: (907) 874-3088
Fax: (907) 874-3055



Session:
State Capitol, Room 406
Juneau, AK 99801-1182
Phone: (907) 465-3824
1-800-686-3824
Fax: (907) 465-3175

REPRESENTATIVE PEGGY WILSON HOUSE DISTRICT 2

appropriate approximately ~\$100M the first year and then grow the appropriation about \$1.5-2M per year after that.

HB 30 will create an advisory council to evaluate the project submissions. The council is comprised of 17 voting members, 1 Department of Transportation /Public Facilities employee, 11 from transportation affiliated associations and 1 from native organization and 4 public members and 2 non-voting members of the legislature. The four members of the public will be appointed by the governor. The members representing organizations will be appointed by their respective organizations.

Alaska DOT/PF will be required to create a set of criteria to rank the projects. The panel will use these criteria to give each project a numeric score to be used in prioritizing the projects. These prioritized projects will go through the normal budgetary cycle each year for final authorization.

The bill defines how the funds shall be appropriated. Not more than

1. 80% of the funds may be used for roads and surface transportation both state and municipal,
2. 25 % may be used for aviation,
3. 25% may be used for the Alaska Marine Highway,
4. 20 % may be used for harbor facilities, state owned marine facilities and for deposit into the municipal harbor facility grant fund,
5. 20% may be used for local community transportation and transit.
6. 15% may be used for trails and bike-paths.

These percentages will provide the flexibility needed to focus on one mode one year and switch to another the following year as needs dictate.

Besides the above appropriations, the fund will pay for all fund administration costs and for the operations of the Department of Motor Vehicles.

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 fund is one of the tools needed to create a modern, reliable transportation system.

The CS from House Transportation reduced the size of the Advisory Council by 5 members and removed the revenue stream from airport leases and airspace leases. It also made all the provisions of HB 30 contingent upon the voters passage of the initiative to change the constitution to allow this dedicated fund.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 31, 2011

SUBJECT: Sectional summary of CSHB 30(TRA)
(Work Order No. 27-LS0198VT)

TO: Representative Peggy Wilson
Attn: Becky Rooney

FROM: Brian J. Kane *BJK*
Legislative Counsel

You have requested a sectional summary of CSHB 30(TRA), a bill relating to the transportation fund, local public transportation, the municipal harbor facility grant fund, motor fuel taxes, and motor vehicles registration fees, driver's license fees, identification card fees, studded tire tax, vehicle rental tax, and other taxes and fees related to motor vehicles.

Please note that a sectional summary of a bill is not an authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1 of the bill provides for fees from identification cards to be deposited into the transportation infrastructure fund.

Section 2 of the bill provides for certain motor vehicle registration fees to be deposited into the transportation infrastructure fund. Special registration fees are deposited into the general fund.

Section 3 of the bill provides that, unless otherwise provided by law, state fees or taxes collected under AS 28 shall be deposited into the transportation infrastructure fund.

Section 4 of the bill makes a conforming amendment in removing a reference to the watercraft fuel tax account, which is deleted by the bill and removes the reference to the fisheries business tax in relation to the municipal harbor facility grant fund.

Section 5 of the bill amends the list of program receipts so that only special registration fees are accounted for separately and deposited into the general fund.

Section 6 of the bill creates the transportation infrastructure fund and states that the commissioner of revenue shall manage the fund as an endowment. The section requires the commissioner to prepare a report for the legislature detailing how much money in the

fund is available for appropriation and lists the percentages for which money can be appropriated from the fund for different transportation projects. The section lists the maximum percentages of the fund that can be appropriated to certain categories of projects. The section creates the Transportation Infrastructure Fund Advisory Council to make recommendations to the legislature of projects to fund.

Section 7 of the bill replaces the special aviation fuel tax account with the transportation infrastructure fund as the fund to which certain proceeds from taxes on aviation fuel will be deposited.

Section 8 of the bill states that all motor fuel tax receipts shall be paid into the transportation infrastructure fund and all valid motor fuel refunds shall be paid from the transportation infrastructure fund.

Section 9 of the bill makes a conforming amendment due to the repeal of AS 43.40.010(j).

Section 10 of the bill states that refund warrants shall be made from the transportation infrastructure fund and not the highway fuel tax account.

Section 11 of the bill provides for 50 percent of vehicle rental taxes to be deposited into the transportation infrastructure fund.

Section 12 of the bill provides for fees imposed on tires to be deposited into the transportation infrastructure fund

Section 13 of the bill adds to the duties of the Department of Transportation and Public Facilities the duty to promote and support methods or modes of local public transportation and to develop criteria for determining eligibility of projects for funding and for evaluating projects for funding from the transportation infrastructure fund that provide a statewide balance of projects in both urban and rural areas.

Section 14 of the bill makes a conforming amendment that removes AS 43.40.010 from the list of notices of state agency requests for proposals.

Section 15 of the bill repeals AS 43.40.010(f), 43.40.010(g), and 43.40.010(j).

Section 16 of the bill provides transition directions on how the commissioner of revenue shall determine the amount available for appropriation through the year 2015.

Section 17 of the bill details the length of terms for the initial appointments of public members to the Transportation Infrastructure Fund Advisory Council.

Section 18 of the bill states that if AS 37.14.890(a)(1) or 37.14.890(a)(2) is held to be invalid, the remainder of the bill is not affected.

Representative Peggy Wilson
March 31, 2011
Page 3

Section 19 of the bill provides a contingency that the bill takes effect only if an amendment to the Constitution of the State of Alaska establishing the transportation infrastructure fund as a dedicated fund is approved by the voters before July 1, 2013.

Section 20 of the bill provides that the bill will take effect the day following the date of certification of the results of the 2012 general election.

BJK:plm
11-202.plm

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

February 25, 2011

SUBJECT: Effect of federal laws regarding aviation fuel tax changes in CSHB 30() (Work Order No. 27-LS0198\D)

TO: Representative Peggy Wilson
Attn: Becky Rooney

FROM: Brian J. Kane *BJK*
Legislative Counsel

You have asked the following regarding CSHB 30(): Is there a problem with sec. 7 of the bill placing a portion of the aviation fuel tax into the transportation infrastructure fund in that it violates 49 U.S.C. 47133?

The pertinent part of sec. 7 of the bill reads as follows:

All other proceeds of the taxes on aviation fuel shall be paid into the transportation infrastructure fund established in art. IX, sec. 18, Constitution of the State of Alaska [A SPECIAL AVIATION FUEL TAX ACCOUNT IN THE STATE GENERAL FUND. THE LEGISLATURE MAY APPROPRIATE FUNDS FROM THIS ACCOUNT FOR AVIATION FACILITIES].

The concern that has been brought to your attention involves a federal statute dealing with aviation fuel, 49 U.S.C. 47133, which, in part, reads as follows:

- (a) Prohibition. - Local taxes on aviation fuel (except taxes in effect on December 30, 1987) or the revenues generated by an airport that is the subject of Federal assistance may not be expended for any purpose other than the capital or operating costs of -
- (1) the airport;
 - (2) the local airport system; or
 - (3) any other local facility that is owned or operated by the person or entity that owns or operates the airport that is directly and substantially related to the air transportation of passengers or property.

The state tax on aviation fuel was in place well before December 30, 1987, so it would seem that the state aviation tax is exempted from the requirements of this federal statute. Thus, the money can be used in any manner the state chooses, not just on airport-related

Representative Peggy Wilson
February 25, 2011
Page 2

projects. Under the current AS 43.40.010(e), money in the special aviation fuel tax account *may* be appropriated by the legislature for aviation facilities. Thus, even in current statute there is no requirement for the money to be spent on airport-related projects. The change being made in sec. 7 of the bill is simply replacing the "special aviation fuel tax account" with the transportation infrastructure fund as the place where the tax revenue will be deposited.

If I may be of further assistance, please advise.

BJK:ljw
11-138.ljw

STATE OF ALASKA

DEPT. OF HEALTH & SOCIAL SERVICES

Alaska Commission on Aging

SEAN PARNELL, GOVERNOR

P.O. BOX 110693
JUNEAU, ALASKA 99811-0693
PHONE: (907) 465-3250
FAX: (907) 465-1398

March 17, 2011

Representative Peggy Wilson
Alaska State Capitol, Room 408
Juneau, AK 99801-1182

Subject: Support for CSHB 30

Dear Representative Wilson:

The Alaska Commission on Aging (ACoA) is pleased to offer our support of CSHB 30, a bill to establish the Alaska Transportation Infrastructure Fund dedicated to support transportation projects using a combination of state and federal funds. This bill is sponsored by you and co-sponsored by Representatives Steve Thompson, Cathy Muñoz, and Craig Johnson.

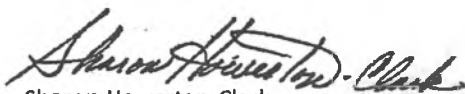
Currently, Alaska is one of three states that does not provide financial support to operate public and community transportation systems. Transportation costs are rising dramatically and federal dollars are dwindling. Fuel costs, maintenance and insurance premiums are going up and providers are responding by reducing hours of service and raising fares. These changes impact seniors and others with disabilities who live on a fixed income and depend on community transit services. For local transit systems, State operating funds would help to incentivize their community transit systems to leverage maximum federal financial assistance for support of operating expenses for their public transit projects that could amount to \$12 to \$15 million of additional funds to Alaska for transit purposes.

Safe, accessible and affordable transportation options are essential for older Alaskans and people with disabilities so that they are able to access medical care, get to their job and volunteer placements and to participate in community life. Transportation is one of the top needs consistently identified in statewide surveys of these populations, including the elder-senior community forums and a statewide senior survey recently conducted by ACoA to determine priority concerns of older Alaskans.

Community transportation is a life-line for seniors and people with physical and cognitive disabilities to ensure a healthy quality of life. As the number of seniors in Alaska grows at a pace of four times the national average, the ACoA recommends that the state of Alaska support legislation and adequate funding for community transit systems that serve special needs populations.

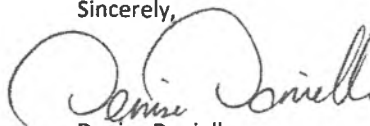
Please accept our sincere appreciation for your efforts to support improvements for transportation in Alaska. We believe that CSHB 30 will help build the state's transportation infrastructure as well as local community transit services to improve services for all Alaskans, including Alaska's most vulnerable citizens. Please feel free to contact Denise Daniello, ACoA's executive director (465-4879 or denise.daniello@alaska.gov) should you require additional information about our position. Thank you.

Sincerely,



Sharon Howerton-Clark
Chair, Alaska Commission on Aging

Sincerely,



Denise Daniello
ACoA Executive Director

**TO: Representative Peggy Wilson
Chair
House Transportation Committee**

**FROM: Larry Persily
Legislative Aide
House Finance Committee Co-Chair Rep. Mike Hawker**

RE: Funding options for a long-term statewide transportation plan

DATE: Sept. 28, 2009

As per your request, I have prepared this summary of possible funding options for a multiyear, statewide transportation initiative. There are three basic options for raising a substantial amount of money for a comprehensive transportation plan: Taxes, taking from savings, or borrowing against future state revenues in one form or another. All of the most feasible choices fall into those three categories.

I did not include as an option the possibility of relying on annual legislative appropriations in the state capital budget. Though that certainly is an option in the legal and political sense, and would not require new or increased taxes or issuing bonds or any legislative action outside of the annual budget battles, it also would not create any new money for highways, roads, harbors, airports or ferries. Simply put, it would not add anything to the state's financial resources and would merely continue the annual fight for transportation funds vs. other needs statewide. It doesn't get us anywhere that we haven't been for years. Therefore, I have left it off the list of productive options, assuming the status quo is not acceptable to the committee as it looks at how to generate a substantial amount of money or a dedicated revenue stream to fund the state's growing backlog of highway, road and other transportation projects.

For this discussion, the Department of Transportation has compiled the numbers for state capital spending the past 10 years on highways and roads, harbors, airports and ferries. The numbers are included in a separate Power Point presentation; they fluctuate year to year, generally linked to the rise and fall of oil prices and state revenues.

The rest of this report explains options for a statewide transportation funding plan, including some history; some legal, financial and political considerations; and pros and cons for several of the options. Please consider this report an ongoing work in progress, which I can expand or amend or update to meet the committee's needs.

Motor fuel taxes

Certainly, one option would be for the state to dedicate motor fuel taxes to highway construction and repair and other transportation needs.

The cleanest way would be for the Legislature to seek voter approval of a constitutional amendment for a dedicated fund. Such an account existed at statehood but was abolished the next year. Some have suggested over the years that perhaps the Legislature could somehow "reclaim" the dedicated fund for transportation-related purposes. Not likely, say the lawyers. A 1990 attorney general's opinion was not favorable to this approach, nor was a Sept. 15, 2009, Legislative Legal Affairs opinion prepared for this committee or a recent attorney general opinion. The Alaska Constitution prohibits dedicated funds, except for those that existed at statehood or are required by federal law. The 1990 attorney general legal opinion, the Sept. 15 Legislative Legal opinion and the recent attorney general opinion said the Legislature's 1960 decision to eliminate the motor fuel tax dedication cannot be reversed by legislative action; it would require an amendment to the constitution.

If legislators go with the constitutionally dedicated fund approach, a two-thirds majority vote is required in each legislative chamber to put a constitutional amendment on the ballot. State law requires that amendments must be scheduled for the next general election after legislative action.

As for the tax itself, after a one-year hiatus the state on Sept. 1, 2009, resumed collecting its excise tax on motor fuel. The 8-cent-a-gallon tax on highway fuel is the lowest state motor fuel tax in the nation. Alaska's tax rate has not changed since 1970.

The average state tax nationwide (total of excise and all other state taxes on motor fuel) is 28.6 cents on gasoline and 27 cents on diesel (Alaska collects the same 8 cents per gallon on gasoline and diesel). In addition, several states allow counties and municipalities to impose a local tax, plus many states add a sales tax, gross receipts tax, underground storage tank fee and other fees to motor fuels. Wyoming, at 14 cents a gallon in total gasoline taxes, is the closest to Alaska, while at least 16 states collect more than 30 cents a gallon when all their taxes are combined.

The federal tax rate is 18.4 cents per gallon.

If, for example, an Alaskan owned a vehicle that got 20 miles per gallon and drove 15,000 miles a year, the state tax would be \$60 for the year, with \$138 in federal taxes.

The 2008 legislative suspension of motor fuel taxes applied to all tax types, including marine fuel, jet fuel and aviation gasoline. The state does not tax heating fuel, fuel sales to government agencies, or fuel for electrical generating plants operated by utilities.

Consumers who use gasoline or diesel for off-road vehicles and equipment, such as mining and construction equipment that does not travel the highway, can apply to the state for a refund of 6 cents per gallon from the 8-cent tax.

The tax is paid not at the retail level but by fuel wholesalers, which greatly reduces the number of tax returns to the state. There are about 230 taxpayers that collect and remit motor fuel taxes to the state.

Alaska in Fiscal Year 2008 collected:

- \$30 million from its 8-cent tax on highway fuel (gasoline and diesel).
- \$5.6 million from marine fuel (5 cents a gallon).
- \$4.5 million from jet fuel (3.2 cents per gallon, with an exemption for flights originating in a foreign country and refueling in Alaska and also flights leaving Alaska for a foreign destination).
- \$670,000 for aviation gasoline (4.7 cents).

Alaska's motor fuel revenues do not vary much year to year; collections have ranged between \$39.2 million and \$41.8 million over the past five years.

All of the state's motor fuel revenues are deposited into the general fund. State law requires that 60 percent of aviation fuel tax proceeds must be shared with municipalities that own and operate an airport. The state in FY2007 sent \$147,322 to municipalities under this revenue-sharing provision:

- Juneau, \$79,914
- Ketchikan Gateway Borough, \$23,428
- Kenai, \$16,822
- Anchorage (Merrill Field), \$16,510
- Kodiak, \$6,955
- Soldotna, \$1,531
- Palmer, \$1,093
- Wasilla, \$1,069

The approximately \$41 million a year Alaska collects in all motor fuel taxes puts it between tobacco taxes (\$74 million) and alcohol taxes (\$39 million) among state excise tax revenues in FY2008. Motor fuel taxes provided about 7 percent of the state's non-oil and gas tax revenues in FY2008.

If, for example, the Legislature wanted to seek voter approval for a constitutional amendment to dedicate motor fuel taxes (gasoline and diesel only, not aviation or marine fuels) to transportation projects, and at the same time double the tax rate to 16 cents a gallon (still far below the national average), that would generate an estimated \$60 million a year for a comprehensive highway funding initiative.

With such a constitutionally dedicated fund, the Legislature could either appropriate the tax receipts annually, paying cash for projects, or the state could issue revenue bonds to raise a large amount of money up front and then use the tax receipts to repay the bonds over time. This is just a hypothetical suggestion, not a recommendation.

In addition to needing a constitutional amendment, in order to issue bonds secured by a dedicated motor fuel tax the Legislature also would need to adopt statutory authority for the State Bond Committee to issue the bonds on behalf of the state. A statute similar to the Alaska International Airport System authority at AS 37.15.410 - 37.15.550 would need to be established to provide the framework for the motor fuel tax bond issuance.

Pros Easy to collect and administer; no new program.
Clear link between users and payers.
Provides option of dedicated annual appropriations
or revenue to repay bonds, or both.
Revenue stream continues indefinitely.
Taxing ourselves could help Alaska's congressional delegation counter the
argument that Alaskans have their hand out too much in Washington.

Cons: Cost to consumers of higher taxes.
Politics of a tax increase.
Politics of opening the door to dedicated funds.

Revenue bonds and general obligation bonds

If lawmakers prefer raising cash up front for immediate transportation needs, rather than stretching out the construction work to match the motor fuel tax revenues available each year, the Legislature could opt for issuing bonds.

Continuing with the example of a 16-cent tax on gasoline/diesel that raises \$60 million a year, the state could use that revenue stream to cover debt service on a revenue bond issue of about \$400 million in today's market for transportation projects. Even though \$60 million a year, plus any potential gain from increased motor fuel consumption over the years, would cover annual debt service on closer to \$800 million in bonds, investors would discount the annual estimated tax receipts to reduce any risk that the revenues might come up short. The market, for example, would require that the state's estimated tax revenues equal two times the annual debt service on the bonds, to provide protection for investors. That's likely what it would take to earn an AA rating for the bonds.

Under this scenario, \$60 million in estimated annual tax receipts would cover \$30 million in annual debt service. The remaining \$30 million a year would be available for annual appropriation for transportation projects.

The actual amount the state could borrow in revenue bonds would depend on the motor fuel tax rate, bond interest rates at the time of issuance and other factors. The interest rate charged on revenue bonds would depend mostly on the creditworthiness of the revenue source — does the market believe the tax (or some other revenue source) would actually raise enough money to pay off the debt.

If it wanted, the state could borrow additional funds — beyond what it could access under the traditional scenario above — by paying a higher interest rate and issuing what is called subordinate debt. Under that scheme, the state could go to the market and essentially say to borrowers, OK, the first-lien bond holders have claim to the first 50% in tax revenues each year, but any subordinate borrowers willing to bet on the next 30% of the estimated tax receipts each year could earn a higher interest rate for loaning money to the state. Under such a debt issuance, the state would be compensating those subordinate borrowers for the higher risk that perhaps, just maybe, Alaskans would buy less motor fuel and tax revenues would fall short of what's needed to fully cover the bond debt. Under such a plan, the state could leverage 80% of its estimated tax revenues to raise a total of \$600 million on today's bond market. This would leave 20% of the tax available for annual appropriations after the debt service payments, or about \$12 million a year. Leveraging anything more than 80% of the projected revenues would be extremely costly to the state in high interest rates.

Dedicating motor fuel taxes for transportation spending is not a new idea; half of the states have revenue bonds backed by motor fuel taxes.

One point to keep in mind is that any dedication of motor fuel taxes to repay revenue bonds would mean those tax dollars are no longer available in the general fund for annual appropriation. In a real sense, it is a cut to future revenues, leaving a little less for legislators as they build the annual state budget.

Another option — if lawmakers wanted to raise even more money at a bond sale than motor fuel taxes could support in a straight revenue bond issuance — would be to go to voters twice: Once, for a constitutional amendment to dedicate motor fuel taxes to highway projects, and, in a second vote, to seek public approval of general obligation bonds for highway projects. The Legislature could use the two approvals to issue both revenue and general obligation bonds to amass a larger war chest for transportation funding.

If legislators want to go with debt, using revenue bonds to pay for some of the state's transportation needs would avoid placing the entire burden on the state's capacity for general obligation bonds.

Or the legislature could skip the dedicated-fund, revenue-bond approach and go with straight general obligation bonds to raise substantial funds for transportation projects.

General obligation bonds are painless in a way, in that they do not require a new tax or dedicated revenue stream. Rather, they are a binding pledge that one way or another, no matter what other demands are placed on state revenues, the State of Alaska will repay the debt. The money could come from motor fuel taxes, driver's license fees, oil production taxes — it really doesn't matter where the dollars come from once the taxes or fees are deposited into the general fund. And bondholders don't much care either where the debt service money comes from, as long as the state pays on time. The debt service payments simply become part of the annual appropriations package approved by legislators, the same as the state share of municipal school construction debt.

General obligation bonds require a vote of the public; revenue bonds do not.

A downside to general obligation bonds is that the promise to use general fund revenues to make payments on the debt means there would be less money available in the years ahead for legislators to spend on other needs. For example, a bond issue of \$700 million or so that commits the state to repay \$50 million a year for 20 years means that much less money would be on the table for school foundation funding, public health, state troopers or anything else.

Certainly, there is an element of fiscal risk for the state to borrow money and promise to pay it back from future general fund revenues at a time of declining North Slope oil production and uncertainty of the proposed Alaska natural gas pipeline. Oil has been the major source of state revenues for more than three decades, and Alaskans hope that new oil discoveries — and a gas pipeline — will do the same for many more decades to come. But there is no guarantee of future oil and gas revenues, and Alaska has always been cautious not to overextend itself in general obligation borrowing.

The bond market would react negatively if the state tried to issue too much general obligation debt. Unfortunately, there is no exact answer to the question: How much debt could the state issue without risking a downgrade by rating agencies and subsequently higher borrowing costs. The imprecise answer is: It depends on the future price of oil.

Assuming oil hung out around today's \$65- to \$70-per-barrel price range, the state next year probably could take on an additional \$500 million in new general obligation debt without much risk of a rating downgrade. If the Legislature wanted to build on that initial \$500 million, and if the public approved, the state probably could issue as much as an additional \$1.5 billion or so over the next five to ten years and still keep within the guideline that total debt load not exceed 5 percent to 8 percent of annual unrestricted revenues.

Of course, those numbers assume oil prices stay high enough to avoid any budget deficits; no other substantial new debt shows up on the state's books to eat away at cash flow; and the state retires its existing debt on schedule.

The state in Fiscal Year 2010 will pay about \$200 million on debt (general obligation bonds, certificates of participation, state share of municipal school construction debt and other borrowings). The Department of Revenue Spring 2009 forecast predicted unrestricted general fund revenue in Fiscal 2010 at \$3.2 billion, at \$58.29 oil — 5 percent to 8 percent of that would be \$160 million to \$256 million. The state's \$200 million in debt payments fall well within the acceptable range.

At \$65 oil, however, due to the revenue boost from the progressivity factor in the state's oil production taxes, the acceptable range for debt service from unrestricted revenues would climb to \$300 million to \$400 million, giving the state capacity to take on additional debt. This example, while showing the benefit of higher oil prices, also shows the risk of betting on future oil revenues.

In considering a possible general obligation bond issuance for transportation projects, the Legislature would want to consider:

- How much money is needed for projects statewide?
- How much could Alaska borrow without jeopardizing its favorable credit ratings?
- What other needs exist that might also require general obligation bonds in the future? If the state issues too much debt for transportation projects it could leave Alaska short of borrowing capacity for other needs in the years ahead, until the highway bonds are retired or new revenues boost the state's cash flow.
- How much less would it cost the state to spend cash each year for transportation projects rather than borrowing money and paying interest? Legislators would want to weigh the cost of borrowing against the benefit of having a substantial amount of cash up front to complete projects sooner than paying for the work by annual appropriations. Inflation will drive up the cost of construction in the years ahead, so the sooner the state contracts for the work the less it would cost. But interest on bonds adds up to a substantial amount. There's also the calculation that future dollars used to repay debt are worth less than today's dollars — a consideration when borrowing money and paying it back in the years ahead.
- The Legislature would want to ask how much the state already owes, if there is any new debt coming on line, and the schedule for paying off existing debt.

The state's debt obligations as of June 30, 2009, totaled \$502.8 million in general obligation bonds. State officials expect to issue an additional \$150 million in bonds in 2010 (the second half of a transportation bond issue approved by voters in November 2008). The debt service on the state's general obligation bond debt in Fiscal 2011 is scheduled at \$53.8 million — not counting any payments that might be due on the \$150 million in bonds to be issued next year.

In addition to its general obligation debt, the state had \$51.4 million outstanding in certificates of participation debt as of June 30, 2009, with no additional debt authorized. Payments on the outstanding certificates of participation total about \$8 million a year.

The state also is responsible for the debt on the Atwood Building (state office building) in Anchorage, the Anchorage jail and the soon-to-be-built Matanuska-Susitna Borough Goose Creek prison. That debt totaled \$309.7 million as of June 30, 2009. No additional debt is authorized at this time. The annual payments on the existing debt are about \$26.5 million.

And as of June 30, 2009, the state's share of annual debt service on municipal school bonds totaled about \$106 million a year — with more debt possible after this fall's municipal elections. The state's share of outstanding municipal school bond debt is about \$900 million.

One other requirement to remember for general obligation bonds is this: The ballot question must list the specific projects that would be funded by the bonds. The ballot issue can be written to allow some discretion for state transportation planners, but the general requirement to list actual projects usually forces a political discussion and compromise along geographical lines — there has to be something (enough) on the list for each region to garner sufficient legislative votes and the public's vote for passage.

Pros: Revenue bonds would not directly limit the state's future general obligation bond capacity.

Revenue bonds stand alone and do not draw directly from general fund.

General obligation bonds do not require new or increased taxes.

The state could raise a substantial amount of funds with a bond issue.

Cons: Basing revenue bonds on the public's acceptance of higher motor fuel taxes.

There is a real cost to borrowing money.

Debt service commits future state revenues and could create tighter budgets in the future.

Toll road financing

The state could use highway tolls instead of motor fuel taxes to cover the debt on revenue bonds for specific, high-traffic projects. Many states pay for major highways through toll-financed debt issuance. But is there a highway project in Alaska with enough traffic to generate enough money to pay the bills? It takes a lot of cars and trucks paying a lot of dollars to pay back tens of millions or maybe hundreds of millions in toll road bonds, along with maintenance costs.

At one extreme, for example, New Jersey's two toll roads — the Turnpike and the Garden State Parkway — recorded more than 670 million vehicle trips in 2007, deriving 92 percent of their revenues from tolls (the rest came from roadway concessions). Of that toll revenue, more than half was paid by out-of-state motorists driving all or some of the more than 320 miles on the two toll roads. The revenues covered all expenses and debt payments; as of 2007, the New Jersey Turnpike Authority carried almost \$5 billion in outstanding bond debt. The state opened its first toll road segment more than 50 years ago.

At the other end of the traffic scale, South Carolina sold revenue bonds to finance construction and opened the Southern Connector eight years ago, providing a 16-mile bypass around a congested traffic area south of Greenville (on the road between Atlanta and Charlotte). The short toll road carries fewer than 6 million vehicles a year, less than 1% of the traffic on New Jersey's toll roads. Though the road is short, it took a very long time to build the project — 34 years from the first proposal to ribbon cutting.

In Alaska, the Knik Arm Bridge and Toll Authority proposes to pay for most of the crossing's construction costs with bonds financed by toll revenues. KABATA estimates 6 million toll-paying trips per year by the third year of operations for the proposed Knik Arm Crossing. The authority believes the toll revenues would be sufficient to cover several hundred million dollars in construction costs, though skeptics are less certain of traffic projections. The bond market could very well require state backup for toll road revenue bonds to protect investors against unknown toll receipts falling short of projections.

The only existing toll operation in Alaska is the Whittier Tunnel, though the toll revenues cover only a small portion of the actual construction costs and operations.

Pros: Users pay the costs.
No general fund dollars.

Cons: Are Alaskans willing to pay a toll to use existing highways that are now free?
Are Alaskans willing to pay a toll for new highways?
And is the state willing to back the bonds, in case toll revenues come up short?

Public-private partnerships

Public-private partnerships, known as 3Ps, were quite the rage in the 1990s as states and municipalities looked for new ways to pay for highway construction. But, like many hot new financing schemes, the 3Ps are less popular these days.

The Knik Arm Bridge and Toll Authority had pegged its financing future to a 3P plan — a privately run toll road.

The state-established toll authority is waiting for federal approval for the Knik Arm Crossing and dealing with the Endangered Species Act listing for Cook Inlet beluga whales. Meanwhile, further negotiations on the details of a financing plan are mostly on hold. The private firms interested in financing, building and operating the project had wanted the state to guarantee a minimum level of traffic and toll revenues; anything less than the guaranteed minimum and the state could have been required to write a check to cover the shortfall. Using the state treasury as a backstop for financing did not go over very well with the Palin administration. Besides, the problems in the worldwide credit market have dampened interest in privately financed, publicly owned transportation projects, leaving such a financing option uncertain for the Knik Arm crossing. But all that is waiting for federal permit approval and more work on belugas.

One difficulty the Knik Arm crossing faces — and why investors would like some kind of guarantee — is that traffic is an unknown. It's not like when the State of Indiana cut a deal in 2006 to lease out the Indiana Toll Road for 75 years to a joint venture of Spanish and Australian firms. In exchange for handing over the next 75 years of toll revenues, Indiana received \$3.8 billion cash for the deal. But in making the deal, Indiana could point to a 50-year history of proven toll revenues on the highway.

Simply put, it's difficult to sell Blue Sky (unknown revenues from future projects) to investors.

Endowment funded by the Permanent Fund or Constitutional Budget Reserve

Lawmakers could withdraw a large sum of money from the Constitutional Budget Reserve or earnings reserve account of the Permanent Fund, using the money to establish a separate, dedicated Alaska Transportation Fund. The choice then would be whether to use investment earnings from the new fund to pay for construction projects on an annual cash basis, or issue debt and use the earnings to pay back the bonds.

Either way — annual appropriations for specific projects or making debt service payments on bonds — would require a constitutional amendment to establish the endowment and dedicate it and its revenues to transportation projects.

Withdrawing money from the Permanent Fund principal also would require its own constitutional amendment. Taking the money for the new endowment from the Permanent Fund earnings reserve or Constitutional Budget Reserve would require a legislative appropriation — not a constitutional amendment — though certainly a politically contentious appropriation.

And any reduction in the investment balance of the Permanent Fund — from principal or earnings reserve — would reduce future dividends. The less money in the fund earning a profit on investments, the less earnings would be available for future dividends.

As for taking the money from the Constitutional Budget Reserve Fund, that could leave the state short if a steep drop in oil prices required a deep draw on the CBRF. The fund's balance as of Sept. 21 was about \$8 billion, sufficient for several years of small to moderate budget deficits if oil prices fall. There is always the risk, however, of large draws on the fund if world oil prices collapse. Tapping the budget reserve for a new transportation endowment also would reduce future earnings by the reserve fund — a \$2 billion reduction in the CBRF, for example, would significantly reduce the annual investment earnings that help feed the fund.

To secure bonds and receive the lowest interest rate possible, the state likely would have to pledge not only the earnings from the transportation fund but also the principal to protect investors in case earnings fall short in any given year and cannot cover the debt service.

Pros: No new taxes.
Substantial funds could be made available.

Cons: A dedicated fund would require a constitutional amendment.
Any withdrawal from the Permanent Fund would reduce future dividends.
Any draw on the Constitutional Budget Reserve could cause problems in the years ahead if oil prices fall and the state runs a deficit.
A year of low or negative investment earnings on the transportation fund would require a draw on the fund's principal to pay debt service or fund projects.

Allocating a portion of oil royalties or Permanent Fund earnings

Instead of withdrawing money from the Constitutional Budget Reserve or the Permanent Fund, the Legislature could consider diverting a percentage of future oil and gas royalties away from the general fund to a transportation fund. Or diverting a portion of Permanent Fund earnings to transportation projects.

For example, Alaskans amended the constitution in 1976 to direct at least 25 percent of oil and gas royalties to the Permanent Fund. They could be asked a similar question to establish the Alaska Transportation Fund. A 2.5 percent annual dedication of oil and gas royalties would raise approximately \$55 million a year at \$65 oil. The fund could be used to pay directly for projects each year or as collateral for a revenue bond issue with earnings to help cover debt service payments.

Of course, any diversion of royalties to a special fund would reduce state general fund revenues in future years. And it would require a constitutional amendment for the dedicated fund.

There also is the option of drawing each year on Permanent Fund earnings. The Legislature could adopt a percent-of-market-value approach for imposing a limit and governing the availability of Permanent Fund earnings for annual appropriation. If, for example, the Legislature wanted to adopt an annual withdrawal limit of no more than 5 percent of the Permanent Fund's market value (as the Permanent Fund trustees and others have long proposed), it could choose to dedicate — from within that 5 percent — 0.25 percent of the market value for annual appropriation to transportation projects. At a market value of \$32 billion, that would generate \$80 million a year.

Though much of the public is skeptical of the POMV approach for limiting annual expenditures from the Permanent Fund, perhaps some would react more favorably if a comprehensive, statewide transportation initiative were part of the deal?

Pros: No new taxes.
Substantial sum of money would be available.

Cons: Any diversion of oil and gas taxes or royalties away from the general fund could create revenue shortages in years of low oil prices.
Dedicated funds require a constitutional amendment.
Using Permanent Fund earnings could result in lower future dividends.
The politics of using Permanent Fund earnings would be controversial.

Selling off future state oil taxes or royalties

The state could raise cash today by selling off a portion of its future revenue stream from oil taxes or royalties. The state could approach investors and turn over a percentage of future taxes or royalties or even a fixed amount of barrels of oil each month in exchange for a large, up-front cash payment. Mining companies often generate cash for new developments this way by forward selling future gold production.

The risk to investors is that oil prices or production could fall, leaving them short. Which means investors would pay the state a discounted price for the future revenue stream.

The risk to the state is shortchanging the general fund of future revenues.

Pros: No new taxes.

Cons: Diverts future state revenues away from the general fund and annual appropriation process.
It would cost less to raise the same amount of money by general obligation or revenue bonds.

Stimulus Build America Bonds

The state could save money by availing itself of the Build America Bond program offered under the federal economic stimulus act. Under this program, the federal government pays a substantial portion of the interest on taxable public debt issues. The subsidy is available only on financings that could otherwise be sold as tax-exempt debt but where the issuer elects to sell taxable bonds to receive the federal subsidy equal to 35% of the interest expense on the bonds. The federal aid essentially buys down the state's cost to below the interest rate of tax-free debt

The State of Alaska could save 25 to 100 basis points on actual debt costs under the program, depending on the market, the term of the bonds, size of the bond issue and the issue's debt rating. It is estimated that in the current market a \$100 million, 20-year AA-rated bond issue by the State of Alaska would be priced at about 4.2% on a tax-exempt basis, while under the Build America Bond program the true cost to the state would be approximately 3.3%.

The idea is that the higher interest earned on taxable bonds would be attractive to some investors (such as pension funds and other institutional investors that do not pay income tax), and attractive to investors looking for lower-risk public debt, while the federal subsidy would drop the actual cost to states and municipalities below the lower interest rate they normally pay on tax-exempt bonds.

The federal subsidy on Build America Bonds is 35 percent of the interest rate for the life of the bonds. The subsidy is available on bonds issued through Dec. 31, 2010. There is no limit on the amount of bonds that can be issued under the program, though only government projects that otherwise would qualify for tax-exempt financing — such as schools, roads, universities and such — are eligible for the program.

The White House reported that 66 bond issues, totaling \$11 billion, were issued in the first seven weeks of the program. Several of the early issuances were for transportation work, including the New Jersey Turnpike Authority and New York State's Metropolitan Transportation Authority.

The state would face an extremely tight timeline to get in on this program, and the Legislature would need to consider changing statute to eliminate the requirement for a competitive bond sale to speed up the process.

Pros: Federal assistance reduces cost of borrowing.
No dollar limit to federal program.

Cons: Dec. 31, 2010, deadline for participation. That could be extremely tight if the bonds cannot go before voters until the November 2010 general election.

Creative financing

One idea the state has discussed with financial services firm J.P. Morgan Chase is using a general fund appropriation, say maybe \$2 billion, to create an oversize reserve for a bond issuance of an equal amount by a public corporation of the state. Debt service on the bonds, perhaps around \$145 million a year, could be covered by the general fund with help from earnings on the \$2 billion reserve.

The benefit of the oversized reserve is that it likely would achieve an AAA rating for the bond issue and therefore lower interest rates. The downside is that the \$2 billion in reserve is then yield restricted to the yield on the bonds that are issued. This essentially guarantees that the state would earn less on the \$2 billion than it would pay in interest on the bonds. This is because in periods of low investment earnings the state would still be responsible for all of the debt service, but in periods of high earnings any investment earnings on the reserve in excess of the rate on the bonds must be paid to the IRS.

While this idea would ensure that \$2 billion would be available for transportation projects, it is not beneficial from a financial perspective and the state would be better off simply appropriating \$2 billion to fund projects without any borrowing.

And, as with all debt, there would be costs of issuing the bonds — about \$20 million for \$2 billion in bonds

An additional downside is such a large appropriation for the bond reserve would be dependent on high oil prices to generate the extra general fund cash needed to fund the reserve. Or lawmakers could draw on the Constitutional Budget Reserve to set up the \$2 billion account, reducing the state's oil-price cushion in future years.

Pros: Ensures \$2 billion for transportation projects.
No new taxes.

Cons: It would reduce the state's earnings on the \$2 billion put into reserve.
The state would lose flexibility in using the \$2 billion while it's held in reserve.

Federal funds

Separate but pertinent to this discussion is the fact that the federal Highway Trust Fund is running close to empty. The account, which pays the federal share of highway projects nationwide, is supposed to be continuously refilled with federal motor fuel tax receipts. But tax revenues are not keeping up with spending needs, with the gap especially troublesome as Americans buy less gasoline and diesel and pay less in taxes.

Congress approved a stopgap \$7 billion appropriation for the highway fund before adjourning for its summer recess. The money, however, is not expected to last much past the end of the federal fiscal year Sept. 30, which means Congress will need to take further action to maintain the fund.

This was the second year Congress has had to appropriate general fund dollars to bail out the trust fund. Lawmakers added \$8 billion to the account last September.

The point of this information is the reality that Alaska probably should not look to Congress and the federal government for substantial additional amounts of transportation funds for the next several years. Congress will have enough trouble finding the money just to maintain existing commitments for federal sharing.

The separate Power Point presentation accompanying this report shows year-to-year federal funding for transportation projects in Alaska.

Legislative Priorities

The Alaska State Chamber of Commerce has adopted three state legislative priorities for the 2011 legislative session. The three statewide legislative priorities are:

Review and Reform Oil Tax Policy to Encourage New Oil Production

Concise and Predictable Permitting in Alaska's Coastal Zone
Create an Alaska Transportation Infrastructure (ATIF) That Will Invest in Alaska's Economy, Safety and Mobility

More than 70 State Chamber members considered over 33 proposals to develop the state and federal positions and priorities. In addition to these priorities, the State Chamber developed positions on a number of other critical issues facing the State of Alaska. The board ratified both the priorities and positions at a meeting Thursday, October 28, in Anchorage.

The legislative priorities will be delivered to the Governor and all sixty members of the State Legislature. "Legislative priorities brought forward are aimed at advocating for a competitive and attractive business climate in Alaska to spur investment and business growth," said Kip Knudson, Chair of the State Chamber. "More than ever, the State Chamber will take a lead role in advocating for a competitive business climate in Alaska and economic growth," Knudson said.

State Chamber members employ the vast majority of private sector workers. The State Chamber established its priorities and positions supported by concise action items needed to achieve each position. Alaska businesses are increasingly challenged by rising energy and logistics costs, burdensome state and federal regulations, lack of sufficient workforce, infrastructure deficiencies, and domestic and global competition. "The Alaska State Chamber is Determined to Improve our 'Dead Last Business Ranking' for Alaska," said Knudson.

The Alaska State Chamber is gravely concerned about the ability of the State of Alaska to continue to grow programs and services at a time when oil supply is dwindling dramatically. Our Legislative positions speak to the need to limit the growth of government programs. These positions and priorities encourage the State to find new streams of revenue to pay for any future expansion of government programs. Government services are an important source of funding for Alaskans businesses, as such a statewide sales and income tax would negatively affect all Alaskan

businesses. However, as government growth continues, Alaskans must prioritize the services they receive or be willing to fund them into the future.

ALASKA MUNICIPAL LEAGUE 2011 STATEWIDE PRIORITIES

- **REVENUE SHARING:**

We recommend the Governor include in his budget recommendation, a one-time COLA to Revenue Sharing, based on the cumulative Anchorage CPI for 2007 through 2010, with appropriation of said funds.

- **UNFUNDED MANDATES:**

We believe that any state or federal legislation, or rule, that requires an implementation or operation cost, shall be fully funded by the implementing agency. This includes "optional" exemptions handed down to local governments that will diminish the local tax base.

- **ENERGY:**

We believe the Legislature must aggressively facilitate affordable energy for all Alaskans through:

1. The support of oil and gas, as it remains the primary source of energy for most of Alaska;
2. The encouragement of connectivity between communities, as well as incentives for energy project funding;
3. An actual time certain process that selects and prioritizes projects;
4. Full funding of the PCE (Power Cost Equalization) Endowment fund through joint congressional and state appropriations;

- **PERS:**

We support a sustainable salary base to pay off the PERS unfunded obligations. AS 39.35.625, and any other similar statutes or regulations that require termination studies, should be repealed. Simply following AS 39.35.255(a)(2), amended with inflation adjustment language, will provide a more efficient, cost effective and equitable method of ensuring that the required PERS salary base is maintained.

- **TRANSPORTATION:**

We believe the Legislature should implement:

1. The dedication of funds for the Alaska Transportation Infrastructure Fund;
2. A matching grant component for acquiring federal funds and to help local governments to develop otherwise financially difficult projects;
3. A local government seat at the table during allocation considerations of the Transportation Infrastructure Fund.

**ALASKA MUNICIPAL LEAGUE
2011 FEDERAL PRIORITIES**

- **PAYMENT IN LIEU OF TAXES (PILT):**
We support full funding of the PILT program, to the authorized levels of P.L. 103-379 (over 300 million nationwide).
- **SECURE RURAL SCHOOLS AND COMMUNITY SELF-DETERMINATION ACT (SRS/ TIMBER RECEIPTS):**
We support the reauthorization and enhancement of the Secure Rural Schools program (PL 110-343). Reauthorization should maintain coupling between payments to boroughs and active natural resource management; and the connection between sustainable natural resource management and the stability and well being of forest boroughs and communities.
- **CLEAN WATER ACT:**
While supporting Clean Water Act provisions that protect wetland habitats and rivers and streams of Alaska, we do not support federal efforts to change the definition of the Clean Water Act from navigable waters to "waters of the United States," and also oppose federal efforts to further expand the authority and responsibilities of the federal agencies in regard to these waters.
- **ARCTIC ISSUES:**
We support ratification of the United Nation's Convention on the Law of the Sea. Until that ratification takes place, the US cannot participate in deliberations which affect the national security; environmental concerns relating to the use of the seas; and to economic development for Alaska's coastal communities.
- **LAND USE DESIGNATIONS:**
We oppose decisions on land use designations that are not completely reviewed through the proper Congressional system already in place.
- **ENERGY EFFICIENCY GRANTS:**
We support full funding of the Energy Efficiency and Conservation Block Grant (EECBG) Program to state and local governments.
- **DENALI COMMISSION:**
We support reauthorization and appropriation of the Denali Commission to further construct and improve much-needed infrastructure throughout the State, especially in rural areas.

**MATANUSKA-SUSITNA BOROUGH
TRANSPORTATION ADVISORY BOARD
RESOLUTION SERIAL NO. 11-06**

A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH TRANSPORTATION ADVISORY BOARD SUPPORTING HOUSE JOINT RESOLUTION 4, A CONSTITUTIONAL AMENDMENT TO REINSTATE A TRANSPORTATION INFRASTRUCTURE FUND; SENATE BILL 37, HOUSE BILL 30 AND 31, THE CREATION AND FUNDING OF AN ALASKA STATE TRANSPORTATION INFRASTRUCTURE FUND.

WHEREAS, The roads, bridges, airports, ferries and transit systems that make up our state's transportation system are essential to mobility, commerce and economic development; and

WHEREAS, These systems increase safety, enhance economic competitiveness, and lead to a better quality of life; and

WHEREAS, 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; and

WHEREAS, Having a dependable revenue stream from year to year will allow Alaska to manage current congestion and maintenance projects as well as develop access to needed resources and energy; and

WHEREAS, The use of state funds for construction means we will have greater control and funding will go towards completing projects as opposed to the expensive and lengthy federal process; and

WHEREAS, The Matanuska-Susitna Borough has benefited from the use of state funds and has seen projects such as the Bogard Road Extension, Machen Road, and Museum Drive Extensions get done faster

and cheaper than they would have using the federal guidelines; and

WHEREAS, In FY10, 87 percent of Alaska's transportation budget came from the federal government; and

WHEREAS, There have been several major deposits to the Federal Highway Fund to keep the expired federal transportation reauthorization program afloat; and

WHEREAS, After two years we are still operating under the old reauthorization guidelines; and

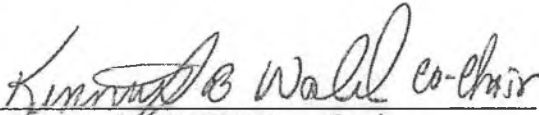
WHEREAS, All indicators show that the new reauthorization bill will be unfavorable for states with small populations such as Alaska due to an emphasis on mass transit and green transportation; and

WHEREAS, Alaska's own Washington D.C. delegation have told the legislature that Alaska needs to rely less on the federal government and start shouldering some of the burden of improving our transportation infrastructure; and

NOW, THEREFORE, BE IT RESOLVED, that the Matanuska-Susitna Borough Transportation Advisory Board supports HJR 4 which will place a constitutional amendment before voters to change the Alaska Constitution to reinstate a dedicated fund for Transportation Projects.

BE IT FURTHER RESOLVED, that the Matanuska-Susitna Borough Transportation Advisory Board supports SB 37, HB 30 and HB 31 creating and funding a State of Alaska Transportation Infrastructure Fund.

ADOPTED by the Matanuska-Susitna Borough Transportation
Advisory Board this 23rd day of February, 2011.


MICHAEL CAMPFIELD, Chair

ATTEST:


MARY BRODIGAN, CLERK



**ALASKA ASSOCIATION OF HARBORMASTERS
AND PORT ADMINISTRATORS**

Kim Elliot, Executive Secretary

**7 Maksoutoff Street
Sitka, AK 99835**

Phone: (907) 747-7677

aahpa@gci.net

February 14, 2011

The Honorable Peggy Wilson
State Capitol Room 408
Juneau, AK 99801-1182

Dear Representative Wilson:

The Alaska Association of Harbormasters and Port Administrators (AAHPA) is a statewide professional organization comprised of senior managers from 31 municipal harbor systems. Our members operate and maintain the majority of the harbors in the State of Alaska.

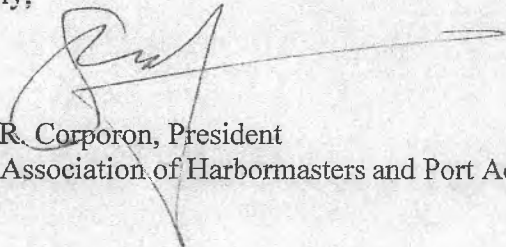
The AAHPA strongly supports House Bill No. 30, which among other things provides a funding source for the State's Municipal Harbor Matching Grant Program (AS 29.60.800). This grant program was developed with substantial input and support from the AAHPA in 2006; however, it has received funding in only three of the State budgets enacted since then.

The primary target of this grant program is the small boat harbors constructed by the State of Alaska in the 1960s and 1970s, which have been transferred to local municipalities during the past several years. Most of these facilities were in less than stellar condition at the time ownership was transferred and are in need of major repairs or replacement.

These harbors play a critical economic role by enabling trade, transportation, commercial fisheries, tourism, and recreational opportunities across the State. Providing a stable funding source for the Municipal Harbor Matching Grant Program, as HB 30 will do, is a significant step in ensuring that we are able to adequately repair and maintain these valuable facilities throughout the State of Alaska.

Please contact me at (907) 228-6049 if you have any questions regarding AAHPA's support of HB 30.

Sincerely,


Steven R. Corporon, President
Alaska Association of Harbormasters and Port Administrators

From: Rep. Steve Thompson
Sent: Tuesday, February 15, 2011 8:04 AM
To: Jane Pierson; Rep. Peggy Wilson
Subject: FW: HJR 4 and HB 30

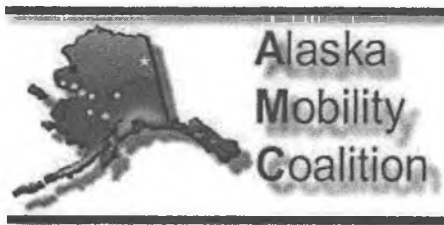
From: Steve Sorensen [<mailto:steve.ak.ranch@gmail.com>]
Sent: Monday, February 14, 2011 9:09 PM
To: Rep. Alan Dick; Rep. Bob Miller; Rep. David Guttenberg; Rep. Scott Kawasaki; Rep. Steve Thompson; Sen. John Coghill; Rep. Tammie Wilson
Cc: Sen. Albert Kookesh; Sen. Joe Thomas; Sen. Joe Paskvan
Subject: HJR 4 and HB 30

Key to Alaska's vitality is its transportation system. I vigorously support HJR 4 – the constitutional amendment to re-instate a dedicated transportation fund and HB 30 - the enabling statutes for the fund. This is long overdue and is sorely needed legislation and will greatly benefit interior Alaska. The Senate needs to get on board and proactively support this legislation.

Sincere Regards,

Steve Sorensen P.E.

"We loved a great many things - birds and trees and books and all things beautiful, and horses and rifles and children and hard work and the joy of life." Teddy Roosevelt



Achieving mobility through community appropriate transportation services

3705 Arctic Blvd #1777
Anchorage, AK 99503.
907-240-2702

February 15, 2011

Representative Peggy Wilson
State Capitol, Rm 408
Juneau, AK 99801-1182

Dear Representative Wilson:

On behalf of the Alaska Mobility Coalition (AMC), we strongly support HJR4 (a constitution amendment creating a transportation infrastructure fund) and HB30 (transportation infrastructure fund).

The AMC is a private, non-profit membership organization that represents and advocates for public and community transportation in Alaska. The AMC has ninety seven members across the state from Bethel to Prince of Wales Island. The AMC membership provides over seven million rides annually for Alaskans to get to work, school, shopping trips, recreational opportunities and medical appointments. For more information on the AMC, I have attached a link to our website for your review (<http://www.alaskamobility.org>)

Alaska is one of just three states that do not provide general operating support for transit service. In addition, there are road maintenance, ferry operation and urban and rural trails that are neglected around the state because of the lack of infrastructure support. The federal government will be reducing its investment in transportation in Alaska in the next few years and it is time for legislature to dedicate its gas taxes and other transportation-related user fees for transportation infrastructure.

The Alaska Mobility Coalition would be honored to serve on the Transportation Infrastructure Fund Advisory Council as proposed in HB 30.

Thank you for your efforts in supporting transit in Alaska. I look forward to working with you and the Alaska legislature on your legislation during the current session.

Sincerely,

David M. Levy
Executive Director

February 9, 2011

The Honorable Peggy Wilson
Alaska State House
State Capitol Room 408
Juneau, AK 99801

Dear Representative Wilson:

The undersigned business associations, working together under the banner of the Business Advocacy Committee, represent hundreds of firms and tens of thousands of employees from every major industry in Alaska. Our organizations share a common vision for Alaska's future – one in which a thriving private-sector economy creates good jobs for Alaskans and attractive economic opportunities for investors. State government, focused on the right issues, can help make this vision a reality.

Our organizations have identified five priority areas to be dealt with during this legislative session. Progress on each of these priorities will make Alaska a better place for business by encouraging private-sector investment and job creation. We urge you and your colleagues to address these issues.

OIL TAX REFORM

Taxes on the oil industry account for nearly nine out of every ten dollars in revenue the state collects. While current oil prices are exceedingly high relative to historic standards, North Slope oil production is only one-third the level of its peak. Alaska's taxation policy should encourage more investment to reverse this dramatic, continuing production decline. We support meaningful reform of Alaska's oil production tax system that reduces the state's tax burden on all Alaska oil and gas exploration and development activities and encourages increased production.

REGULATIONS

The Alaska Coastal Zone Management Program (ACMP) is due to sunset in 2011. We are comfortable renewing the program in its current form. *However, we oppose any changes to the ACMP that diminish the program's ability to provide concise, streamlined, and predictable permitting in Alaska's coastal zone.*

LITIGATION REFORM

Alaska's resource industries are ongoing targets of anti-development groups utilizing the court system and the state and federal appeals processes to stop and delay responsible resource development. Other businesses, local governments and community development projects can also be subject to frivolous lawsuits. Meanwhile, state agencies are forced to spend inordinate amounts of staff and financial resources dealing with third-party lawsuits at the expense of their mission to serve the public at-large. *We support efforts to bring more accountability to the appeals and litigation processes for community and resource development projects.*

FISCAL RESPONSIBILITY

Unrestricted general fund spending within the state's operating budget has increased from \$3.1 billion in fiscal year 2006 to \$4.8 billion in fiscal year 2011. We do not believe such spending growth is sustainable especially in light of the continuing decline in North Slope oil production. The Legislature and Governor must do more to control growth in the operating budget. *We recommend the Legislature*

hold unrestricted general fund spending in the operating budget to \$3.5 billion – a level of spending equal to fiscal year 2010. With regard to the capital budget, we encourage the state to focus on strategic investments that help generate new private sector investment.

STRATEGIC TRANSPORTATION INFRASTRUCTURE

There is strong agreement the long-term economic benefits derived from investment in Alaska's transportation infrastructure far exceed the cost of the initial investment. Considering the vastness of Alaska, the state's current transportation infrastructure is inadequate and requires continued planning, upgrades, and expenditures to assure Alaska citizens are provided with essential services. *We support a state funded transportation program that is adequately and predictably funded, provides continuity between succeeding administrations, and addresses all modes of transportation.*

Working together we can improve Alaska's business climate. We request an opportunity to meet with you to discuss these matters in more detail. A representative from the Business Advocacy Committee will be in touch with your office to schedule a meeting.

Sincerely,

Steve Borell, Executive Director
Alaska Miners Association

John MacKinnon, Executive Director
Associated General Contractors – Alaska

Marilyn Crockett, Executive Director
Alaska Oil and Gas Association

Mike Satre, Executive Director
Council of Alaska Producers

Rachael Petro, President & CEO
Alaska State Chamber of Commerce

Scott Hawkins, President
Prosperity Alaska

Rebecca Logan, General Manager
Alaska Support Industry Alliance

Jason Brune, Executive Director
Resource Development Council for Alaska, Inc.

Aves Thompson, Executive Director
Alaska Trucking Association

Anton K. Johansen
1887 Arctic Loon Circle
Fairbanks, AK 99709
March 8, 2011

Representative Peggy Wilson
State Capitol, Room 408
Juneau, Alaska 99801-1182

Reference: House Bill No. 30

Dear Representative Wilson:

As a life long Alaskan whose exposure to Alaska's transportation system began as I accompanied my father on visits to Alaska Road Commission maintenance camps in the 1950's, I am a strong supporter of Alaska's transportation system. Today I am writing to you in support of House Bill No. 30 and with a few recommended changes that I believe will strengthen the bill and enhance its chances for passage.

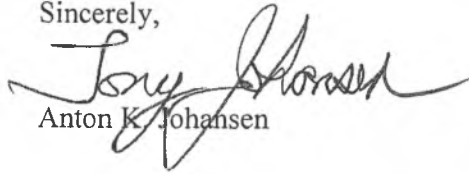
To date Alaska has depended almost entirely on the generosity of the Federal government for its transportation infrastructure. The current Federal deficit and Alaska's surpluses demand that Alaskans begin to assume a larger role in paying for their transportation system. House Bill No. 30 provides a funding mechanism that allows us to assume our responsibilities; however, I believe that a constitutionally dedicated funding source will be difficult to establish. I suggest that you consider revising your bill to provide for the statutory designation of the funds. This reliable funding stream will enable the Department of Transportation and Public Facilities (DOT) to develop the long range plans necessary to plan, design and construct multi-year projects.

I do have two additional concerns with this legislation. The first concerns the distribution of the revenue. I believe that this money should be spent where the revenue is generated, that is on the highway, aviation and ports and harbors systems. I realize that this leaves nothing for the Marine Highway System; however, this system will generate no revenue for the fund and already receives a generous level of funding in the operating budget.

My second concern is with the make up of the Transportation Infrastructure Fund Advisory Council. The proposed council is far too large. I believe that a council of community leaders and transportation professionals totaling 9 individuals could best manage the selection of projects and the distribution of funds. I recommend that the Council be made up of the following: the Chairs of the House and Senate Transportation Committees (serving as ex-officio council members), the DOT Commissioner or his/her designee, one public member from each of the 4 judicial districts and 2 public members at large. The public members would serve staggered six year terms with the governor limited to two appointments per term. Any additional appointments would be made by the House and Senate Chairs of Transportation.

Thank you very much for recognizing the need for this legislation and more importantly for acting to create the Transportation Infrastructure Fund. I applaud your efforts.

Sincerely,

A handwritten signature in cursive script, appearing to read "Anton K. Johansen".

Anton K. Johansen

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 1
 Bill Version CSHB 30(TRA)
 (H) Publish Date 3/9/11

Identifier (file name) HB030-DOA-DMV-02-11-11 Dept. Affected Administration
 Title Dedicated Transport Fund/Pub Transport Appropriation Motor Vehicles
 Allocation Motor Vehicles
 Sponsor Rep. P. Wilson, Thompson
 Requester House Transportation OMB Component Number 2348

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
Personal Services					4,144.5	4,144.5	4,144.5	4,144.5
Travel					7.1	7.1	7.1	7.1
Services					1,632.0	1,632.0	1,632.0	1,632.0
Commodities					268.3	268.3	268.3	268.3
Capital Outlay					415.3	415.3	415.3	415.3
Grants								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	6,467.2	6,467.2	6,467.2	6,467.2

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

CHANGE IN REVENUES	1005 GF/Program Rece	0.0			(44,993.5)	(44,993.5)	(44,993.5)	(44,993.5)
---------------------------	-----------------------------	------------	--	--	-------------------	-------------------	-------------------	-------------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF					6,467.2	6,467.2	6,467.2	6,467.2
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
TOTAL	0.0	0.0	0.0	0.0	6,467.2	6,467.2	6,467.2	6,467.2

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time								
Part-time								
Temporary								

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable; initial version

Prepared by Whitney Brewster
 Division Motor Vehicles
 Approved by John Cramer, Deputy Commissioner
Department of Administration

Phone 907-269-5574
 Date/Time 2/11/11 6:00 PM
 Date 2/11/2011

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSHB 30(TRA)

Analysis

This bill would require that most of the fees collected by the Division of Motor Vehicles (DMV) be deposited in a Transportation Infrastructure Fund (TIF). The bill does not provide funding for DMV through the TIF.

The DMV is currently funded primarily by GF Program Receipts. If this bill is implemented, the remaining fees collected by DMV would be insufficient to fund its operating expenditures. Any future capital requests would need to be funded with general funds.

\$54,000.0 Average DMV collections deposited

-44,993.5 FY10 fees that would have been deposited in the TIF if it had been in place

9,006.5 Balance available for appropriation to DMV for operating expenditures

\$15,473.7 Governor's FY12 operating budget for DMV designated general funds

-9,006.5 Balance available for appropriation to DMV for operating expenditures

\$ 6,467.2 Anticipated GF funding requirement for operating expenditures

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 2
 Bill Version CSHB 30(TRA)
 (H) Publish Date 3/9/11

Identifier (file name) HB30-DOR-TRS-02-15-11 Dept. Affected Revenue
 Title Transportation and Infrastructure Fund Appropriation Treasury and Taxation
 Allocation Treasury Division
 Sponsor Representative Peggy Wilson
 Requester House Transportation OMB Component Number 121

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
Personal Services				235.0	243.7	252.2	260.7	
Travel								
Services				216.9	224.9	232.8	240.7	
Commodities								
Capital Outlay								
Grants								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	451.9	468.6	485.0	501.4	

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								
1178 Temporary Code				451.9	468.6	485.0	501.4	
TOTAL	0.0	0.0	0.0	451.9	468.6	485.0	501.4	

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time								
Part-time								
Temporary								

Why this fiscal note differs from previous version (if initial version, please note as such)

First version of fiscal note.

Prepared by Pamela Leary, Comptroller
 Division Treasury Division
 Approved by Ginger Blaisdell, Director Administrative Services Division
Department of Revenue

Phone 907-465-2350
 Date/Time 02-15-11; 9:00am
 Date 02-15-11; 9:40am

FISCAL NOTE #2

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSHB 30(TRA)

Analysis

This bill provides for a Transportation and Infrastructure Fund to be established in the amount of \$1billion with additional funding from the Studded Tire, Vehicle Rental, Motor Fuel taxes as well as Vehicle Registration, Drivers License, and ID card fees. It is anticipated that the fund will be managed with an asset allocation of 38% fixed income, 10% international equity, and 52% domestic equity. However, in order to yield a real annual rate of return of 6% it may be necessary to adopt a more aggressive asset allocation which would incur higher management fees. Costs of the fund include investment management fees, audit, accounting and custody fees and are projected based on the assumptions provided by the division's investment advisor and the division's cost allocation plan.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 3
 Bill Version CSHB 30(TRA)
 (H) Publish Date 3/9/11

HB030-DOT-CO-2-11-11
 Title Transportation Fund Dept. Affected DOTPF
 Sponsor Representatives P Wilson and S Thompson Appropriation Administration and Support Service
 Requester H TRA Allocation Commissioner's Office
 OMB Component Number 530

Expenditures/Revenues

(Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES							
Personal Services	98.8		98.8	98.8	98.8	98.8	98.8
Travel	104.0		53.0	53.0	53.0	53.0	53.0
Services	252.5		22.5	22.5	22.5	22.5	22.5
Commodities	2.5		2.5	2.5	2.5	2.5	2.5
Capital Outlay	10.0						
Grants							
Miscellaneous							
TOTAL OPERATING	467.8	0.0	176.8	176.8	176.8	176.8	176.8

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

CHANGE IN REVENUES							
---------------------------	--	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
1002 Federal Receipts						
1003 GF Match						
1004 GF	467.8	176.8	176.8	176.8	176.8	176.8
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (please identify)						
TOTAL	467.8	0.0	176.8	176.8	176.8	176.8

Estimate of any current year (FY2011) cost _____

POSITIONS

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Full-time	1.0	1	1	1	1	1
Part-time						
Temporary						

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by Peter Freer, Interim Legislative Liaison
 Division Commissioner's Office
 Approved by Marc Luiken, Commissioner
Commissioner's Office

Phone 465-4772
 Date/Time 2/11/11/2PM
 Date 2/14/11 11AM

FISCAL NOTE #3

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSHB 30(TRA)

Analysis

The legislation establishes a Transportation Infrastructure Fund and a Transportation infrastructure Fund Advisory Council. DOTPF will acquire, operate and maintain project evaluation criteria to be used by the Transportation Infrastructure Fund Advisory Council for prioritizing, ranking and selecting projects, and provide staff support to the Council.

Personal Services

One FTE Planner III at a Range 19A and an annual cost of \$98.8 will be responsible for overseeing the development of regulations, conducting annual project evaluation cycles, managing project evaluation software, organizing meetings of the Advisory Council and providing Council members with information packets and other materials, staffing the Council meetings and maintaining notes and records of Council proceedings, and undertaking research, analysis and other duties that support the work of the Council.

Travel

<u>YEAR 1</u>	<u># of Trips</u>	<u>Cost/Trip*</u>	<u>Total</u>
Travel by Planner III			
4 Meetings	4	\$1,020	\$4,080
2 Outreach Visits	2	\$1,020	\$2,040
24 Council Members for 4 trips	96	\$1,020	<u>\$97,920</u>
			\$104,040
<u>YEAR 2 and Thereafter</u>			
2 Meetings for Planner III	2	\$1,020	\$2,040
2 Outreach Visits for Planner III	2	\$1,020	\$2,040
24 Council Members for 2 Meetings	48	\$1,020	<u>\$48,960</u>
			\$53,040

***Travel Cost Assumptions**

Airfare	\$500	Average In-State Round Trip
Lodging	\$300	Two nights @ at an annual average of 150/night
Per Diem	\$120	Two Days
Ground Trans	<u>\$100</u>	Total
TOTAL	\$1,020	

Contractual

Costs include \$200.0 in the first year for the acquisition of a software tool for collecting and synthesizing large amounts of information from multiple data sources and stakeholders ,for trade-off, prioritization and/or resource allocation decisions. The use of a software tool will create a structured and consistent approach to decision making and resource allocation. Costs are estimated at \$20,000 annually in succeeding years for licensing, training, system updates and related expenses.

Costs also include \$50.0 in the first year to the Department of Law for development of regulations and the costs associated with notices and hearings, and \$2.5 in the first and succeeding years for meeting notices, meeting room rentals, teleconference charges and other overhead and administrative expenses.

Equipment and Supplies

These funds will acquire a computer and other furnishings necessary for a new position in the first year (\$10.0). Costs in succeeding years are for office supplies, meeting notices, meeting -related expenses and other associated costs.