

HB

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<TARGET><BILL>HB 123</BILL><SUBJECT>HB
123</SUBJECT><COMM>HFIN28</COMM></TARGET>

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 123
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB123-DOT-PD-2-3-14
Title: DEDICATED TRANSPORT FUND/PUB
TRANSPORT
Sponsor: P.WILSON
Requester: House Finance Committee

Department: Department of Transportation and Public Facilities
Appropriation: Administration and Support
Allocation: Program Development
OMB Component Number: 2762

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES								
Personal Services	115.4		115.4	115.4	115.4	115.4	115.4	115.4
Travel	57.0		57.0	57.0	57.0	57.0	57.0	57.0
Services	312.0		37.0	37.0	37.0	37.0	37.0	37.0
Commodities	8.0		0.5	0.5	0.5	0.5	0.5	0.5
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	492.4	0.0	209.9	209.9	209.9	209.9	209.9	209.9

Fund Source (Operating Only)

1004 Gen Fund	492.4		209.9	209.9	209.9	209.9	209.9
Total	492.4	0.0	209.9	209.9	209.9	209.9	209.9

Positions

Full-time	1.0		1.0	1.0	1.0	1.0	1.0
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 05/01/15

Why this fiscal note differs from previous version:

Updated for 2nd session to accurately reflect FY2015 and out year costs.
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Prepared By: Connie McKenzie, Special Assistant
Division: Office of the Commissioner
Approved By: Mary Siroky, Director
Agency: Administrative Services

Phone: (907)465-4772
Date: 02/03/2014 02:00 PM
Date: 02/03/14

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB123

Analysis

The legislation establishes a Transportation Infrastructure Fund and two advisory bodies: Alaska Infrastructure Commission and Alaska Transportation Panel. The Department of Transportation and Public Facilities will provide staff services to both bodies and will establish evaluation criteria to be used by the Alaska Infrastructure Commission to score and prioritize projects to be funded from the Transportation Infrastructure Fund.

One full time equivalent Transportation Planner I at a Range 21A at an annual cost of \$115.4 will be responsible for overseeing the development of the governing regulations, conducting annual project evaluation cycles, manage project evaluation software, organize meetings of the two bodies, provide information packets for the members and public used at several meetings each year and prepare annual reports for the Governor and Legislature. This Transportation Planner will also provide notes and records of the proceedings, and undertake outreach, research and analysis that support the work of the two bodies.

It is anticipated that the first year will involve an initial effort to establish and reconcile regulations that concern project selection procedures and criteria. This will involve attending public hearings on the regulations in at least two travel locations. In subsequent years, the Transportation Planner will make two trips per year to conduct outreach and explain the program at various transportation venues such as Alaska Municipal League, Tribal Transportation, or focused meetings concerning harbors, transit, aviation and other modes.

The Transportation Planner will take two trips per year of two days duration (regulations in year one and outreach thereafter) Two trips * \$1020 = \$2040.

Alaska Infrastructure Commission Nine members plus one staff, meeting three times per year, for three days per meeting.
(30 trips * \$1280 = \$38.4)

Alaska Transportation Panel Seven members plus one staff, meeting two times per year for two days per meeting.
(16 trips * \$1020 = \$16.3)

Each trip is estimated to average \$1,020 for a two day trip and \$1,280 for a three day trip:

		<u>2 Day</u>	<u>3 Day</u>
Airfare	\$500 average	\$500	\$500
Lodging	\$150 night	\$300	\$450
Per Diem	\$60 per day	\$120	\$180
Ground Trans	\$50 per day	<u>\$100</u>	<u>\$150</u>
Total		\$1,020	\$1,280

Project evaluation software such as Decision Lens (or similar) will be acquired to help conduct the scoring and retain records of how each project was evaluated. This will be purchased as a "service" (\$250.0) with a three-year initial license. Annual software maintenance fees (\$25.0) will apply after the first year.

Other Continuing costs:

Public Notices and Room Rental for meetings:	\$10.0 (Services)
Position Costs-Core Services	\$2.0 (Services)
Commodities	\$0.5 (Commodities)

One time costs include:

Department of Law services for regulation preparation	\$50.0 (Services)
Computer and furniture	\$7.5 (Commodities)

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 123
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB123-DCCED-DED-2-1-14
Title: DEDICATED TRANSPORT FUND/PUB
TRANSPORT
Sponsor: P.WILSON
Requester: House Finance

Department: Department of Commerce, Community and
Economic Development
Appropriation: Economic Development
Allocation: Economic Development
OMB Component Number: 2743

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services		213.5	213.5	213.5	213.5	213.5	213.5	213.5
Travel		23.8	23.8	23.8	23.8	23.8	23.8	23.8
Services		102.3	102.3	102.3	102.3	102.3	102.3	102.3
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	339.6	339.6	339.6	339.6	339.6	339.6	339.6

Fund Source (Operating Only)

1004 Gen Fund	339.6		339.6	339.6	339.6	339.6	339.6	339.6
1200 VehRntlTax	(339.6)	339.6						
Total	0.0	339.6	339.6	339.6	339.6	339.6	339.6	339.6

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Updated on new form for 2014 legislative session and numbers updated to reflect FY2015 budget.
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Prepared By: <u>Joseph Jacobson, Director</u>	Phone: <u>(907)465-2625</u>
Division: <u>Division of Economic Development</u>	Date: <u>02/01/2014 01:00 PM</u>
Approved By: <u>Joanne Mungle, Director</u>	Date: <u>02/01/13</u>
Agency: <u>Administrative Services</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB 123

Analysis

HB 123 establishes a transportation infrastructure fund from several existing motor vehicle related taxes, fees, and other revenue generating sources. The fund would serve as an endowment for road, harbor, and related infrastructure projects. Sec. 11 of the bill amends AS 43.52.080(b) to read "(b) The proceeds of the vehicle rental taxes imposed by AS 43.52.010 - 43.52.099 shall be deposited into the transportation infrastructure fund...."

AS 43.52.010 created the levy of passenger vehicle rental tax, an excise tax on the charge for the lease or rental of a passenger vehicle in this state if the lease or rental of the passenger vehicle does not exceed a period of 90 consecutive days. Under AS 43.52.080 (c) The legislature may appropriate the actual balance of the vehicle rental tax account for tourism development and marketing.

The Division of Economic Development utilizes \$339,600 of vehicle rental tax to manage the Alaska Visitor Statistics Program, the Tourism Industry Economic Impact Study, and the Alaska Public Information Center in Tok. These funds are also utilized for Alaska Host customer service training, Tour Guide train the trainer workforce development, and for cultural tourism development in rural Alaska.

Passage of this bill will result in the need for a fund change from vehicle rental tax to general fund. The effective date for the provisions of this bill is uncertain. The fund change is shown in FY2015 as that is the earliest possible effective date.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 123
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB123-DOA-DMV-01-31-14
Title: DEDICATED TRANSPORT FUND/PUB
TRANSPORT
Sponsor: P.WILSON
Requester: House Finance

Department: Department of Administration
Appropriation: Motor Vehicles
Allocation: Motor Vehicles
OMB Component Number: 2348

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1005 GF/Prgm	(19,399.3)		(38,798.6)	(38,798.6)	(38,798.6)	(38,798.6)	(38,798.6)
1178 temp code	19,399.3		38,798.6	38,798.6	38,798.6	38,798.6	38,798.6
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/15

Why this fiscal note differs from previous version:

Updated to new effective dates and to accurately reflect FY2015 and out year costs.

Prepared By: Amy Erickson, Director	Phone: (907)269-5559
Division: Division of Motor Vehicles	Date: 01/31/2014 03:16 PM
Approved By: Curtis Thayer, Commissioner	Date: 01/31/14
Agency: Department of Administration	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB 123

Analysis

For purposes of this fiscal note, an effective date of January 1, 2015, was assumed.

If this bill is implemented, revenues collected by DMV, that are not available for appropriation elsewhere, will be deposited into the Alaska Transportation Infrastructure Fund (ATIF) rather than into the General Fund (GF). DMV's funding source for operations will also change from GF and GF/PR to the ATIF.

The DMV collected a total of \$74,307.6 in fees and taxes in FY2013. Of this amount, \$19,215.1 was designated for appropriation and/or distribution elsewhere (see below):

\$18,091.6 Motor Vehicle Registration Taxes collected and returned to the 16 participating municipalities

528.6 Boat Registration fees used by DNR and DCCED for boating safety programs

217.9 Snow Mobile Registration fees used by DNR for trail maintenance grants

61.0 Donations collected for the Anatomical Gift Awareness Fund

293.8 Fees for special plates

22.2 Trust collections & adjustments

\$19,215.1 Total appropriated/distributed elsewhere

The fees collected in excess of DMV's funding needs are deposited into the GF for appropriation elsewhere. Passage of the bill will result in a net loss to the GF of those excess revenues:

\$74,307.6 Total collections

-19,215.1 Revenues designated for appropriation and/or distribution elsewhere

-16,293.9 FY2014 DMV Authorized GF/PR funded operating budget for DMV

\$38,798.6 Excess revenues

FUND SOURCE 1178 on Page 1 represents the ATIF.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 123
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB123-DOR-TRS-01-21-14
Title: DEDICATED TRANSPORT FUND/PUB
TRANSPORT
Sponsor: P.WILSON
Requester: (H) FIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Treasury Division
OMB Component Number: 121

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2015 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services								
Travel								
Services	662.0		682.0	701.0	722.0	743.0	765.0	
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	662.0	0.0	682.0	701.0	722.0	743.0	765.0	

Fund Source (Operating Only)

1178 temp code	662.0		682.0	701.0	722.0	743.0	765.0
Total	662.0	0.0	682.0	701.0	722.0	743.0	765.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? N
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Updated for FY 2015, and to reflect \$2 billion initial fund size.
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Prepared By: <u>Pamela Leary</u>	Phone: <u>(907)465-2350</u>
Division: <u>Treasury</u>	Date: <u>12/23/2013 01:04 PM</u>
Approved By: <u>Angela Rodell, Commissioner</u>	Date: <u>12/23/13</u>
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB123

Analysis

This bill provides for a Transportation Infrastructure Fund to be established. In order to prepare this fiscal note, we assumed that the fund would be created with an initial deposit of \$2 billion and additional annual funding based on the and 2013 Revenue Forecasts for fees associated with Studded Tire taxes, Vehicle Registration fees, Vehicle Rental taxes and Motor Fuel taxes. It is anticipated that the fund will be managed with an asset allocation that includes fixed income, domestic equity and international equity in order to yield a real annual rate of return of 6%. Note that more aggressive asset allocations may result in principal loss as well as higher investment management fees. This fiscal note represents only the incremental increases in costs of the Treasury Division, however additional fees would be allocated to the fund based on the Division's cost allocation plan.

The service costs are comprised of management fees which are calculated by using an estimated rate of management cost fees of three basis points (.0003). The fee estimate was applied to the ending balance of the fund each year (\$2B plus 6% annual earnings). The balance was adjusted by additional revenue appropriation estimates (per the Revenue Sources Book), any other cost estimates identified in previous fiscal notes, and estimated payouts of 5%, per the bill.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 123
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB123-DCCED-DCRA-01-21-14
Title: DEDICATED TRANSPORT FUND/PUB
TRANSPORT
Sponsor: P.WILSON
Requester: House Finance

Department: Department of Commerce, Community and
Economic Development
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Initial version of bill with fiscal note updated for second session of Legislature.

Prepared By: <u>Scott Ruby, Director</u>	Phone: <u>(907)269-4569</u>
Division: <u>Community and Regional Affairs</u>	Date: <u>01/08/2014 02:00 PM</u>
Approved By: <u>Jeanne Mungle, Director</u>	Date: <u>01/08/14</u>
Agency: <u>Administrative Services</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB123

Analysis

This bill would create a new Transportation Infrastructure fund and divert existing revenue collected under a variety of taxes and fees into the fund.

Section 4 of this bill would amend language in AS 29.60.800 which allows for funding specifically for the Municipal Harbor Facility Grant fund. Grants from this fund are named recipient grants appropriated by the legislature and administered by the department. This bill would continue to allow the appropriation of funding to the grant fund, it would just change the source of the funding.

There is no anticipated fiscal impact to the Division of Community and Regional Affairs from this bill.

ALASKA STATE LEGISLATURE

Interim:
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Wrangell, AK 99929
Phone: (907) 874-3088
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Session:
State Capitol, Room 406
Juneau, AK 99801-1182
Phone: (907) 465-3824
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REPRESENTATIVE PEGGY WILSON
HOUSE DISTRICT 33

SPONSOR STATEMENT House Bill 123

“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 123 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 the public will see projects completed faster than the 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 FY14, 79% of our capital transportation budget will come from the federal government. The Federal Government passed a new, two year highway program, MAP-21. The good news is that the overall federal-aid funding remains consistent with SAFETEA-LU, the previous program. However, the amount of funding for roads not on the National Highway System (NHS) has been cut by about 50%. We will see a lot less funding for our borough and city roads. The categories of funding have been reduced and they are much more restrictive. 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 10 will put an initiative before the voters to change the Alaska State Constitution to re-instate a dedicated fund for Transportation Projects. With passage of the initiative, HB 123 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.

In addition to potential endowments, ATIF will receive the revenue generated from fuel taxes, vehicle registrations, driver’s license and identification card fees, all tire taxes, 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, five 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.

ALASKA STATE LEGISLATURE

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REPRESENTATIVE PEGGY WILSON HOUSE DISTRICT 33

HB 123 establishes a two-step, two-panel advisory process to direct project priorities for spending from the fund. All final project selection and funding decisions remain with the legislature and the governor in the capital budget. The bill creates the "Alaska Transportation Panel" (ATP) that would recommend whether a project should be funded through the existing State Transportation Integrated Plan (STIP) process administered by the Department of Transportation (DOT) that leverages federal funds that come with strings, or be considered for construction with ATIF money using state standards and procedures.

The seven-member ATP would have 5 public members appointed by the governor, the DOT Commissioner and a member of the department's internal STIP board. The public representation on the panel includes one member from Anchorage Area, one member from Fairbanks area and 2 rural members, one coastal and one interior. The fifth public member is from the Alaska Infrastructure Commission (AIC) described below.

The AIC is a nine-member group that includes two non-voting legislative members. The voting members are the DOT Commissioner, 4 public members, one from each of judicial district, and 2 at large members. Each of the members will have expertise in at least one mode of transportation. All members of both entities, AIC and ATP, will serve staggered 4 year terms.

The AIC will prioritize projects recommended by the ATP based solely on statewide priorities and need.

The AIC's recommendations on projects and funding levels are due to the governor and legislature by each October 15.

The funds will be used for projects relating to

1. roads and surface transportation both state and municipal,
2. aviation,
3. Alaska Marine Highway,
4. harbor facilities, state owned marine facilities and for deposit into the municipal harbor facility grant fund,
5. local community transportation and transit,
6. trails and bike-paths,
7. railroads

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.

ALASKA STATE LEGISLATURE



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REPRESENTATIVE PEGGY WILSON
HOUSE DISTRICT 33

Sectional Analysis House Bill 123

Sec 1 – All fees collected for identification cards will be deposited into the ATIF.

Sec 2 – Sections b, c, e, h, and i define the registration fees that will be deposited in the ATIF. The sections that will continue to go into the general fund are the revenue from the special registrations

3% of the funds destined for the Transportation Fund will be put in the general fund for administration of the Alaska Mandatory Insurance Act.

Sec 3 All Fees collected by the DMV will go into the ATIF except for fees related to snowmobiles or where specifically excluded like the specialty license plates.

Sec 4: In existing statute the watercraft fuel tax account in the general fund may be used to finance the municipal harbor facility grant fund. Because we are using marine fuel tax revenue for the dedicated ATIF this is being deleted. However you will see in later language we will still have a mechanism to appropriate to the municipal harbor facility grant fund.

Sec 5: A cleanup section that rennumbers and repositions statutes. Items d and f are specialty license plate fees.

Sec 6 The description of the fund. (Article 10)

It will consist of any appropriations to the fund

Revenue from Motor fuel taxes, vehicle registrations, driver's license fees, regular and studded tire taxes, vehicle rental taxes and other revenue designated by the legislature.

DOR will manage this account to yield at least 6% over time. And money left in the account at the end of the year will remain there.

Sec 37.14.860 (a) September 1 DOR will report 5% POMV averaged over the last 5 years. The report will also contain 50% of the revenue for the previous year.

(b) The appropriation identified in the September 1 report will be used for capital projects and major maintenance for transportation. No appropriation will be made for federal match unless the total match is less than 20 percent of the amount available for appropriation Money may be appropriated for:

1. Roads and surface transportation
2. aviation
3. the marine highway
4. harbors, marine facilities and the municipal harbor facility grant fund
5. community transportation and transit
6. bike paths and trails
7. railroads.

d) The money may not be appropriated for federal match for roads and surface transportation, aviation and the marine highway.

28-LS0135\C

ALASKA STATE LEGISLATURE



Interim:
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Wrangell, AK 99929
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REPRESENTATIVE PEGGY WILSON HOUSE DISTRICT 33

Sec 37.14.870 June 30 is the date for the determination of the market value of the fund.

Sec 37.14.880 The Commissioner of Department of Revenue will provide a report to the legislature on the condition and performance of the fund 10 days after the start of the regular session.

Sec 37.14.890 sets up an advisory commission for the distribution of the fund.

The members will include:

1. Chairs of House and Senate Transportation
2. DOT Commissioner
3. 6 public members who have experience in one or more modes of transportation
 - a. 1 public member from each judicial district and 2 at large members

The terms will be staggered and the Chair will be elected from the public members by the group.

A set of Criteria will be developed by DOT to help prioritize the projects. The members will evaluate the project submissions and give them a numeric score. The advisory group will submit a report to the governor and the legislature no later than October 15 that makes recommendations for the next year's transportation projects to be funded by ATIF.

Sec 37.14.899 provides a definition of the word fund.

Sect 7. Retains the Aviation fuel giveback to the municipalities that own or operate an airport. All other funds from Aviation fuel will go to the ATIF.

Sec 8 All revenue from the motor fuel tax will go into the ATIF. Any refunds will be paid from the ATIF.

Sec 9 Removes the exception for item j because it is in section 3 (snowmobile fuel taxes) and Section 16 repeals it

Sec 10 The motor fuel refund checks will be taken out of the ATIF instead of the Highway fuel tax account in the general fund.

Sect 11 The vehicle rental taxes shall be deposited into the ATIF.

Sec 12 This provision directs the retail tire tax and studded tire tax into the ATIF.

Sect 13 This section amends the list of responsibilities the Department of Transportation has to include 3 new items.

1. Promotion and support of local public transportation
2. To develop criteria for evaluating projects for funding
3. To develop guidelines for use when deciding which projects follow the traditional department process and which projects will be follow the ATIF process.

Sec 14: Creates the 7 member Alaska Transportation Panel (ATP)

1. Commissioner of DOT
2. 4 public members: 1 from Fairbanks area, 1 from Anchorage area, 1 from Interior rural and one from coastal rural community. All appointed by the governor. All experienced in Transportation
3. 1 member from the Alaska Infrastructure Commission

ALASKA STATE LEGISLATURE



Interim:
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REPRESENTATIVE PEGGY WILSON HOUSE DISTRICT 33

4. 1 from the State Transportation Integrated Plan(STIP) board

Sec 16 Repeals watercraft fuel tax account, special highway fuel tax account and nonpublic highway use account, all within the general fund.

Sec 17 Defines when the dedicated revenue will be directed to the fund.

Sec 18 Describes the transition during the first 5 years. It will use 5% POMV in the first year as of July 1, 2015. The subsequent years the appropriation will be 5 % of the average market value of the fund on June 30 of each year through 2020. The Commissioner of DOR will file a report Sept. 1 of each of the first 5 years defining the funds available for appropriation

Sect 19 Staggers the terms of the advisory council members

Sec 20 The severability clause

Sec 21 Contingency language, the change to the constitution must be passed by the voters before this bill will take effect.

Sec 22 Immediately imposes the requirement for DOT to start work on the criteria for the prioritization of the proposed projects

Sec 21 Directs revenue into the ATIF, after the constitutional amendment takes effect.

Alaska Transportation Infrastructure Fund (ATIF)
(millions)

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	Capitalization		2,000.0													
2	POMV		5.00%													
3	IR		8.50%	6% Real Rate assuming 2.5% Inflation Rate												
4	Other Variables			0.5%	0.5%	0.25%	0.25%	0.046%						1.0%		
5	Year #	Legislative Session Year	FY Begin Balance	Investment Earnings	Motor Fuel Tax	DMV Registration Fees	Studded Tire Fee	Vehicle Rental Tax	Fund Mgmt Fees	POMV Calculation	50% of Prior Year Taxes/Fees	Total Available for Appropriation	Less DMV Opex	Total Available for Capital Appropriations	Cumulative Infrastructure Investment	
6	0	2014	Legislature appropriates \$2 billion to the ATIF							-	-	-	-	-	-	-
7	1	2015	2,000.0	170.0	40.6	36.0	1.4	8.9	(0.92)	100.0	-	100.0	(16.2)	83.8	83.8	
8	2	2016	2,156.0	183.3	40.8	36.2	1.4	8.9	(0.99)	103.9	43.5	147.3	(16.3)	131.0	214.8	
9	3	2017	2,278.2	193.6	41.0	36.4	1.4	8.9	(1.05)	107.2	43.7	150.9	(16.5)	134.4	349.2	
10	4	2018	2,407.6	204.6	41.2	36.5	1.4	9.0	(1.11)	110.5	43.9	154.4	(16.7)	137.7	487.0	
11	5	2019	2,544.9	216.3	41.4	36.7	1.4	9.0	(1.17)	113.9	44.1	157.9	(16.8)	141.1	628.1	
12	6	2020	2,690.7	228.7	41.6	36.9	1.4	9.0	(1.24)	120.8	44.3	165.0	(17.0)	148.1	776.1	
13	7	2021	2,842.1	241.6	41.8	37.1	1.4	9.0	(1.31)	127.6	44.5	172.1	(17.2)	155.0	931.1	
14	8	2022	2,999.6	255.0	42.0	37.3	1.4	9.1	(1.38)	134.8	44.7	179.5	(17.3)	162.2	1,093.3	
15	9	2023	3,163.5	268.9	42.3	37.5	1.4	9.1	(1.46)	142.4	44.9	187.3	(17.5)	169.8	1,263.1	
16	10	2024	3,333.8	283.4	42.5	37.7	1.4	9.1	(1.53)	150.3	45.1	195.4	(17.7)	177.7	1,440.8	
17	11	2025	3,510.9	298.4	42.7	37.8	1.4	9.1	(1.62)	158.5	45.3	203.8	(17.9)	186.0	1,626.8	
18	12	2026	3,695.0	314.1	42.9	38.0	1.4	9.1	(1.70)	167.0	45.5	212.6	(18.0)	194.5	1,821.3	
19	13	2027	3,886.3	330.3	43.1	38.2	1.4	9.2	(1.79)	175.9	45.8	221.6	(18.2)	203.4	2,024.7	
20	14	2028	4,085.1	347.2	43.3	38.4	1.4	9.2	(1.88)	185.1	46.0	231.1	(18.4)	212.7	2,237.4	
21	15	2029	4,291.8	364.8	43.5	38.6	1.4	9.2	(1.97)	194.7	46.2	240.9	(18.6)	222.3	2,459.7	
22	16	2030	4,506.5	383.1	43.8	38.8	1.5	9.2	(2.07)	204.6	46.4	251.0	(18.8)	232.3	2,692.0	
23	17	2031	4,729.7	402.0	44.0	39.0	1.5	9.3	(2.18)	215.0	46.6	261.6	(19.0)	242.7	2,934.6	
24	18	2032	4,961.6	421.7	44.2	39.2	1.5	9.3	(2.28)	225.7	46.8	272.6	(19.2)	253.4	3,188.0	
25	19	2033	5,202.6	442.2	44.4	39.4	1.5	9.3	(2.39)	236.9	47.1	284.0	(19.3)	264.6	3,452.7	
26	20	2034	5,453.0	463.5	44.6	39.6	1.5	9.3	(2.51)	248.5	47.3	295.8	(19.5)	276.3	3,729.0	
37																
38	Notes:															
39	1) Assumes endowment appropriation during the 2014 legislative session - contingent upon voter ratification of constitutional amendment in the Fall of 2014.															
40	2) Taxes and fees per DOR 2012 Fall Forecast and growing per associated input variable.															
41	3) In order to attain 6% real rate of return, the model is set at 8.5% earning growth and assumes 2.5% inflation.															
42																
43																
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47																

Alaska Transportation Finance Study

Alaska Municipal League

presented to

Alaska House Transportation Committee

presented by

**Christopher Wornum
Cambridge Systematics, Inc.**

February 12, 2009

Transportation leadership you can trust.

CAMBRIDGE
SYSTEMATICS

 **Alaska Municipal League**
Local Government. Alaska Best!

Agenda

20 Minute Presentation

- **Brief synopsis of the study's objectives**
- **Under Investment in the state's transportation infrastructure**
- **Current Federal funding at risk**
- **Options for closing the gap between needs and revenues**

Study Objectives

Six Questions Posed by the Alaska Municipal League

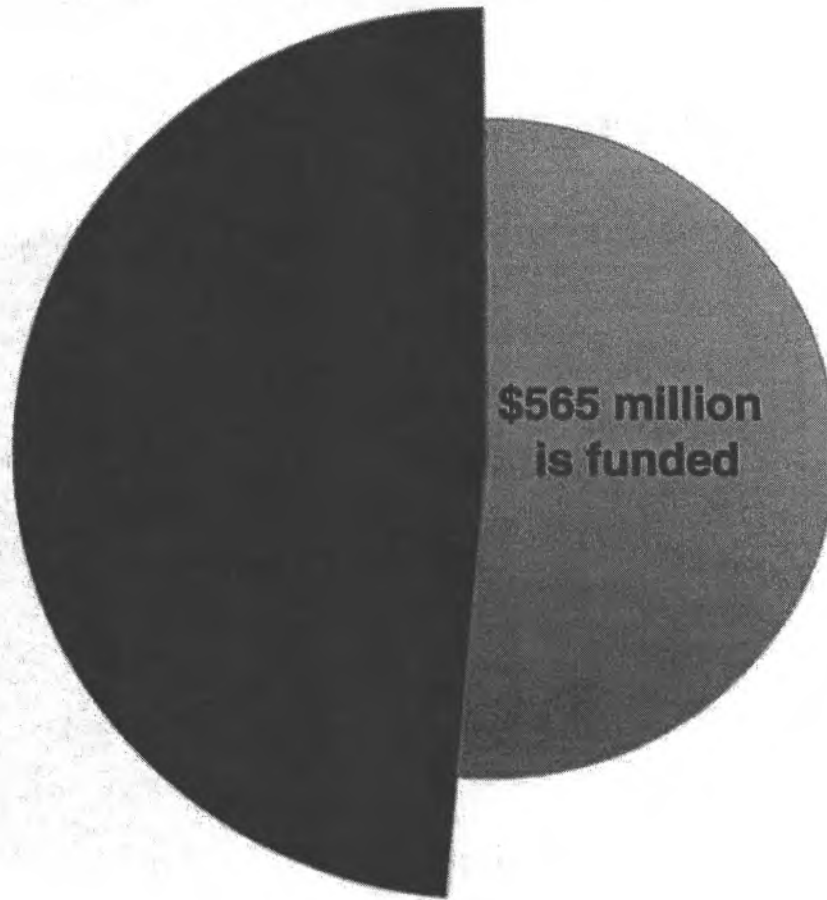
- 1. Describe current trends in transportation capital and operating needs**
- 2. Identify changes in Federal funding priorities that may impact on funding levels for Alaska**
- 3. Evaluate user fees, public-private partnership, and other tools for financing transportation investments**
- 4. Identify factors that are most likely to impact Alaska's transportation funding in the future**
- 5. Identify possible strategies Alaska can best use to react to these factor and challenges**
- 6. Evaluate potential funding and financing tools for transportation**

Under Investment State's Economy More Dependent of Transportation

- **State economy is highly dependent on resource extraction and “traded” industries:**
 - **These industries are highly transportation-intensive**
 - **Their growth is the most likely offset to declining oil production & economic diversification**
- **Other transportation-dependent conditions amplify the effects of under investment:**
 - **Far-flung communities**
 - **Harsher environment**
 - **Less mature roadway network**

Under Investment on State-owned Facilities

Annual Highway & Bridge Needs Are about \$1.1 billion

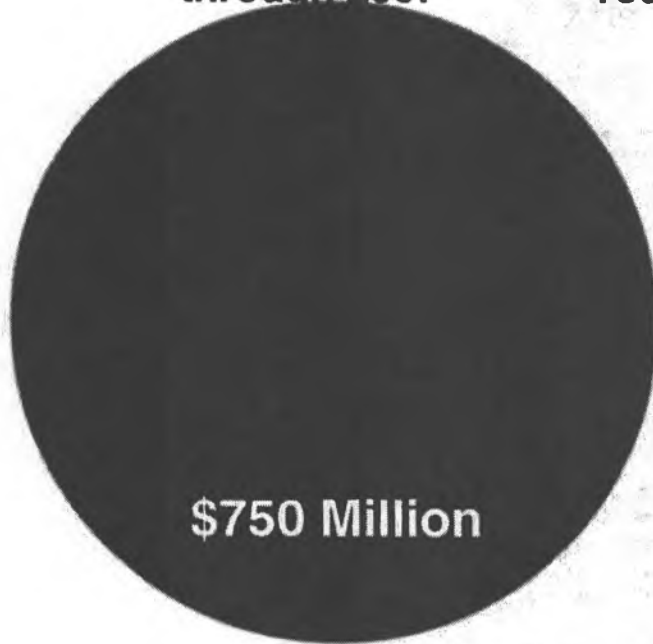


Excludes local roads and street needs

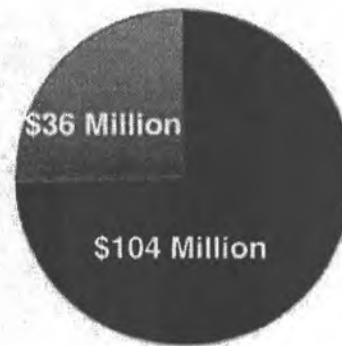
Under Investment *(continued)*

Backlog of Life-cycle & Routine Maintenance

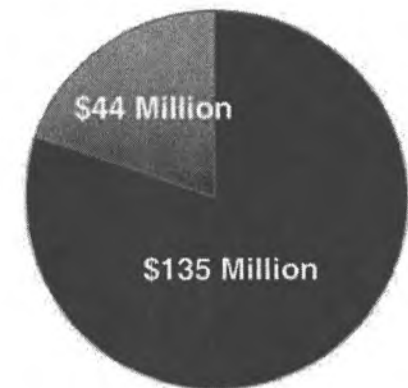
Life-cycle backlog of
through 2007



140 million annually needed
routine highway maintenance



\$179 million annually
needed for AMHS

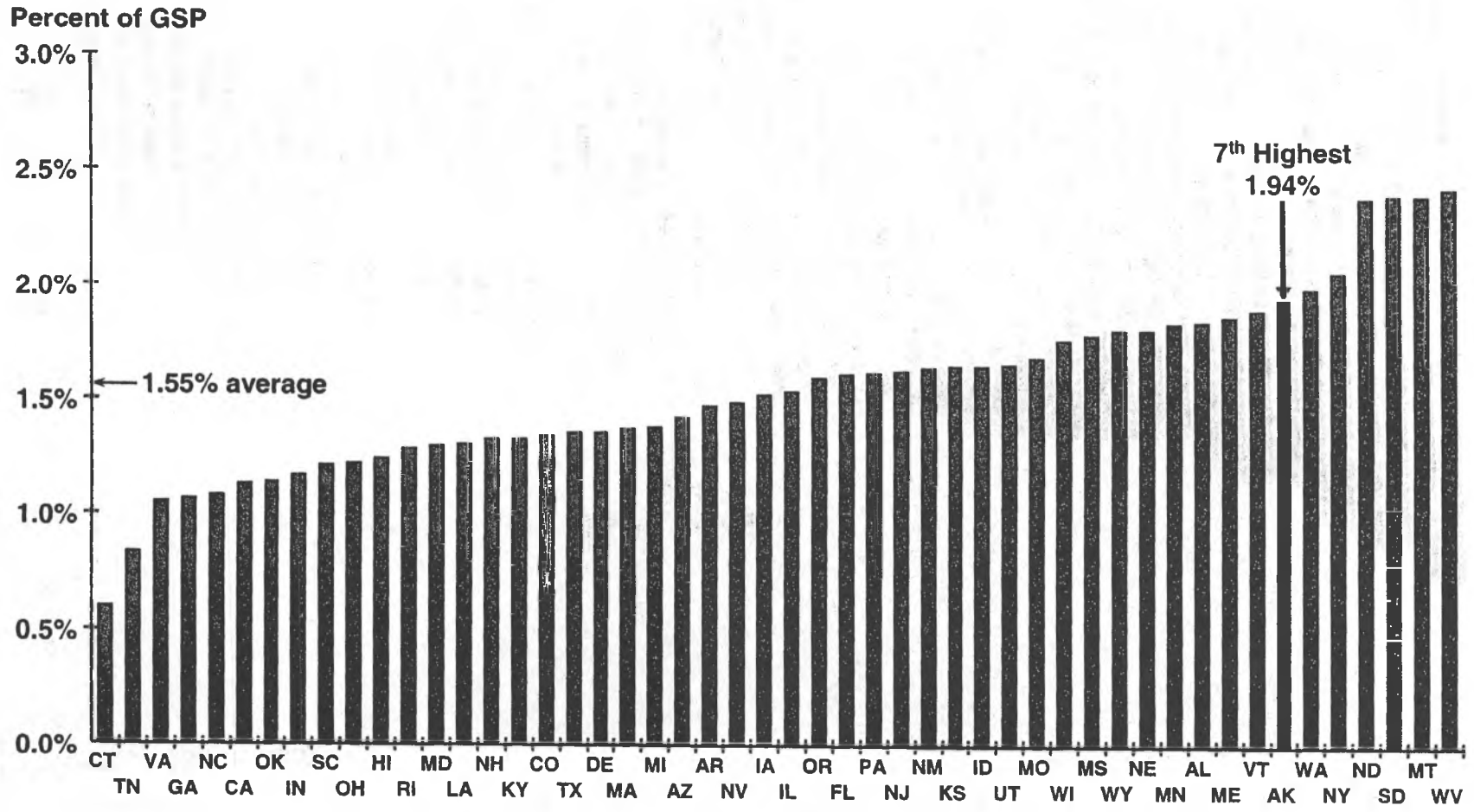


These figures still do not include needs for

- Transit
- Locally funded urban and rural roads
- Aviation
- Capacity needs to meet travel demand growth

Current Federal Funding at Risk

Total Spending as a Share of Gross State Product (GSP)

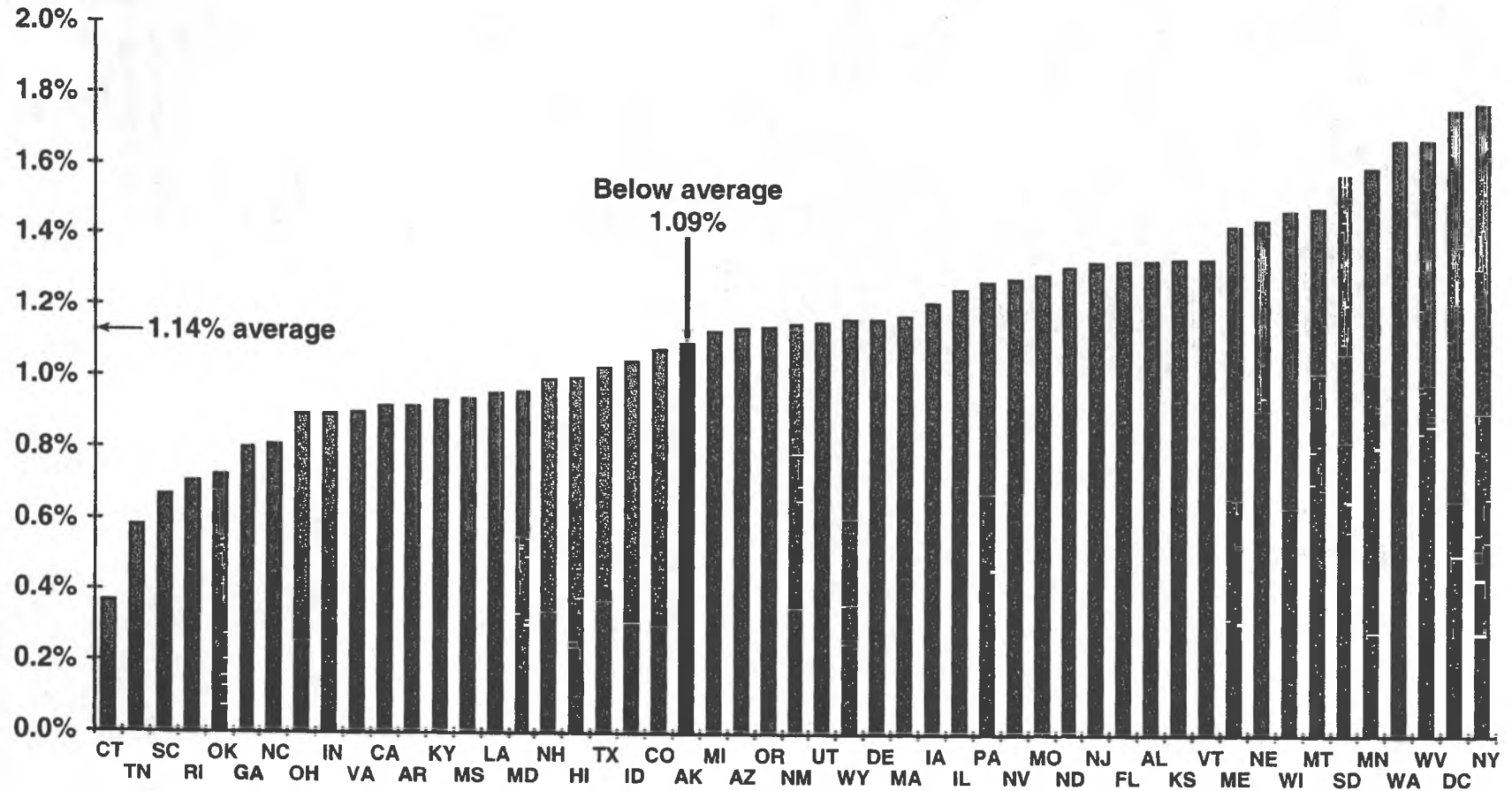


Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.



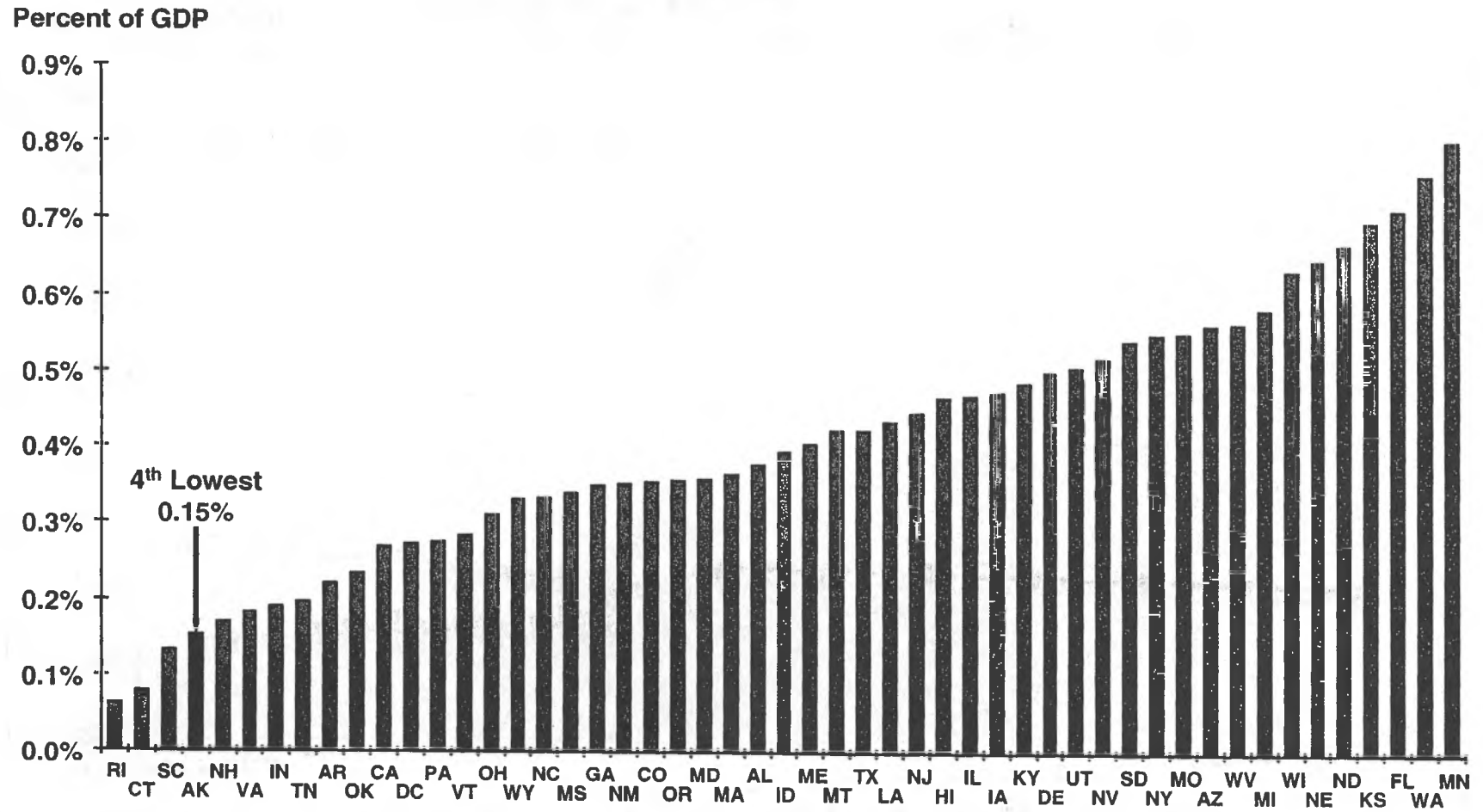
Current Federal Funding at Risk (continued) State Total Spending (Net of Federal) as a Share of GSP

Percent of GSP in 2006



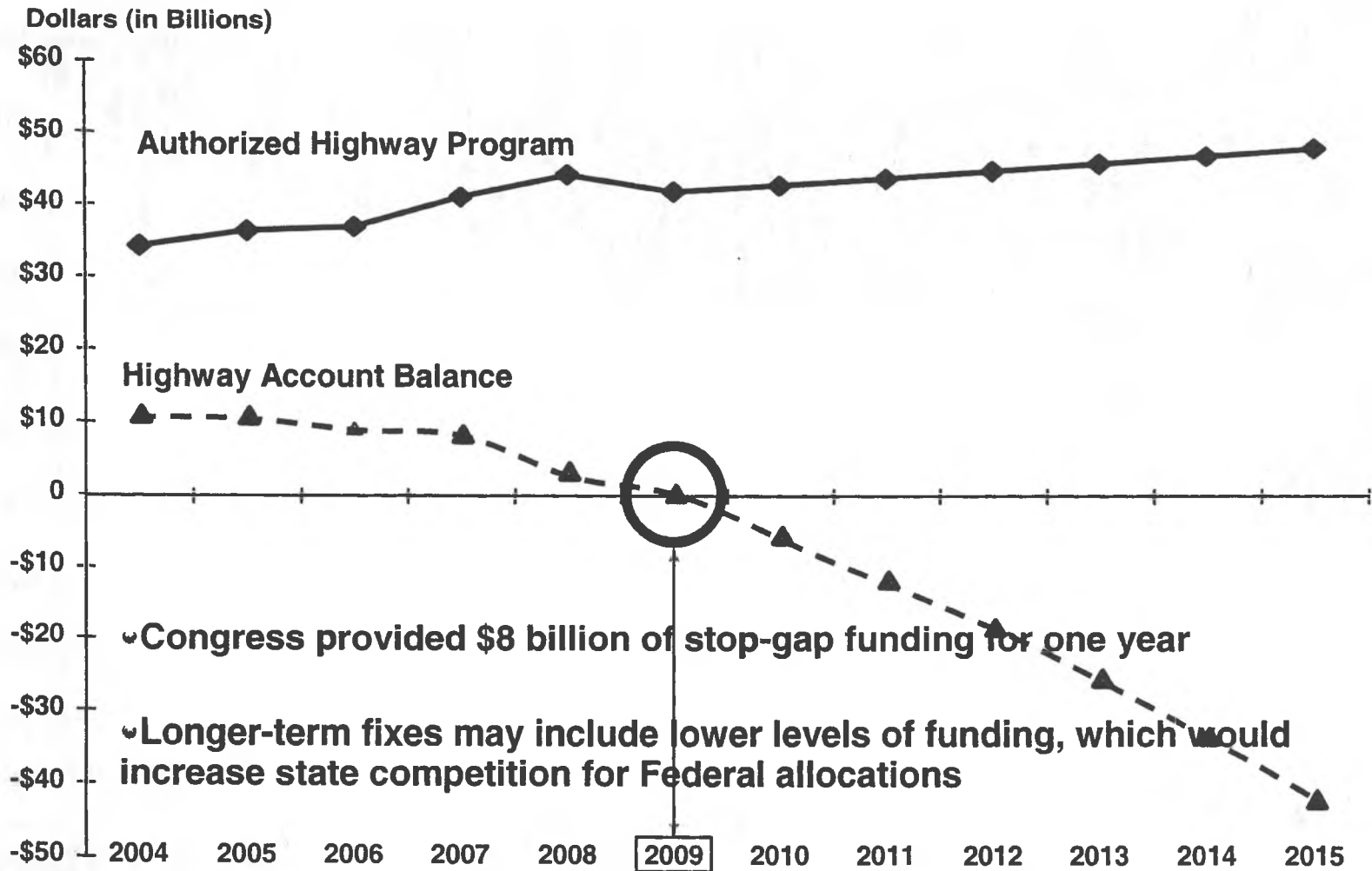
Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis; FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

Current Federal Funding at Risk (continued) State Capital Spending (Net of Federal) as a Share of GSP



Sources: Cambridge Systematics analysis of data from: Bureau of Economic Analysis;
FHWA Highway Statistics, Tables SF-1, SF-2, LGF-1, LGF-2, MT-2a, and MT-2b.

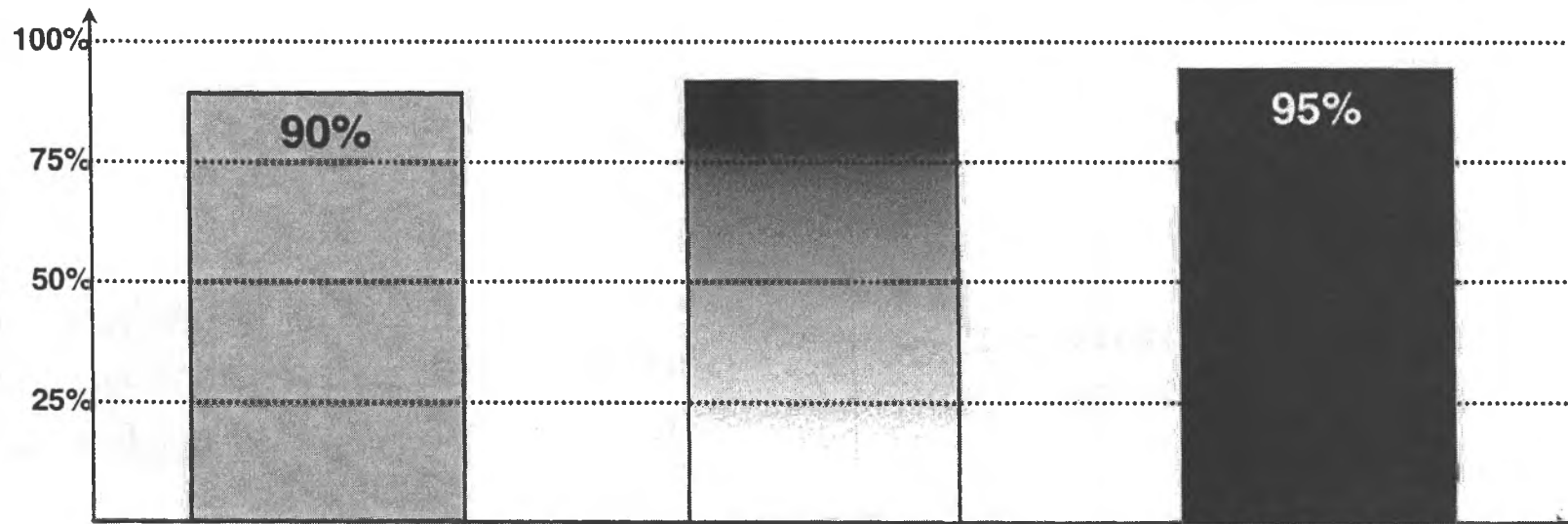
Current Federal Funding at Risk (continued) Estimated Highway Trust Fund Levels & Account Balance*



* Based on AASHTO modeling of FY 2009 Budget Proposal from the U.S. Treasury Department.

Current Federal Funding at Risk (continued) Competition between Donor versus Donee States

Donor Share



Current Federal Funding at Risk (*continued*) Reauthorization Funding Policies Likely to Change

- **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**

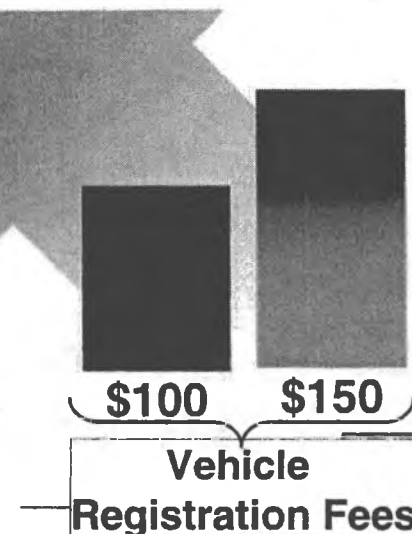
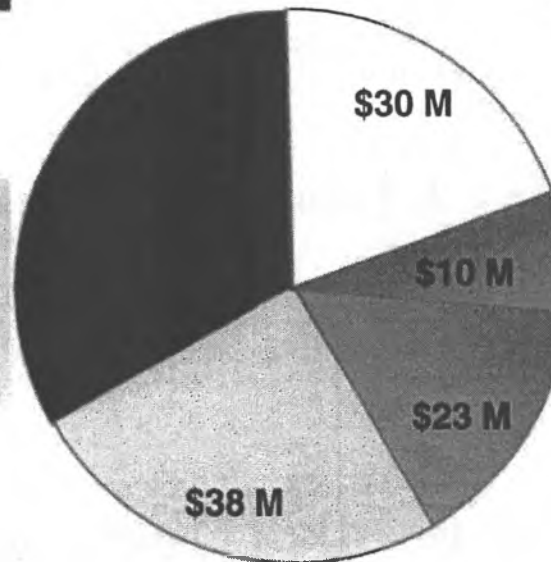
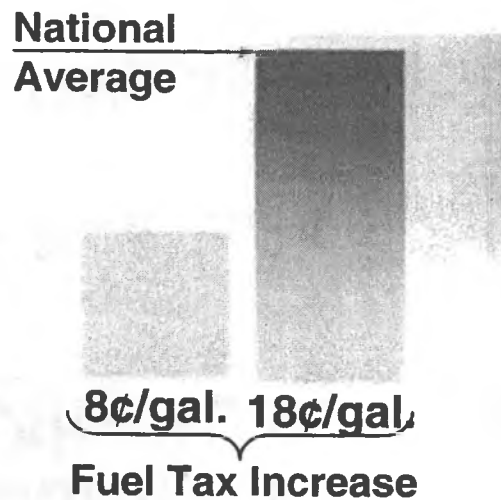
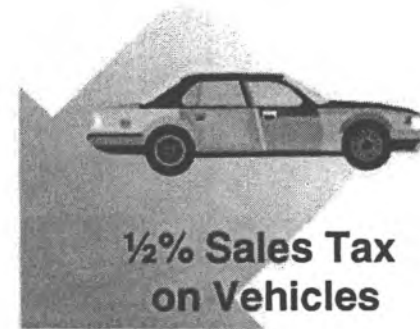
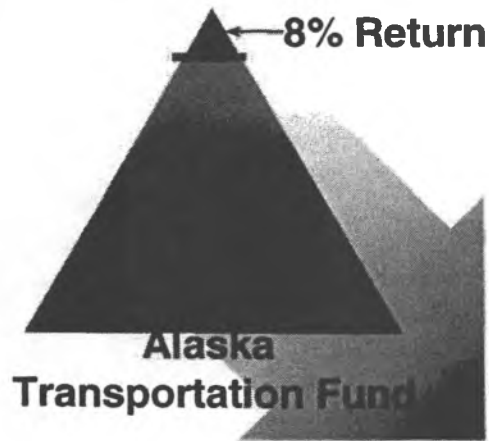
Current Federal Funding at Risk (*continued*)

Other States Challenging Federal Support for State's Needs

- **Permanent Fund currently has almost \$28 billion**
- **Only state that collects neither income tax nor state sales tax**
- **Lowest gas tax in the country**

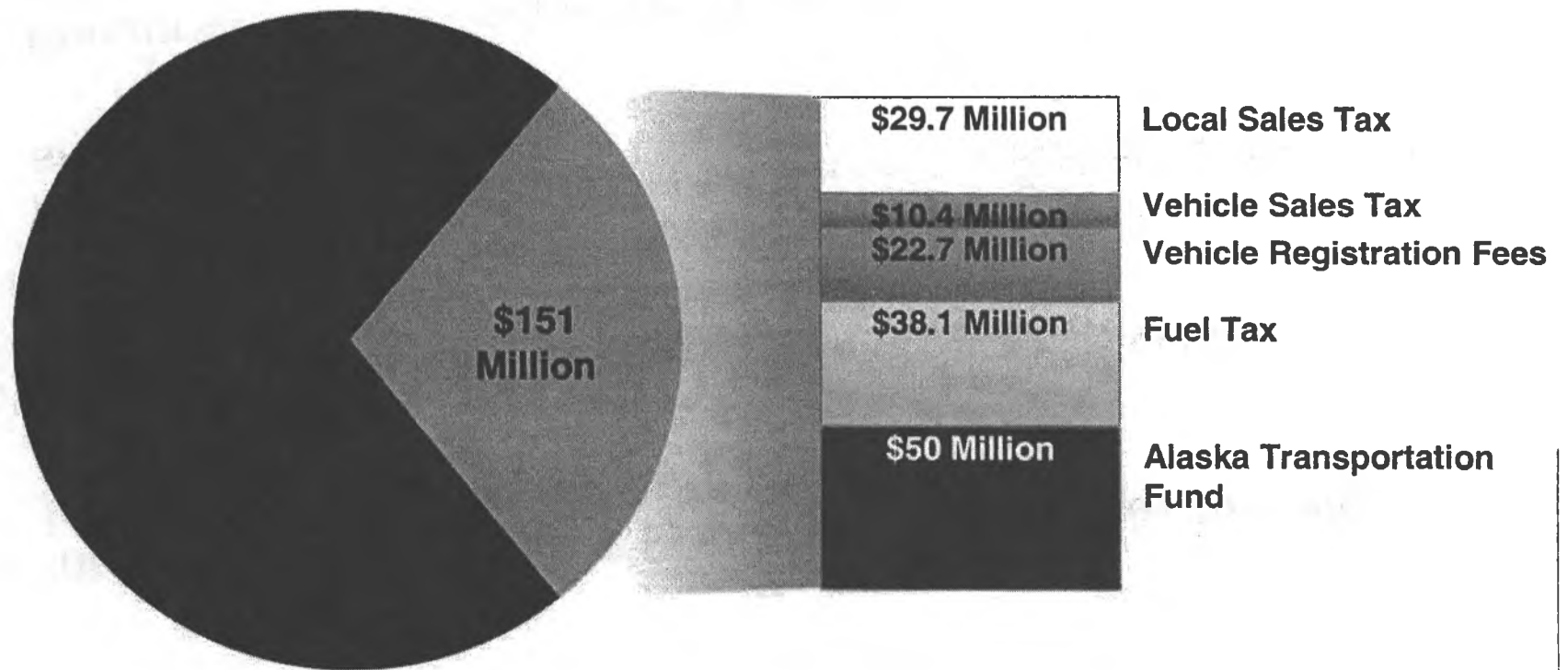
Funding Options - Scenario 1

Fuel Tax, Vehicle Registration Fees, Sales Tax, and ATF



Funding Options - Scenario 1 (continued)

\$151 Million of \$535 Million Gap



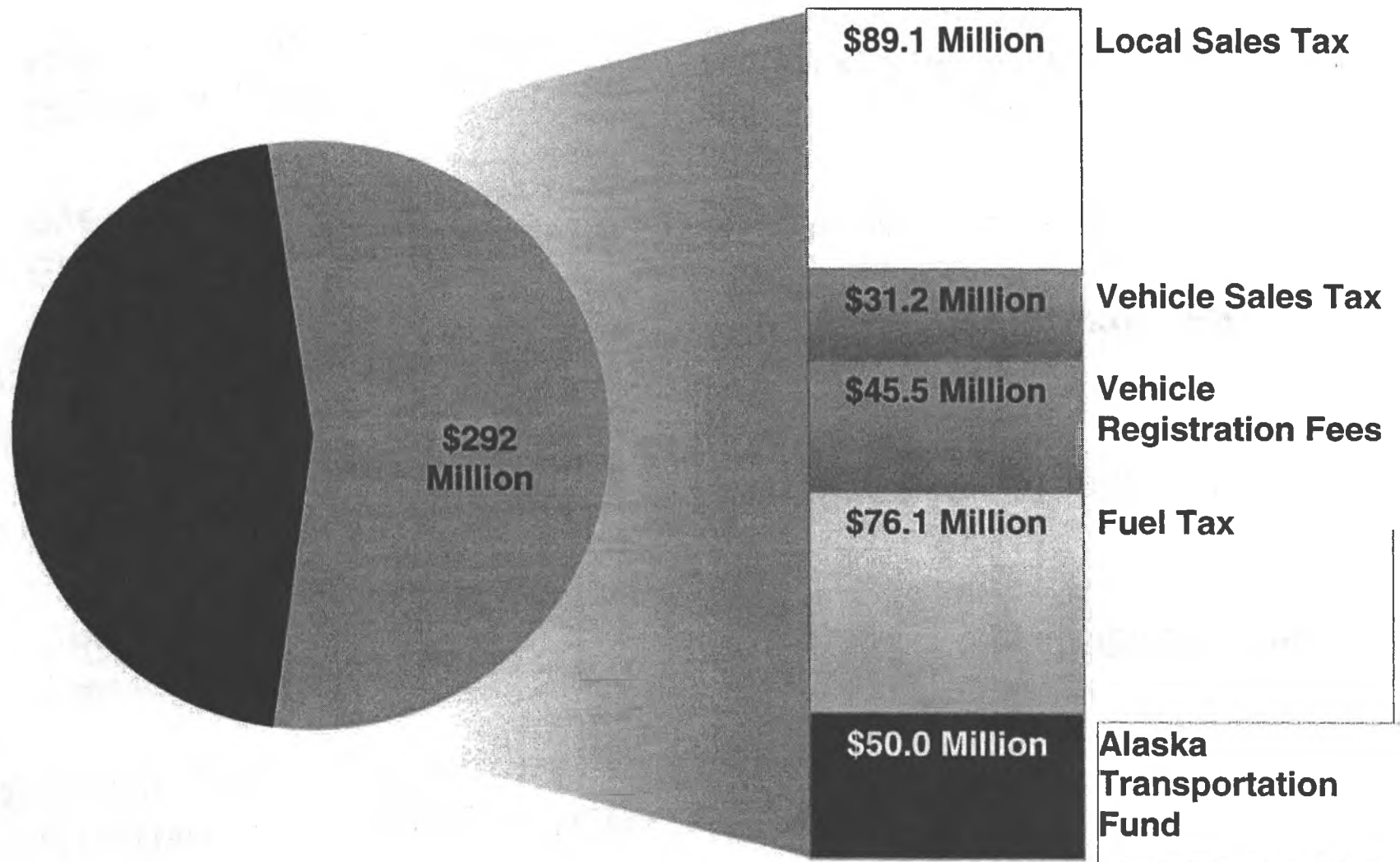
Funding Options - Scenario 2

\$292 Million of \$535 Million Gap

- **Increase fuel taxes from 8 to 28¢/gallon 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 with \$1 billion, which with a 8 percent return should earn about \$50 million annually**

Funding Options - Scenario 2 (continued)

\$292 Million of \$535 Million Gap



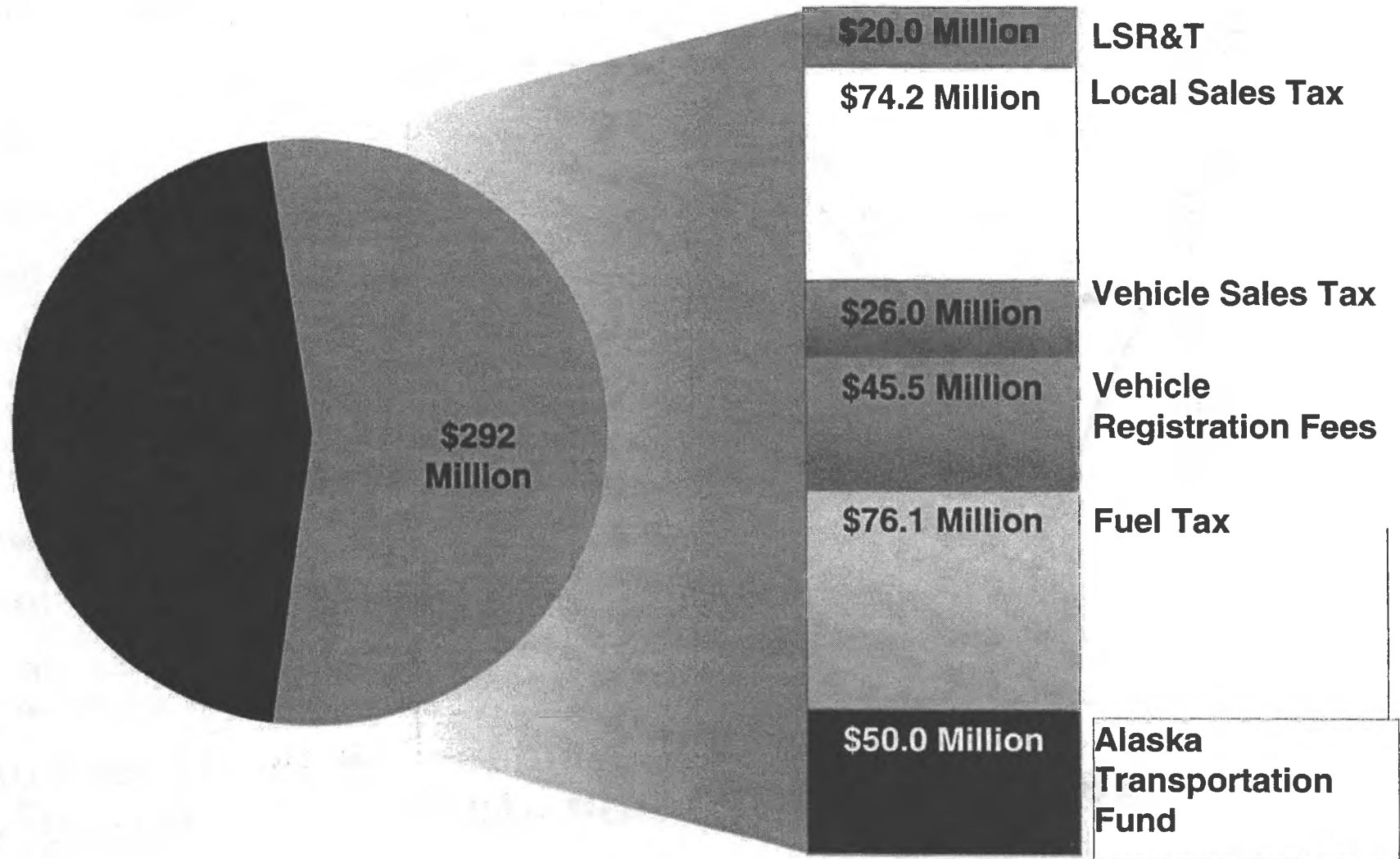
Funding Options - Scenario 3

Scenario 3 - \$292 Million of \$535 Million Gap

- **Same increase in fuel taxes (8 to 28 ¢/gallon 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 1¼% vehicle sales tax, earning \$26 million annually**
- **Encourage local jurisdictions to adopt a 1¼% sales tax, earning over \$74 million annually**
- **Capitalize the ATF with \$1 billion, which should earn about \$50 million annually based on a with a 8 percent return**
- **Assume the State reinstates the LSR&T program at about \$20 million annually**

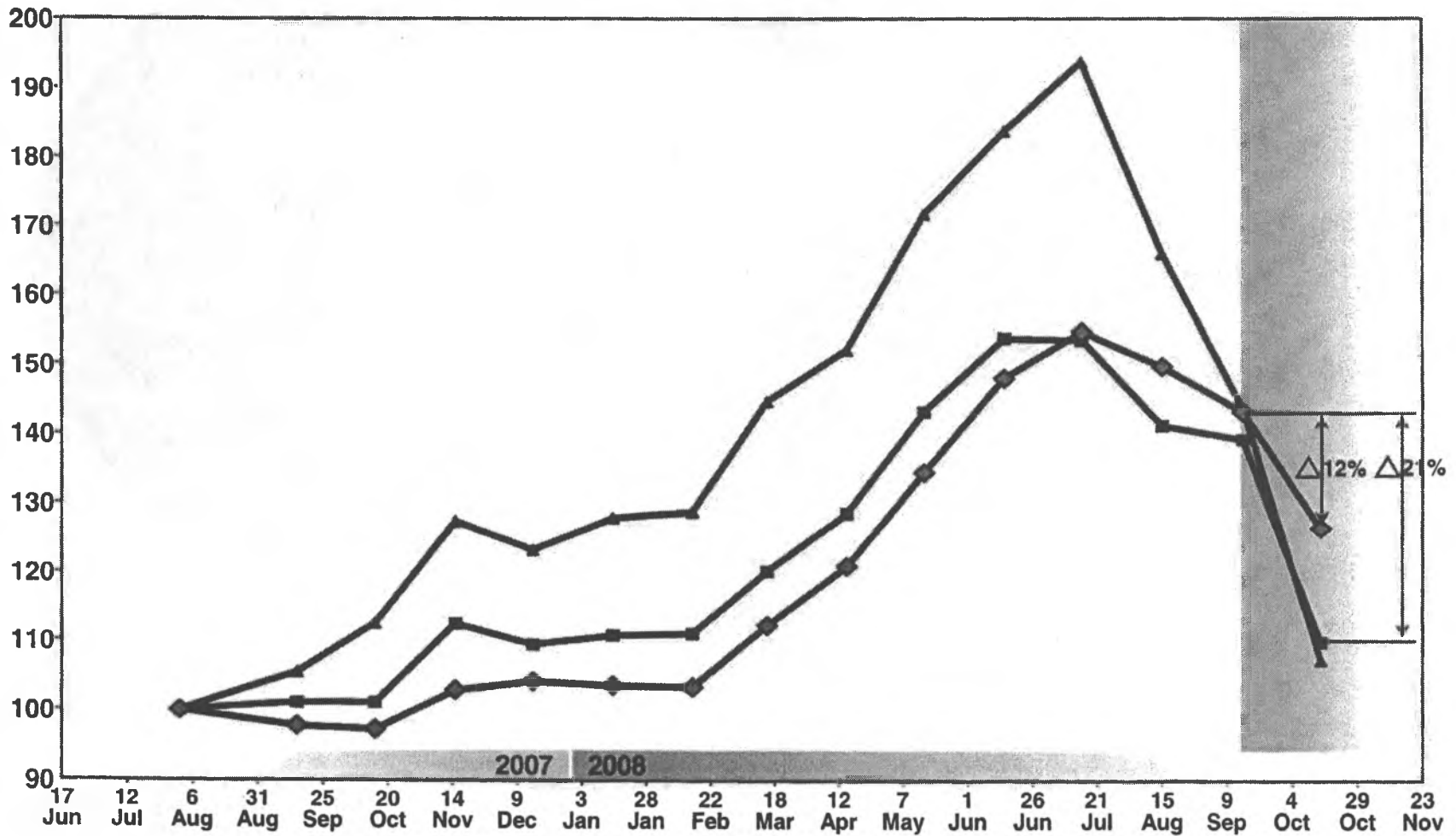
Funding Options - Scenario 3 (continued)

\$292 Million of \$535 Million Gap



Change in Gasoline and Crude Oil Prices Indexed from August 2007 to November 2008

Index (100 in August 2007)



Discussion

Questions & Answers

**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.

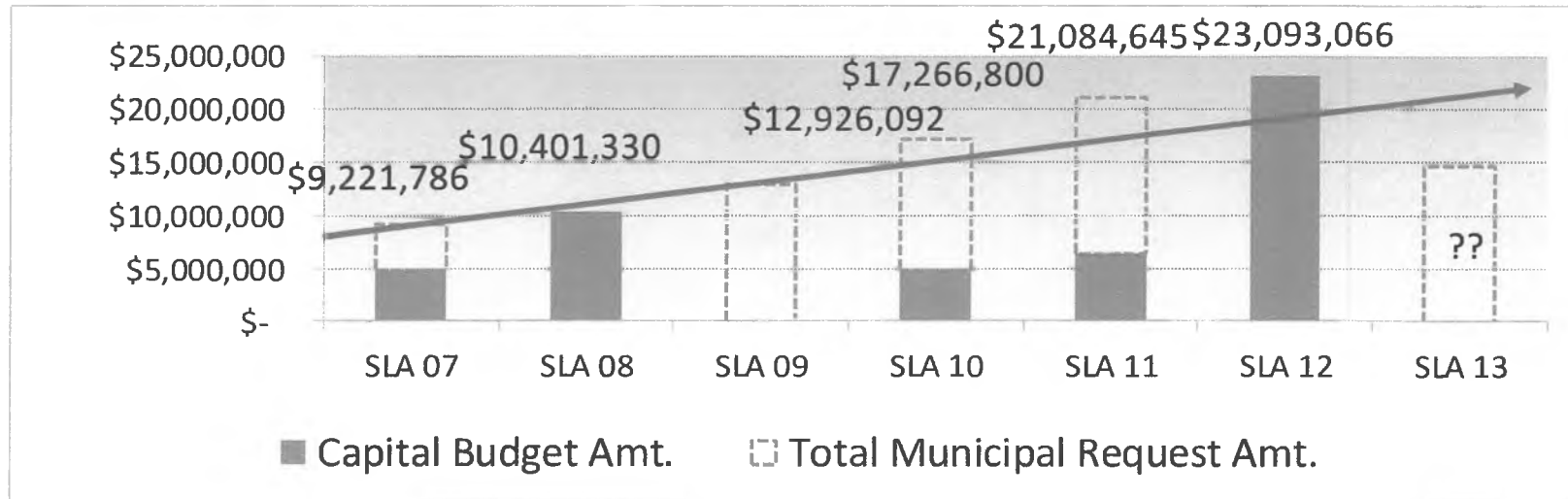
Congress approved a stopgap \$7 billion appropriation for the highway fund before adjourning for its summer recess. The money, however, is not expected to last much past the end of the federal fiscal year Sept. 30, which means Congress will need to take further action to maintain the fund.

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.

Harbor Facility Grant (AS 29.60.800)



FY14 Applicants (for SLA 13)	Project Name	Tier	Ranked Score	Amount Requested
Homer, City of	Homer Small Boat Harbor	I	147.0	\$ 4,206,000
Ketchikan, City of	Bar Harbor South SBH	I	126.6	\$ 4,787,500
Sitka, City and Borough of	Thompson SBH Transient Float	I	115.6	\$ 2,620,000
Aleutians East Borough	Akutan Small Boat Harbor	II	85.0	\$ 3,100,000
Total				\$ 14,713,500

**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

Supporters of Alaska Transportation Infrastructure Fund HJR 10

Associated General Contractors of Alaska

Alaska Municipal League

Alaska AFL-CIO

Alaska State Chamber

Alaska Teamsters Local # 959

Alaska Laborers Local 942 & 341

Alaska Transportation Priorities Project

Alaska Trucking Association

Alaska Harbormasters Association

American Society of Civil Engineers

Alaska Mobility Coalition

Alaska Airports

Alaska Owners and Pilots Association

Alaska Marine Pilots

Marine Transportation Advisory Board

Southeast Conference

SW Alaska Conference of Mayors

Calista Corporation

COALASKA, inc.

Klewit

International Union of Operating Engineers Local #302

Alaska Federation of Natives



AIRCRAFT OWNERS AND PILOTS ASSOCIATION

February 25, 2013

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

Dear Representative Wilson:

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

AOPA supports the concept embodied in HJR 10, HB 122 and HB 123, to establish a transportation infrastructure endowment fund for Alaska. The endowment is to be dedicated to funding projects that maintain and improve our public infrastructure, including airports, roads and marine facilities. We can speak to the tremendous need for improvements within the airport system that benefit all the citizens of the state. Our aviation system is absolutely essential for the 82% of Alaskan communities that are not on the road system, many of which rely solely on aviation for year-around access. In addition, the road-system airports provide the ability for aircraft to connect with rural communities, creating literally a lifeline for the movement of goods, services and people within the state.

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

Sincerely,

Tom George
Alaska Regional Manager

TOM GEORGE
ALASKA REGIONAL MANAGER
PERSONAL ADDRESS: P.O. BOX 83750 FAIRBANKS, AK 99708
301-695-2092 E-MAIL: tom.george@aopa.org



217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1925 • Fax (907) 463-5480 • www.akml.org

February 26, 2013

Honorable Representative Peggy Wilson
Alaska State Capitol Building
Juneau, Alaska 99801

Dear Representative Wilson,

On behalf of the Alaska Municipal League, I would like to offer our support for HJR10 and HB 123.

The Alaska Municipal League has been concerned about how state and local governments fund the needs related to our transportation infrastructure over the coming years. The funding for roads that are not on the National Highway System (most of Alaska's roads) has seen funding drop by 50%. More and more of the federal dollars seem to be going to mass transit in heavily populated areas of our nation. This certainly seems to be an on-going trend. We must be ready to maintain what we have and to construct necessary infrastructure, as needed.

We feel it is important for the State of Alaska to find ways to fund our infrastructure in ways that do not always include the federal government.

We thank you for your persistence in submitting this bill and we support your efforts toward these goals. This bill truly is one that plans for our future.

Sincerely,

Kathie Wasserman

Kathie Wasserman
Executive Director



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**ALASKA MUNICIPAL LEAGUE
STATEWIDE PRIORITIES
FY2013**

• **ENERGY**

We believe the Legislature must aggressively facilitate energy efficiency and 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. Support for research on and development of alternative and renewable energy sources, including, but not limited to, wind and hydro;
3. The encouragement of connectivity between communities, as well as incentives for energy project funding and energy efficiency for all consumers;
4. An actual time certain process that selects and prioritizes projects;
5. Full funding of the PCE (Power Cost Equalization) Endowment fund through joint congressional and state appropriations.

• **PERS**

The League supports 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) will provide a more efficient, cost effective and equitable method of ensuring that the required PERS salary base is maintained.

• **REVENUE SHARING**

The League supports a continuation of the current Revenue Sharing Program currently in place (AS 29.60.850-879).

• **UNFUNDED MANDATES**

The League opposes state unfunded mandates in any form. This includes "optional" exemptions handed down to local governments that will diminish the local tax base.

• **TRANSPORTATION**

The League supports:

1. The dedication of funds for the Alaska Transportation Infrastructure Fund, along with a local government seat at the table during allocation considerations of that fund.
2. A matching grant component for acquiring federal funds and to help local governments to develop otherwise financially difficult projects;
3. The completion of the Alaska State Rail Plan.

• **COASTAL ZONE MANAGEMENT**

The League supports maximum control and involvement in the development of the reinstatement, implementation and expedited appeals process of coastal planning policies.



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ALASKA MUNICIPAL LEAGUE

FEDERAL PRIORITIES

FY2013

- **PAYMENT IN LIEU OF TAXES (PILT)**
The League supports 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)**
The League supports the reauthorization and enhancement of the Secure Rural Schools Program (P.L. 112-141). 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 municipalities.
- **CLEAN WATER ACT**
While supporting clean water act provisions that protect wetland habitats and rivers and streams of Alaska, the League opposes federal efforts to change the definition of the Clean Water Act from "navigable" waters to "waters of the United States," and also opposes federal efforts to further expand the authority and responsibilities of the federal agencies in regard to these waters.
- **ARCTIC ISSUES**
The League asks Congress to be aware of the importance of the arctic region as it relates to national security, environmental concerns relating to the use of the seas, and to economic development for Alaska's coastal communities.
- **LAND USE DESIGNATIONS**
The League opposes decisions on land use designations that are not completely reviewed through the proper Congressional system, with appropriate state and local input. The League urges Congress to immediately convey all remaining state and Native selected land.
- **ENERGY EFFICIENCY GRANTS**
The League supports full funding of the Energy Efficiency and Conservation Block Grant (EECBG) Program to state and local governments.



International Union of Operating Engineers

LOCAL 302 • Washington and Alaska • AFL-CIO

Daren Konopaski, *Business Manager and General Vice President*

Corey Baxter, *District 8 Representative*

February 25, 2013

The Honorable Peggy Wilson
Alaska State House
State Capitol, Room 406
Juneau, AK 99801

Dear Representative Wilson:

The International Union of Operating Engineers Local 302 would like to extend our support for the Alaska Transportation Infrastructure Fund.

We have over 4,000 members in Alaska that help build roads, airports, and harbor facilities. This bill would help to fund new projects in the event of the potential loss of federal funding in the near future. It will create jobs for Alaskans and it will keep our economy strong for many years to come.

Alaska needs a dependable revenue stream to fund the infrastructure that is necessary to develop access to the resources and energy projects that are critical for the future of Alaska.

Thank you for all of your continuing efforts to ensure that Alaska has a productive and self-sustaining future.

Sincerely,

Corey Baxter
District 8 Representative
International Union of Operating Engineers Local 302
9309 Glacier Hwy. Suite A-105
Juneau, AK 99801
(907)586-3850
(907)463-5484 (facsimile)

April 2, 2013

The Honorable Peggy Wilson
Chairman, House Transportation Committee
State Capitol Room 408
Juneau, AK 99801

Re: HB 123 and HJR 10

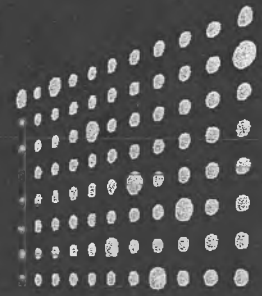
Dear Representative Wilson,

The Alaska State Chamber of Commerce (Alaska Chamber) is an organization dedicated to improving the business climate in Alaska. The Alaska Chamber represents hundreds of statewide businesses from Ketchikan to Barrow that share a common goal: to make Alaska a viable and competitive place to do business. The Alaska Chamber supports House Bill 123 which defines an Alaska Transportation Fund and House Joint Resolution 10 which allows Alaskans to vote to re-instate a dedicated fund for transportation infrastructure.

The Alaska Chamber has, for the past several years, supported creation of a funding mechanism for maintenance of and capital improvements to Alaska's transportation systems. Alaska's transportation infrastructure is pivotal to the state's economy and facilitates access to markets, supplies and resources. Improving and investing in its transportation system will enhance the global competitiveness of Alaska businesses and economic opportunities for its people.

Currently Alaska's multi-modal transportation infrastructure is not only dilapidated, but lacks a consistent funding mechanism to address the billions of dollars of multi-modal needs. Alaska needs new transportation infrastructure development to provide access to resources, reduce barriers for many communities to participate in the economy, allow for safe and efficient transportation all Alaskans.

The State's highway and airport infrastructure is largely funded by Federal dollars, which are under severe threat of significant reductions in today's economy. Additionally, there are no consistent federal programs for harbors and ports.



ALASKA STATE
CHAMBER
OF COMMERCE

*The Voice of
Alaska Business*

Headquarters

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The State needs to be proactive and address today's needs while planning for a major future fiscal shortfall. Thank you for your continued leadership on this issue.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rachael A. Petro', written in a cursive style.

Rachael A. Petro



4000 Old Seward Hwy., Suite 101
Anchorage, Alaska 99503
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www.colaska.com

March 5, 2013

Representative Peggy Wilson
State Capitol Room 406
Juneau, AK 99801

REFERENCE: Establishment of a State Transportation Fund

Dear Representative Wilson:

I would like to register strong support for the establishment of a State Transportation Fund.

The safety of Alaskan highways has long been a concern; the condition of pavement and road structures, including bridges, has deteriorated significantly over time, and they are always subject to harsh environmental conditions. The low density of the population and the long distances between population centers in Alaska means there are proportionally many more miles of roadway to maintain, and a State Transportation Fund is necessary to supplement Federal Funding to ensure that current roads can be maintained and new roads developed to appropriate standards.

The establishment of a dedicated State Transportation Fund could also underpin alternate project funding methods that could leverage the fund value by providing the necessary credit rating to underwrite any form of Public Private Partnership, through which private investments could be used for further development of Alaskan transportation infrastructure. The fund could also benefit as the single repository of fuel taxes and tolls, and would be self-sustaining if properly established at the outset.

While Federal Funding and bonds presently make up a significant portion of Alaskan transportation spending, these sources are subject to severe reductions in the future, due to either reduced Federal spending or potentially unfavorable interest rates. The establishment of a State Transportation Fund will provide stability and predictability to the development of the State, and is entirely compatible with National and International approaches to paying for transportation infrastructure.

Sincerely,

COLASKA, INC.



Ben Northey, CPC
President



March 4, 2013

Representative Peggy Wilson
State Capitol Room 406
Juneau, AK 99801

Via E-mail: rep.peggy.wilson@akleg.gov

RE: Support of HJR10 & HB123

Dear Representative Wilson,

Most of the current spending on Alaska's transportation program comes from federal sources. Alaska receives significantly more from the Federal Highway Trust Fund than it contributes and the Alaska motor fuel tax of \$.08 per gallon is the lowest in the nation with the average state tax over 0.20.

The outlook for the federal program causes us concern. Many people believe that Alaska's share of the federal "highway trust fund pie" will decrease in the future. Like many, we believe we have got to, as a state, step up and start paying more of the share. There are many strings, rules and regulations attached to a federal dollar that decrease its purchasing power - we can get more accomplished faster with state dollars.

There is strong agreement that the economic benefits derived from the investment in Alaska's transportation infrastructure far exceed the cost of the investment. Considering the vastness of the state, the current transportation infrastructure of Alaska is inadequate and requires continued planning, upgrades, and expenditures to assure the citizens of Alaska are provided with essential services. To realize its potential, Alaska needs a state funded transportation program that is adequately and predictably funded, provides continuity between succeeding administrations, and considers all modes of transportation.

I urge the legislature to pass HJR10 & HB123 to establish a Transportation Infrastructure Fund.

Sincerely,

Pat Harrison
Pacific Northwest Area Manager

ALASKA AFL-CIO

3333 Denali Street, Suite 125 • Anchorage, Alaska 99503 • 907-258-6284 • Fax 777-7276

VINCE BELTRAMI
Executive President



BRUCE LUDWIG
Secretary / Treasurer

March 26, 2013

Honorable Peggy Wilson
State Capitol Room 406
Juneau, AK 99801

Dear Representative Wilson,

We support the passage of House Bills 122, 123 and House Joint Resolution 10 that create the Alaska Transportation Infrastructure Fund Program. This Funding Program is needed to continue supporting transportation projects with decreasing Federal Funding looming ahead of us. Government has a duty to provide transportation and transportation infrastructure to the public to support our economy and the needs of our population. The State of Alaska must have the ability to fund much needed maintenance on roads, highways, harbors, and airports along with the possibility of building new infrastructure.

The Alaska AFL-CIO believes this is a responsible approach to add funding to our transportation needs and to create jobs for Alaskans. There is strong agreement that the economic benefits derived from investment in Alaska's transportation infrastructure far exceed the cost of the investment. Alaska needs a state funded transportation program that is adequately and predictably funded, provides continuity between succeeding administrations, and considers all modes of transportation.

Sincerely,

Vince Beltrami
President
Alaska AFL-CIO

Rebecca Rooney

From: Jeff Robinson <JRobinson@klebsheating.com>
Sent: Wednesday, March 20, 2013 3:23 PM
To: Rep. Peggy Wilson
Subject: HB 123

Hello Representative Wilson,

Being in the construction industry and working at a company that employs 65 workers, I'm writing to say I support HB 123.

Thank you,

Jeff Robinson

Service & Installation

Division Manager

(907) 365-2514 direct

KLEBS Heating
Plumbing
Air Quality

Performance ★ Training ★ Innovation

1107 E. 72nd Avenue, Anchorage, Alaska 99518
www.klebsheating.com

Rebecca Rooney

From: Sam Robert Brice <SamRobert@briceinc.com>
Sent: Wednesday, March 06, 2013 9:17 AM
To: Rep. Peggy Wilson
Subject: Support for HJR 10 & HB 123
Attachments: Our Responsibility.pdf

Follow Up Flag: Flag for follow up
Flag Status: Flagged

My name is Sam Robert Brice and I have lived in Fairbanks my entire life, working in the construction industry statewide since 1978. I am the President of our construction and service related firms, Brice Companies, that have been doing construction related work in Alaska since 1962. I am a past president of the Alaska Associated General Contractors and have been a vocal supporter of a dedicated fund for state funding of our transportation requirements. I wrote an article for the "Alaskan Contractor" magazine a couple of years back regarding why we need to support a state funded transportation program. I'm attaching that article to this email as I believe it to still be very relevant today.

Please don't hesitate to contact me if I can provide any further information or assistance with this issue. Thank you for all your hard work and dedication in Juneau to improve our State!

Sam Robert Brice

Brice Companies

Fairbanks, AK

(907) 452-2512

samrobert@briceinc.com

B
Brice

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Our responsibility

BY SAM ROBERT BRICE

Investment in construction projects is a major driver of the Alaska economy. According to the 2008 Construction Spending Forecast compiled by the Institute of Social and Economic Research at the University of Alaska Anchorage, "Construction is the third largest industry in the state, pays the state's second highest wages, employs nearly 22,000 workers with a payroll over \$1 billion, accounts for 20 percent of Alaska's economy and currently contributes more than \$7 billion to the state's economy." These investments boost the economy while the construction is going on and provide economic benefits for years after.

But the majority of our highway, airport, harbor and rural infrastructure projects in Alaska rely solely on year-to-year budgets of federal funding programs and / or earmarks. We all know the black eye Alaska has received over the past few years for "the bridge to nowhere" and other infamous earmarks that led Congress to earmark reform. Alaska has one of the lowest state gas taxes in the nation and in the recent past has received more than \$6 for every \$1 paid into the highway trust fund from federal gas tax. We are one of a handful of states that does not have our own state funded transportation program. Combine this with our permanent fund savings account and the fact that residents are paid to live here, you can start to feel the ill-will headed our direction, spelling out reduced federal transportation funding for our state. We have a backlog of nearly \$400 million worth of infrastructure projects that have been designed and are sitting on the "shelf" awaiting funding.

Additionally, there are more than \$1 billion worth of projects along the Alaska, Richardson and Dalton Highway corridors alone in order to be prepared for the gas pipeline construction traffic loads. A recent article in the Anchorage Daily News titled "Infrastructure delays threaten pipeline, coordinator says...one thing that could kill the project is under the state's control - needed infrastructure upgrades," said Drue Pearce, who heads the Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects."

It is precisely because of these facts that the top legislative priority for the AGC of Alaska is a State-Funded Transportation Program. Gov. Sarah Palin proposed a \$1 billion appropriation for a sustained transportation funding program that did not move forward last year, but she is still strongly in support of a State Transportation Program as per the Fall 2008 article in this magazine in which she wrote:

"My administration's proposal for a sustained transportation fund is the right idea at the right time. It would add a new, certain source of funding for needs we know will continue long into the future."

This fall, voters showed their support for Alaska transportation projects by overwhelmingly passing the \$315 million statewide general obligation bond issue. This is a step in the right direction.

Outside of Alaska, people don't understand the commitment the federal government made 50 years ago when Alaska was granted statehood. Alaska came into the Union without a transportation infrastructure system, but with great promise of natural resources and a strategic location. It was understood at that time the magnitude of investment that would be required to connect our great state. What better way for Alaska to show how important these continuing needs are than by paying a defined yearly portion of our way forward.

If indeed our infrastructure needs might be "the straw that breaks the camel's back" for the proposed gas pipeline, wouldn't a dedicated state-funded transportation program that could spur additional matching funds be worth the cost? The Obama administration's planned infrastructure investment

package could be part of this opportunity and is an example of why time is of the essence for a state funding initiative.

Alaska is at a critical juncture in its history. We have the opportunity in front of us to by-pass the economic hardship much of our nation is feeling today and possibly help to lead our nation's recovery with the continued environmentally sound development of our vast resources. Our state slogan "North to the Future" has never been more appropriate than it is today after 50 years of statehood. It is up to us to ensure it remains so. A state funded transportation plan is a small initiative in the right direction for our future.



CALISTA CORPORATION

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March 5, 2013

Representative Peggy Wilson
State Capital Room 406
Juneau, Alaska 99801

Re: State Transportation Program - House Bill 123

Dear Representative Wilson,

Calista Corporation is writing to support the Alaska Transportation Infrastructure Fund Program - House Bill 123. There have been public hearings on it across the state the last two years; it was vetted in subcommittees; and overall it has been widely supported. We view this as a positive step and solution towards addressing basic core transportation infrastructure needs throughout all regions of Alaska.

The bill re-establishes the multimodal Transportation Infrastructure program and authority put into our constitution by the state founding members. They recognized development of Alaska would be dependent on a transportation network, and the essential role transportation plays for a healthy economy and any business development. Those basic core needs still exist in Alaska, they have yet to have been fulfilled in providing access to markets, supplies and resources which businesses must have to be competitive and provide economic opportunities for people. Our own Calista region is perhaps a model of how a lack of a basic transportation and energy infrastructure network has had far reaching negative social and economic impacts since statehood. Today the YK region has some of the highest costs of living in the nation, highest levels of suicide, fewest resource businesses, and sadly a district with lowest per capita incomes in the country. One of our highest priorities is regional infrastructure - It is necessary for community sustainability and any business development or survival.

Alaska once had strong road and airport programs without the federal funding which we rely on today. Currently, there is an \$8 billion backlog of important transportation reconstruction projects that were paid for with mostly federal funds. This does not include roads, ports, or airports yet to be built to access whole regions. The state transportation department has become highly dependent on federal funds for transportation infrastructure planning, permitting, building, and even maintenance. This is unacceptable to many of the funding agencies and other states' which continually point to Alaska as: 1. sitting on huge unspent savings, 2. having the lowest fuel tax nationally and contributing little to nothing to our National Transportation trust which Alaska takes funds from, and 3. having no state tax to support its own infrastructure. Furthermore, Alaska has NO state funded program of any kind to count on for basic its ongoing infrastructure construction and maintenance. These issues put Alaska into the untenable situation of being one of the only states' lacking a state funded transportation program. However, it continues to rely on federal transportation trust fund dollars paid into and supported by all the other states' which each have some form of their own funding program. Being in non-compliance with federal grant assurances that are signed onto and required to maintain that

March 5, 2013
Page Two

Infrastructure places Alaska at great risk. It can result in receiving less regular program funding and discretionary money from shrinking federal programs which Alaska relies on. The State has been notified of these facts, as have most organizations, groups, and citizens going to Washington D.C. to request funding.

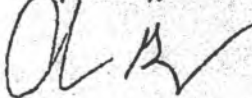
Aside from the obvious needs already mentioned, other positive economic benefits of an Alaska Transportation Infrastructure fund program in our state include:

- Transportation infrastructure investment which provides stable, predictable, good paying jobs for both the short and long term (47,000 jobs in Alaska today and one of the strongest industry sectors).
- Operational improvements to business and industry costs, efficiencies, and competitiveness.
- Access to resources and development in a largely resource dependent state.
- Strengthening local, regional, and state economies.
- Proper maintenance which results in fewer expenses and losses associated with safety, accidents, and vehicle wear to businesses.
- Boosts to both business and leisure travel.
- Lower prices for commodities, shipping, and travel.
- Reduced losses associated with time, travel, congestion, and lack of ready access for businesses.
- State funded projects that can be built appropriate to Alaska which are significantly cheaper, faster, and with fewer Federally mandated high population density design requirements

House Bill 123 may not solve each and every transportation issue in Alaska; however, it is a forward step required to establish a basic program and begin solving our complex transportation infrastructure needs in a fair, consistent, and thoughtful manner that is standard in every other state in the United States.

Callista supports re-establishment of a state transportation infrastructure program which can be consistently counted on in all regions and communities of Alaska. Thank you for the opportunity to comment on this important piece of legislation.

Respectfully,



Andrew Guy
President and Chief Executive Officer

cc: *Commissioner Pat Kemp*
Governor Sean Parnell



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March 5, 2013

Representative Peggy Wilson
State Capitol Room 406
Juneau, AK 99801

REFERENCE: Establishment of a State Transportation Fund

Dear Representative Wilson:

I would like to register strong support for the establishment of a State Transportation Fund.

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While Federal Funding and bonds presently make up a significant portion of Alaskan transportation spending, these sources are subject to severe reductions in the future, due to either reduced Federal spending or potentially unfavorable interest rates. The establishment of a State Transportation Fund will provide stability and predictability to the development of the State, and is entirely compatible with National and International approaches to paying for transportation infrastructure.

Sincerely,

COLASKA, INC.

Rob Dun
Business Development Manager



217 Second Street, Suite 200 • Juneau, Alaska 99801

Tel (907) 586-1925 • Fax (907) 463-5480 • www.akml.org

February 26, 2013

Honorable Representative Peggy Wilson
Alaska State Capitol Building
Juneau, Alaska 99801

Dear Representative Wilson,

On behalf of the Alaska Municipal League, I would like to offer our support for HJR10 and HB 123.

The Alaska Municipal League has been concerned about how state and local governments fund the needs related to our transportation infrastructure over the coming years. The funding for roads that are not on the National Highway System (most of Alaska's roads) has seen funding drop by 50%. More and more of the federal dollars seem to be going to mass transit in heavily populated areas of our nation. This certainly seems to be an on-going trend. We must be ready to maintain what we have and to construct necessary infrastructure, as needed.

We feel it is important for the State of Alaska to find ways to fund our infrastructure in ways that do not always include the federal government.

We thank you for your persistence in submitting this bill and we support your efforts toward these goals. This bill truly is one that plans for our future.

Sincerely,

Kathie Wasserman
Executive Director