

HB

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<TARGET><BILL>HB 123</BILL><SUBJECT>HB
123</SUBJECT><COMM>HTRA28</COMM></TARGET>

HOUSE BILL NO. 123

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVE PEGGY WILSON

Introduced: 2/15/13

Referred: Transportation, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the transportation infrastructure fund, to local public
2 transportation, to the municipal harbor facility grant fund, to motor fuel taxes, to the
3 motor vehicle registration fee, to driver's license fees, to identification card fees, to the
4 studded tire tax, to the vehicle rental tax, and to other fees and taxes related to motor
5 vehicles; creating the Alaska Transportation Panel; and providing for an effective date."

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

7 * **Section 1.** AS 18.65.310 is amended by adding a new subsection to read:

8 (m) The fees collected by the department under this section shall be deposited
9 into the transportation infrastructure fund established in art. IX, sec. 18, Constitution
10 of the State of Alaska.

11 * **Sec. 2.** AS 28.10.421(g) is amended to read:

12 (g) The fees collected by the department under (b), (c), (e), (h), and (i) of this
13 section shall be deposited in the transportation infrastructure fund established in

1 art. IX, sec. 18, Constitution of the State of Alaska. The fees collected by the
2 department under (d) and (f) of this section shall be deposited into the general
3 fund. The Department of Administration shall separately account for three percent of
4 the fees collected under (d) and (f) of this section and deposited in the general fund.
5 The annual estimated balance in the account may be used by the legislature to make
6 appropriations for administration of AS 28.10.021(a) and AS 28.22 (Alaska
7 Mandatory Automobile Insurance Act).

3%
AK Mandatory
Ins Fund

8 * **Sec. 3.** AS 28.90 is amended by adding a new section to article 1 to read:

9 **Sec. 28.90.050. Fees collected by the department.** Unless otherwise provided
10 by law, state fees or taxes collected under this title, less refunds, shall be deposited in
11 the transportation infrastructure fund established under art. IX, sec. 18, Constitution of
12 the State of Alaska. Any tax or fee related to snowmobiles collected under this title
13 may not be deposited into the transportation infrastructure fund established under art.
14 IX, sec. 18, Constitution of the State of Alaska.

Snowmobile
x Specialty
Licenses

15 * **Sec. 4.** AS 29.60.800(a) is amended to read:

16 (a) There is established the harbor facility grant fund consisting of money
17 appropriated to the fund. Each fiscal year, the legislature may appropriate money to
18 the fund [FROM THE WATERCRAFT FUEL TAX ACCOUNT (AS 43.40.010(f))
19 AND FROM THE FISHERIES BUSINESS TAX COLLECTED UNDER
20 AS 43.75.015 AFTER PAYMENTS TO MUNICIPALITIES ARE MADE UNDER
21 AS 43.75.130. THE LEGISLATURE MAY MAKE OTHER APPROPRIATIONS TO
22 THE FUND]. The legislature may appropriate to the fund income earned on money in
23 the fund.

24 * **Sec. 5.** AS 37.05.146(c)(72) is amended to read:

25 (72) vehicle registration fees collected under AS 28.10.421(d) and (f)
26 [AS 28.10.421] and other fees and charges collected under AS 28.10.441;

27 * **Sec. 6.** AS 37.14 is amended by adding new sections to read:

28 **Article 10. Transportation Infrastructure Fund.**

29 **Sec. 37.14.850. Transportation infrastructure fund.** (a) Under art. IX, sec.
30 18, Constitution of the State of Alaska, the transportation infrastructure fund is
31 established. The fund consists of

description of Fund

↑
one number

- 1 (1) appropriations to the fund;
- 2 (2) revenue received from any state tax on fuel used for the propulsion
- 3 of motor vehicles, aircraft, and watercraft, less refunds, credits, and collection costs as
- 4 provided by law;
- 5 (3) revenue received from a registration fee levied for a motor vehicle
- 6 that is not a special registration fee and from any driver's license fee;
- 7 (4) revenue received from the tire fee and studded tire tax under
- 8 AS 43.98.025;
- 9 (5) revenue received from the vehicle rental tax under AS 43.52.010
- 10 and 43.52.030;
- 11 (6) other revenue received as designated by the legislature.

12 (b) The commissioner of revenue shall manage the fund as an endowment,

13 with the goal that the purchasing power of the fund will not diminish over time

14 without regard to additional contributions that may be made to the fund. The

15 commissioner shall invest the assets of the fund in a manner likely to yield at least a

16 six percent real rate of return over time.

17 (c) Money from an appropriation made to the fund remaining in the fund at the

18 end of a fiscal year does not lapse and remains available for investment and

19 appropriation in successive fiscal years.

20 **Sec. 37.14.860. Use of the fund.** (a) On or before September 1 of each year,

21 the commissioner of revenue shall prepare a report for the legislature that identifies

22 (1) that amount defined as five percent of the average of the market

23 values of the assets of the fund, excluding the money deposited into the fund in the

24 previous year under AS 37.14.850(a)(2) - (6), on June 30 for the five fiscal years

25 immediately preceding the fiscal year in which the report is prepared; and

26 (2) that amount defined as 50 percent of the revenue deposited into the

27 fund under AS 37.14.850(a)(2) - (6) in the previous fiscal year.

28 (b) The amount identified in (a) of this section is available for appropriation

29 for capital projects and major maintenance for transportation and related facilities and

30 for costs related to motor vehicle licensing and registration. An appropriation from the

31 fund may be made to a project for which federal money has been allocated if the

1 appropriation accelerates project completion or is used for specific items of work that
2 are not eligible for federal aid project match funding. The amount of all appropriations
3 from the fund to match federal money may not exceed 20 percent of the total amount
4 available for appropriation from the fund.

5 (c) Except as provided in (d) of this section, appropriations made from the
6 fund for capital projects for transportation and related facilities may be distributed for
7 the following projects:

8 (1) projects related to roads and surface transportation, including
9 development of, major maintenance of, and improvements to the road system in the
10 state, all related appurtenances within the rights-of-way, and walkways;

11 (2) projects related to aviation, including development of, major
12 maintenance of, and improvements to the state's rural airport system and airports
13 owned by the state or a municipality;

14 (3) projects related to the Alaska marine highway system, including
15 the lease, purchase, rehabilitation, major maintenance, or modification of existing or
16 new vessels;

17 (4) projects related to harbor facilities and for deposit into the
18 municipal harbor facility grant fund (AS 29.60.800), including the development of,
19 major maintenance of, and improvements to harbor and marine facilities;

20 (5) projects related to community transportation and public transit with
21 priority given to projects in which community matching funds are available, including
22 development of and improvements to public transit conveyances and facilities,
23 including land-based and water-based vehicles and specialized local transportation for
24 the elderly and persons with disabilities; and

25 (6) projects related to pedestrian facilities, trails, and bike paths,
26 including development of and improvements to sidewalks, bike paths, or pedestrian
27 facilities that are located in the rights-of-way maintained by the department and that
28 are adjacent to a road;

29 (7) projects related to railroads.

30 (d) An appropriation from the fund may not be used to provide matching
31 funds for a federal aid project under (c)(1) - (3) of this section.

1 **Sec. 37.14.870. Market value of the fund.** The Department of Revenue shall
 2 determine the market value of the fund on the close of business on June 30 of each
 3 year in accordance with generally accepted accounting principles for the determination
 4 of fair value.

5 **Sec. 37.14.880. Powers and duties of the commissioner of revenue.** In
 6 carrying out the investment duties under AS 37.14.850 - 37.14.899, the commissioner
 7 of revenue has the powers and duties set out in AS 37.10.071. Not later than the 10th
 8 day following the convening of each regular session of the legislature, the
 9 commissioner of revenue shall make available a report to the legislature on the
 10 condition and investment performance of the fund.

11 **Sec. 37.14.890. Alaska Infrastructure Commission.** (a) The Alaska
 12 Infrastructure Commission is established as an independent body in the Department of
 13 Transportation and Public Facilities to prioritize a list of eligible transportation
 14 projects referred from the Alaska Transportation Panel established under
 15 AS 44.42.100 solely on the factors of nonbiased information and need. The
 16 commission consists of nine members as follows:

17 (1) the chair of the House Transportation Committee as a nonvoting
 18 member;

19 (2) the chair of the Senate Transportation Committee as a nonvoting
 20 member;

21 (3) the commissioner of transportation and public facilities or the
 22 commissioner's designee;

23 (4) six members of the public, including at least one member from
 24 each judicial district described in AS 22.10.010, appointed by the governor, who have
 25 experience with one or more modes of transportation, including land, air, and water.

26 (b) The six public members appointed under (a)(4) of this section shall each
 27 have extensive experience and knowledge in the field of transportation of people and
 28 goods.

29 (c) The members of the commission listed in (a)(4) of this section shall serve
 30 staggered four-year terms.

31 (d) From the members listed in (a)(4) of this section, the commission shall

rail ?

1 elect a chair of the commission. If a vacancy occurs among the members appointed
2 under (a)(4) of this section, the governor shall immediately appoint a member for the
3 unexpired portion of the term.

4 (e) A member of the commission appointed under (a) of this section serves
5 without compensation but is entitled to travel and per diem expenses as provided in
6 AS 39.20.180.

7 (f) Using the criteria developed by the Department of Transportation and
8 Public Facilities under AS 44.42.020(a)(17), the commission shall submit a report to
9 the governor and the legislature not later than October 15 of each year making
10 recommendations regarding what capital projects for transportation and related
11 facilities should be funded from the fund.

12 **Sec. 37.14.899. Definition.** In AS 37.14.850 - 37.14.899, "fund" means the
13 transportation infrastructure fund established in art. IX, sec. 18, Constitution of the
14 State of Alaska.

15 * **Sec. 7.** AS 43.40.010(e) is amended to read:

16 (e) Sixty percent of the proceeds of the revenue from the taxes on aviation
17 fuel, excluding the amount determined to have been spent by the state in its collection,
18 shall be refunded to a municipality owning and operating or leasing and operating an
19 airport in the proportion that the revenue was collected at the municipal airport. All
20 other proceeds of the taxes on aviation fuel shall be paid into **the transportation**
21 **infrastructure fund established in art. IX, sec. 18, Constitution of the State of**
22 **Alaska** [A SPECIAL AVIATION FUEL TAX ACCOUNT IN THE STATE
23 GENERAL FUND. THE LEGISLATURE MAY APPROPRIATE FUNDS FROM
24 THIS ACCOUNT FOR AVIATION FACILITIES].

25 * **Sec. 8.** AS 43.40.010(h) is amended to read:

26 (h) All motor fuel tax receipts shall be paid into the **transportation**
27 **infrastructure fund established in art. IX, sec. 18, Constitution of the State of**
28 **Alaska** [GENERAL FUND AND DISTRIBUTED TO THE PROPER ACCOUNTS
29 IN THE GENERAL FUND]. Valid motor fuel tax refund claims shall be paid from the
30 **transportation infrastructure fund established in art. IX, sec. 18, Constitution of**
31 **the State of Alaska** [HIGHWAY FUEL TAX ACCOUNT IN THE GENERAL

1 FUND].

2 * **Sec. 9.** AS 43.40.030(a) is amended to read:

3 (a) A [EXCEPT AS SPECIFIED IN AS 43.40.010(j), A] person who uses
4 motor fuel to operate an internal combustion engine is entitled to a refund of six cents
5 a gallon if

- 6 (1) the tax on the motor fuel has been paid;
- 7 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
8 watercraft; and
- 9 (3) the internal combustion engine is not used in or in conjunction with
10 a motor vehicle licensed to be operated on public ways.

11 * **Sec. 10.** AS 43.40.070 is amended to read:

12 **Sec. 43.40.070. Refund warrants.** Upon approval of a refund claim by the
13 department, a disbursement shall be made from the **transportation infrastructure**
14 **fund established in art. IX, sec. 18, Constitution of the State of Alaska,**
15 [HIGHWAY FUEL TAX ACCOUNT IN THE GENERAL FUND] in favor of the
16 applicant in the amount of the claim.

17 * **Sec. 11.** AS 43.52.080(b) is amended to read:

18 (b) The proceeds of the vehicle rental taxes imposed by AS 43.52.010 -
19 43.52.099 shall be deposited into **the transportation infrastructure fund**
20 **established in art. IX, sec. 18, Constitution of the State of Alaska** [A SPECIAL
21 VEHICLE RENTAL TAX ACCOUNT IN THE GENERAL FUND].

22 * **Sec. 12.** AS 43.98.025 is amended by adding a new subsection to read:

23 (i) The fees remitted to the department under (a) and (b) of this section shall
24 be deposited in the transportation infrastructure fund established in art. IX, sec. 18,
25 Constitution of the State of Alaska.

travel fees

26 * **Sec. 13.** AS 44.42.020(a) is amended to read:

- 27 (a) The department shall
 - 28 ① plan, design, construct, and maintain all state modes of
29 transportation and transportation facilities and all docks, floats, breakwaters, buildings,
30 and similar facilities;
 - 31 ② study existing transportation modes and facilities in the state to

1 determine how they might be improved or whether they should continue to be
2 maintained;

3 (3) study alternative means of improving transportation in the state
4 with regard to the economic costs of each alternative and its environmental and social
5 effects;

6 (4) develop a comprehensive, long-range, intermodal transportation
7 plan for the state;

8 (5) study alternatives to existing modes of transportation in urban areas
9 and develop plans to improve urban transportation;

10 (6) cooperate and coordinate with and enter into agreements with
11 federal, state, and local government agencies and private organizations and persons in
12 exercising its powers and duties;

13 (7) manage, operate, and maintain state transportation facilities and all
14 docks, floats, breakwaters, and buildings, including all state highways, vessels,
15 railroads, pipelines, airports, and aviation facilities;

16 (8) study alternative means of transportation in the state, considering
17 the economic, social, and environmental effects of each alternative;

18 (9) coordinate and develop state and regional transportation systems,
19 considering deletions, additions, and the absence of alterations;

20 (10) develop facility program plans for transportation and state
21 buildings, docks, and breakwaters required to implement the duties set out in this
22 section, including but not limited to functional performance criteria and schedules for
23 completion;

24 (11) supervise and maintain all state automotive and mechanical
25 equipment, aircraft, and vessels, except vessels and aircraft used by the Department of
26 Fish and Game or the Department of Public Safety; for state vehicles maintained by
27 the department, the department shall, every five years, evaluate the cost, efficiency,
28 and commercial availability of alternative fuels for automotive purposes, and the
29 purpose for which the vehicles are intended to be used, and convert vehicles to use
30 alternative fuels or purchase energy efficient vehicles whenever practicable; the
31 department may participate in joint ventures with public or private partners that will

1 foster the availability of alternative fuels for all automotive fuel consumers;

2 (12) supervise aeronautics inside the state, under AS 02.10;

3 (13) implement the safety and financial responsibility requirements for
4 air carriers under AS 02.40;

5 (14) inspect weights and measures;

6 (15) at least every four years, study alternatives available to finance
7 transportation systems in order to provide an adequate level of funding to sustain and
8 improve the state's transportation system;

9 (16) promote and support methods or modes of coordinated
10 transportation serving persons in various regions of the state;

11 (17) develop criteria for the Alaska Infrastructure Commission
12 established under AS 37.14.890 to use when prioritizing transportation projects
13 eligible for funding from the transportation infrastructure fund; the criteria
14 should provide for funds of projects in both urban and rural areas;

15 (18) develop guidelines for the Alaska Transportation Panel
16 established under AS 44.42.100 to use when determining whether projects should
17 be evaluated and funded through the department or through the transportation
18 infrastructure fund under AS 37.14.860.

19 * Sec. 14. AS 44.42 is amended by adding a new section to article 1 to read:

20 **Sec. 44.42.100. Alaska Transportation Panel.** (a) The Alaska Transportation
21 Panel is established to review proposed transportation projects and recommend
22 whether the projects should be evaluated and funded through the department or
23 through the transportation infrastructure fund under AS 37.14.860. The panel consists
24 of seven members as follows:

25 (1) one member of the public, appointed by the governor, who is from
26 the Anchorage area;

27 (2) one member of the public, appointed by the governor, who is from
28 the Fairbanks area;

29 (3) one member of the public, appointed by the governor, who is from
30 a coastal rural areas of the state;

31 (4) one member of the public, appointed by the governor, who is from

1 an interior rural areas of the state;

2 (5) the commissioner of transportation and public facilities or the
3 commissioner's designee;

4 (6) one member of the project evaluation board established by the
5 commissioner of transportation and public facilities; and

6 (7) one member of the Alaska Infrastructure Commission established
7 under AS 37.14.890.

8 (b) Each of the public members appointed under (a)(1) - (4) of this section
9 shall have experience with one or more modes of transportation, including land, air,
10 and water.

11 (c) The panel shall meet at least twice a year.

12 (d) A member of the panel appointed under (a) of this section serves without
13 compensation but is entitled to travel and per diem expenses as provided in
14 AS 39.20.180.

15 (e) In this section, "rural area" means a community that is not connected by
16 road or rail to Anchorage or Fairbanks.

17 * **Sec. 15.** AS 44.62.175(a) is amended to read:

18 (a) The lieutenant governor shall develop and supervise the Alaska Online
19 Public Notice System, to be maintained on the state's site on the Internet. The
20 lieutenant governor shall prescribe the form of notices posted on the system by state
21 agencies. The Alaska Online Public Notice System must include

22 (1) notices of proposed actions given under AS 44.62.190(a);

23 (2) notices of state agency meetings required under AS 44.62.310(e),
24 even if the meeting has been held;

25 (3) notices of solicitations to bid issued under AS 36.30.130;

26 (4) notices of state agency requests for proposals issued under
27 AS 18.55.255, 18.55.320; AS 36.30.210; AS 37.05.316; **and** AS 38.05.120 [; AND
28 AS 43.40.010];

29 (5) executive orders and administrative orders issued by the governor;

30 (6) written delegations of authority made by the governor or the head
31 of a principal department under AS 44.17.010;

1 (7) the text or a summary of the text of a regulation or order of repeal
 2 of a regulation for which notice is given under AS 44.62.190(a), including an
 3 emergency regulation or repeal regardless of whether it has taken effect;

4 (8) notices required by AS 44.62.245(b) regarding an amended version
 5 of a document or other material incorporated by reference in a regulation;

6 (9) a summary of the text of recently issued formal opinions and
 7 memoranda of advice of the attorney general;

8 (10) a list of vacancies on boards, commissions, and other bodies
 9 whose members are appointed by the governor;

10 (11) in accordance with AS 39.52.240(h), advisory opinions of the
 11 attorney general; and

12 (12) notices required by AS 26.30.010(d) and (e) regarding
 13 applications for military facility zones.

14 * **Sec. 16.** AS 28.10.152(e); AS 43.40.010(f), ^{watercraft} 43.40.010(g), and 43.40.010(j) are repealed. ^{now into} ^{ATIF}

15 * **Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to
 16 read: *all trans revenues*

17 APPLICABILITY. AS 37.14.850(a), added by sec. 6 of this Act, applies to revenue
 18 received by the state from the sources listed in that subsection on or after the effective date of
 19 this Act.

20 * **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to
 21 read:

22 TRANSITION. Notwithstanding AS 37.14.850 - 37.14.899, as enacted by sec. 6 of
 23 this Act, the commissioner of revenue shall calculate average transportation infrastructure
 24 fund values for purposes of AS 37.14.860(a)(1) in the years 2016 through 2020 as follows:

25 (1) the commissioner of revenue shall prepare a report to the legislature on or
 26 before September 1, 2015, identifying that amount defined as five percent of the market value
 27 of the transportation infrastructure fund, excluding the money deposited into the fund in the
 28 previous fiscal year under AS 37.14.850(a)(2) - (6), on July 1, 2015; the amount is available
 29 for appropriation during the First Regular Session of the Twenty-Ninth Alaska State
 30 Legislature under AS 37.14.860(b), enacted by sec. 6 of this Act;

31 (2) for average transportation infrastructure fund value calculations for 2016

1 through 2019, on or before September 1, 2016, and on or before September 1 in subsequent
 2 years through September 2019, the commissioner of revenue shall prepare a report to the
 3 legislature that identifies that amount defined as five percent of the average of the market
 4 values of the assets of the transportation infrastructure fund, excluding the money deposited
 5 into the fund in the previous fiscal year under AS 37.14.850(a)(2) - (6), on July 1, 2015, and
 6 on June 30 of each subsequent year, as identified in the reports required by this paragraph; the
 7 amounts are available for appropriation during the respective regular sessions of the Alaska
 8 State Legislature under AS 37.14.860(b), enacted by sec. 6 of this Act.

9 * **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to
 10 read:

stagger terms

11 INITIAL APPOINTMENTS AND TERMS. Notwithstanding AS 37.14.890(a), as
 12 enacted by sec. 6 of this Act, the terms of the first members of the Alaska Infrastructure
 13 Commission appointed by the governor under AS 37.14.890(a)(4), as enacted by sec. 6 of this
 14 Act, are as follows: (1) two members shall be appointed for four-year terms; (2) two members
 15 shall be appointed for three-year terms; (3) one member shall be appointed for a two-year
 16 term; and (4) one member shall be appointed for a one-year term. The governor shall specify
 17 the term of office of each member appointed subject to this section.

18 * **Sec. 20.** The uncodified law of the State of Alaska is amended by adding a new section to
 19 read:

20 SEVERABILITY. Under AS 01.10.030, if AS 37.14.890(a)(1) or (2), enacted by sec.
 21 6 of this Act, or the application of those paragraphs to any person or circumstance is held
 22 invalid, the remainder of the provisions of that section and their application to other persons
 23 or circumstance is not affected.

24 * **Sec. 21.** The uncodified law of the State of Alaska is amended by adding a new section to
 25 read:

Pass if not Passed by Vol

26 CONTINGENCY. The provisions of this Act take effect only if an amendment to the
 27 Constitution of the State of Alaska establishing the transportation infrastructure fund as a
 28 dedicated fund is approved by the voters before January 1, 2015.

29 * **Sec. 22.** If, under sec. 21 of this Act, this Act takes effect, it takes effect on the effective
 30 date of the constitutional amendment described in sec. 21 of this Act.

ALASKA STATE LEGISLATURE

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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.

Fiscal Note

State of Alaska
2013 Legislative Session

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

Identifier: HB123-DOT-PD-2-22-2013
Title: DEDICATED TRANSPORT FUND/PUB
TRANSPORT
Sponsor: P.WILSON
Requester: House Transportation 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)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates				
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014					
Personal Services	113.7		113.7	113.7	113.7	113.7	113.7
Travel	57.0		57.0	57.0	57.0	57.0	57.0
Services	312.0		37.5	37.5	37.5	37.5	37.5
Commodities	7.5		0.5	0.5	0.5	0.5	0.5
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	490.2	0.0	208.7	208.7	208.7	208.7	208.7

Fund Source (Operating Only)

1004 Gen Fund	490.2		208.7	208.7	208.7	208.7	208.7
Total	490.2	0.0	208.7	208.7	208.7	208.7	208.7

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 (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

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? 04/01/14

Why this fiscal note differs from previous version:

This is the initial version of the bill.

Jeff Ottesen

Prepared By: Connie McKenzie, Special Assistant
Division: Office of the Commissioner
Approved By: Mary P. Siroky
Administrative Services Director

Phone: (907)465-4772
Date: 02/22/2013 05:00 PM
Date: 02/22/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 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 \$113.7 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

30 or 40 Process

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)

*what does STIP use?
why can't we use that?*

Fiscal Note

State of Alaska
2013 Legislative Session

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

Identifier: HB123-DOR-TRS-2-22-13
Title: DEDICATED TRANSPORT FUND/PUB
TRANSPORT
Sponsor: P.WILSON
Requester: House Transportation

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)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services			344.0	360.0	377.0	394.0	412.0	
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	344.0	360.0	377.0	394.0	412.0	

Fund Source (Operating Only)

1178 temp code			344.0	360.0	377.0	394.0	412.0	
Total	0.0	0.0	344.0	360.0	377.0	394.0	412.0	

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

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

Why this fiscal note differs from previous version:

Initial version.

Prepared By: Pamela Leary
Division: Treasury
Approved By: Angela Rodell
Deputy Commissioner, DOR

Phone: (907)465-2350
Date: 02/22/2013 12:00 AM
Date: 02/22/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 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 \$1 billion and additional annual funding based on the 2012 Fall Revenue Forecast 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. Note that this fiscal note represents only the incremental increases in costs of the Treasury Division, however additional fees which would be allocated to the fund based on the Division's cost allocation plan.

8.9

Fiscal Note

State of Alaska
2013 Legislative Session

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

Identifier: HB123-DOA-DMV-2-23-13
Title: DEDICATED TRANSPORT FUND/PUB
TRANSPORT
Sponsor: P.WILSON
Requester: House Transportation

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

DMV

Expenditures/Revenues

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

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	
OPERATING EXPENDITURES								
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	0.0

Fund Source (Operating Only)

1005 GF/Prgm			(38,523.8)	(38,523.8)	(38,523.8)	(38,523.8)	(38,523.8)
1178 temp code			38,523.8	38,523.8	38,523.8	38,523.8	38,523.8
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 (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

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? 07/01/14

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By:
Division
Approved By:

Amy Erickson, Director

Motor Vehicles
Curtis Thayer, Deputy Commissioner
Department of Administration

Phone: (907)269-5559
Date: 02/23/2013 06:08 AM
Date: 02/23/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HB123

Analysis

The bill takes effect on the effective date of the constitutional amendment. For purposes of this fiscal note an effective date of July 1, 2014 was assumed.

FUND SOURCE 1178 on Page 1 represents the Alaska Transportation Infrastructure Fund (ATIF).

If this bill is implemented, most revenues collected by DMV, that are not available for appropriation elsewhere, will be deposited into 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 \$70,419.8 in fees and taxes in FY12. Of this amount, \$15,725.8 are available for appropriation and/or distribution elsewhere:

\$14,502.9 Motor Vehicle Registration Taxes collected and returned to the 16 participating municipalities
542.5 Boat Registration fees used by DNR and DCCED for boating safety programs
242.7 Snow Mobile Registration fees used by DNR for trail maintenance grants
90.2 Emission/Maintenance fees used by DEC for operating the air quality program
59.4 Donations collected for the Anatomical Gift Awareness Fund
272.1 Fees for special plates
16.0 Trust & adjustments

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:

\$70,419.8 Total collections
-15,725.8 Revenues available for appropriation and/or distribution elsewhere
-16,170.2 Governor's Amended FY14 GF/PR funded operating budget for DMV
\$38,523.8 Excess revenues

Fiscal Note

State of Alaska
2013 Legislative Session

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

Identifier: HB123-DCCED-DCRA-02-22-13
Title: DEDICATED TRANSPORT FUND/PUB
TRANSPORT
Sponsor: P.WILSON
Requester: House Transportation

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)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates				
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
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 (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

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:

Not applicable, initial version.



Prepared By: Scott Ruby, Director
Division: Community and Regional Affairs
Approved By: JoEllen Hanrahan, Director
Administrative Services Division

Phone: (907)269-4569
Date: 02/22/2013 02:30 PM
Date: 02/22/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 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.

Fiscal Note

State of Alaska
2013 Legislative Session

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

Identifier: HB123-DCCED-DED-02-23-13
Title: DEDICATED TRANSPORT FUND/PUB
TRANSPORT
Sponsor: P.WILSON
Requester: House Transportation

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)

	FY2014 Appropriation Requested	Included in Governor's FY2014 Request	Out-Year Cost Estimates					
			FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES								
Personal Services		263.3	263.3	263.3	263.3	263.3	263.3	263.3
Travel		14.4	14.4	14.4	14.4	14.4	14.4	14.4
Services		61.0	61.0	61.0	61.0	61.0	61.0	61.0
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	338.7	338.7	338.7	338.7	338.7	338.7	338.7

Fund Source (Operating Only)

1004 Gen Fund	338.7		338.7	338.7	338.7	338.7	338.7	338.7
1200 VehRntlTax	(338.7)	338.7						
Total	0.0	338.7	338.7	338.7	338.7	338.7	338.7	338.7

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

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:

Not applicable, initial version.

Prepared By: Lorene Palmer, Director
Division: Economic Development
Approved By: JoEllen Hanrahan, Director
Administrative Services Division

Phone: (907)465-2625
Date: 02/23/2013 01:15 PM
Date: 02/23/13

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2013 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 \$338,700 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 FY14 as that is the earliest possible effective date.

338.



Transportation Infrastructure Fund

Transportation Infrastructure needs a Boost

- Projected decline in federal funds with MAP-21 especially to community and local roads
- Aging Infrastructure
- Open new access to resources
- Plans for the future



House Transportation Comm. Actions

- 3 years of Committee hearings
- Viewed, first hand, rural and urban problems
- Examined funding options
 - National experts
 - State experts
 - Infrastructure bank experts
- Rejected options which committed future GF

ATIF Solution

- Re-instate dedicated Alaska Transportation Infrastructure Fund
 - Our constitution grandfathered 2 transportation funds
 - Requires a vote of the people
- Maintain existing funding
 - Operational and capital budgets remain the same
 - Key element to making real progress on infrastructure
- More 100% state funded projects
 - Reduced costs
 - Reduced schedule

Funding ATIF

- \$2B endowment from legislature and
- Annual revenue
 - Motor fuel tax
 - Tire tax
 - Vehicle rental tax
 - Vehicle registrations and drivers license fees
 - New transportation related fees or taxes

ATIF Appropriation

- DOR will manage the fund
 - Profits will be reinvested
- Figuring the appropriation amount
 - 5% market value averaged over previous 5 years plus
 - 50% tax and fee revenue from previous year
- Follows regular budgetary process
 - Legislative approval
 - Gubernatorial approval

2Panel – 2 Step Process

- 7 Member Alaska Transportation Panel (**ATP**)
 - 5 Public members appointed by Governor
 - 1 from Anchorage, 1 From Fairbanks, 1 rural interior, 1 rural coastal
 - Commissioner, DOT/PF
 - DOT's STIP Board Member
 - Alaska Infrastructure Commission member
- Evaluates the projects submitted to DOT/PF using DOT/PF developed guidelines.
- Submits projects to either the Federalized STIP process or to the ATIF process for prioritization
- Takes politics out of decision process

2Panel – 2 Step Process

- 9 member Alaska Infrastructure Commission (AIC)
 - 6 public members, 1 from each judicial district and 2 members at large
 - 2 non-voting legislative members
 - Commissioner of DOT/PF
- Prioritizes ATIF projects using weighted point system developed by DOT

ATIF Projects

- Limited to capital transportation and major maintenance projects
 - Highways and roads
 - Aviation
 - Marine highway system
 - Harbors and harbor matching grant fund
 - Community transportation and transit
 - Trails and bike paths
- Federalized projects not more than 20%
 - Incentive to do more state funded projects
 - State funded projects are cheaper and faster

ATIF ...

- Plans for the future
 - Decrease transportation backlog
 - Decrease deferred maintenance
 - Decrease dependence on federal funding
 - Increase number of new jobs
 - Increase road safety
 - Increase Alaska's economy
 - Increase access to Alaska's resources
 - Ensure stable annual transportation budget

ATIF Summary

- Alaska Transportation issues:
 - Declining funds
 - Aging transportation system
- Implement the Alaska Transportation Infrastructure Fund
- Put the constitutional amendment on the ballot in November 2014
 - Let the people decide

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	Tire Fees	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	70.4	1.4	8.9	(0.92)	100.0	-	100.0	(31.9)	68.1	68.1	
8	2	2016	2,190.4	186.2	40.8	70.8	1.4	8.9	(1.01)	104.8	60.7	165.4	(32.2)	133.2	201.3	
9	3	2017	2,332.0	198.2	41.0	71.1	1.4	8.9	(1.07)	108.7	60.9	169.6	(32.5)	137.1	338.4	
10	4	2018	2,482.0	211.0	41.2	71.5	1.4	9.0	(1.14)	112.6	61.2	173.8	(32.9)	140.9	479.3	
11	5	2019	2,641.1	224.5	41.4	71.8	1.4	9.0	(1.21)	116.5	61.5	178.0	(33.2)	144.8	624.1	
12	6	2020	2,810.0	238.9	41.6	72.2	1.4	9.0	(1.29)	124.6	61.8	186.4	(33.5)	152.9	777.0	
13	7	2021	2,985.4	253.8	41.8	72.5	1.4	9.0	(1.37)	132.5	62.1	194.6	(33.9)	160.8	937.7	
14	8	2022	3,168.0	269.3	42.0	72.9	1.4	9.1	(1.46)	140.9	62.4	203.3	(34.2)	169.1	1,106.8	
15	9	2023	3,358.0	285.4	42.3	73.3	1.4	9.1	(1.54)	149.6	62.7	212.3	(34.5)	177.8	1,284.6	
16	10	2024	3,555.6	302.2	42.5	73.6	1.4	9.1	(1.64)	158.8	63.0	221.8	(34.9)	186.9	1,471.5	
17	11	2025	3,761.0	319.7	42.7	74.0	1.4	9.1	(1.73)	168.3	63.3	231.6	(35.2)	196.4	1,667.9	
18	12	2026	3,974.6	337.8	42.9	74.4	1.4	9.1	(1.83)	178.2	63.6	241.8	(35.6)	206.2	1,874.1	
19	13	2027	4,196.7	356.7	43.1	74.7	1.4	9.2	(1.93)	188.5	63.9	252.4	(35.9)	216.4	2,090.5	
20	14	2028	4,427.5	376.3	43.3	75.1	1.4	9.2	(2.04)	199.2	64.2	263.4	(36.3)	227.1	2,317.6	
21	15	2029	4,667.5	396.7	43.5	75.5	1.4	9.2	(2.15)	210.3	64.5	274.8	(36.7)	238.1	2,555.8	
22	16	2030	4,917.0	417.9	43.8	75.9	1.5	9.2	(2.26)	221.8	64.8	286.7	(37.0)	249.7	2,805.4	
23	17	2031	5,176.3	440.0	44.0	76.2	1.5	9.3	(2.38)	233.9	65.2	299.0	(37.4)	261.6	3,067.0	
24	18	2032	5,445.9	462.9	44.2	76.6	1.5	9.3	(2.51)	246.3	65.5	311.8	(37.8)	274.0	3,341.1	
25	19	2033	5,726.0	486.7	44.4	77.0	1.5	9.3	(2.63)	259.3	65.8	325.1	(38.2)	287.0	3,628.0	
26	20	2034	6,017.2	511.5	44.6	77.4	1.5	9.3	(2.77)	272.8	66.1	338.9	(38.5)	300.4	3,928.4	
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																
44																
45																
46																
47																

Alaska Transportation Infrastructure Fund (ATIF)
(millions)

	A	B	C	D	E	F	G	H	I	J	
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%		
5	Year #	Legislative Session Year	FY Begin Balance	Investment Earnings	Motor Fuel Tax	DMV Registration Fees	Tire Fees	Vehicle Rental Tax	Fund Mgmt Fees		
6	0	2014	Legislature appropriates \$2 billion to the ATIF							-	-
7	1	2015	2,000.0	170.0	40.6	70.4	1.4	8.9	(0.92)		
8	2	2016	2,190.4	186.2	40.8	70.8	1.4	8.9	(1.01)		
9	3	2017	2,332.0	198.2	41.0	71.1	1.4	8.9	(1.07)		
10	4	2018	2,482.0	211.0	41.2	71.5	1.4	9.0	(1.14)		
11	5	2019	2,641.1	224.5	41.4	71.8	1.4	9.0	(1.21)		
12	6	2020	2,810.0	238.9	41.6	72.2	1.4	9.0	(1.29)		
13	7	2021	2,985.4	253.8	41.8	72.5	1.4	9.0	(1.37)		
14	8	2022	3,168.0	269.3	42.0	72.9	1.4	9.1	(1.46)		
15	9	2023	3,358.0	285.4	42.3	73.3	1.4	9.1	(1.54)		
16	10	2024	3,555.6	302.2	42.5	73.6	1.4	9.1	(1.64)		
17	11	2025	3,761.0	319.7	42.7	74.0	1.4	9.1	(1.73)		
18	12	2026	3,974.6	337.8	42.9	74.4	1.4	9.1	(1.83)		
19	13	2027	4,196.7	356.7	43.1	74.7	1.4	9.2	(1.93)		
20	14	2028	4,427.5	376.3	43.3	75.1	1.4	9.2	(2.04)		
21	15	2029	4,667.5	396.7	43.5	75.5	1.4	9.2	(2.15)		
22	16	2030	4,917.0	417.9	43.8	75.9	1.5	9.2	(2.26)		
23	17	2031	5,176.3	440.0	44.0	76.2	1.5	9.3	(2.38)		
24	18	2032	5,445.9	462.9	44.2	76.6	1.5	9.3	(2.51)		
25	19	2033	5,726.0	486.7	44.4	77.0	1.5	9.3	(2.63)		
26	20	2034	6,017.2	511.5	44.6	77.4	1.5	9.3	(2.77)		
37											
38	Notes:										
39	1) Assumes endowment appropriation during the 2014 legislative session - contingent upon voter										
40	ratification of constitutional amendment in the Fall of 2014.										
41	2) Taxes and fees per DOR 2012 Fall Forecast and growing per associated input variable.										
42	3) In order to attain 6% real rate of return, the model is set at 8.5% earning growth and assumes 2.5%										
43	inflation.										
44											

Alaska Transportation Infrastructure Fund (ATIF)
(millions)

	K	L	M	N	O	P
1						
2						
3						
4				1.0%		
5	POMV Calculation	50% of Prior Year Taxes/Fees	Total Available for Appropriation	Less DMV Opex	Total Available for Capital Appropriations	Cumulative Infrastructure Investment
6	-	-	-	-	-	-
7	100.0	-	100.0	(31.9)	68.1	68.1
8	104.8	60.7	165.4	(32.2)	133.2	201.3
9	108.7	60.9	169.6	(32.5)	137.1	338.4
10	112.6	61.2	173.8	(32.9)	140.9	479.3
11	116.5	61.5	178.0	(33.2)	144.8	624.1
12	124.6	61.8	186.4	(33.5)	152.9	777.0
13	132.5	62.1	194.6	(33.9)	160.8	937.7
14	140.9	62.4	203.3	(34.2)	169.1	1,106.8
15	149.6	62.7	212.3	(34.5)	177.8	1,284.6
16	158.8	63.0	221.8	(34.9)	186.9	1,471.5
17	168.3	63.3	231.6	(35.2)	196.4	1,667.9
18	178.2	63.6	241.8	(35.6)	206.2	1,874.1
19	188.5	63.9	252.4	(35.9)	216.4	2,090.5
20	199.2	64.2	263.4	(36.3)	227.1	2,317.6
21	210.3	64.5	274.8	(36.7)	238.1	2,555.8
22	221.8	64.8	286.7	(37.0)	249.7	2,805.4
23	233.9	65.2	299.0	(37.4)	261.6	3,067.0
24	246.3	65.5	311.8	(37.8)	274.0	3,341.1
25	259.3	65.8	325.1	(38.2)	287.0	3,628.0
26	272.8	66.1	338.9	(38.5)	300.4	3,928.4
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**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 oversized 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.



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,

A handwritten signature in cursive script that reads "Tom George".

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



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3750 Bonita Street • Fairbanks, Alaska 99706
Telephone (907) 452-1809 • Fax (907) 456-8599

Representative Peggy Wilson
State Capitol Building, Room 406
Juneau, AK 99801

March 14, 2013

RE: HB123

Dear Representative Wilson:

Peggy

On behalf of the Associated General Contractors of Alaska, a construction industry trade association of 660 construction industry business members, we heartily support HB123.

Transportation is one of the most important issues to Alaskans, and something that affects every Alaskan every day. And Alaskans want better transportation. Since statehood, there has been just one statewide transportation bond issue that has not been approved by the voters – and it passed two years later.

A state funded transportation program has been a legislative priority of the AGC for many years. Alaska needs a transportation program, sufficiently funded with regular, predictable and reliable funding with an annual appropriation of state funds so we can begin to address our many transportation needs. We also need to make our transportation decisions based on fact and need, and not on politics. The elements of this bill help assure that.

I appreciate your continued efforts to improve transportation since you introduced HB329 in 2010 and continuing on to the present with HB 123. This is good legislation and needs to move forward.

Sincerely,

John MacKinnon
Executive Director
Associated General Contractors of Alaska



Kiewit

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,

A handwritten signature in black ink, appearing to read 'Pat Harrison', is written over a faint, circular watermark or stamp.

Pat Harrison
Pacific Northwest Area Manager



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)463-5464 (facsimile)

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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.

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.

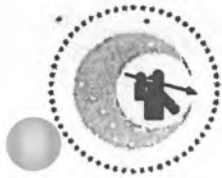
The establishment of a dedicated State Transportation Fund could also underpin alternate project funding methods that could leverage the fund value by providing the necessary credit rating to underwrite any form of Public Private Partnership, through which private investments could be used for further 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.

Rob Dun
Business Development Manager



CALISTA CORPORATION
www.calistacorp.com

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.

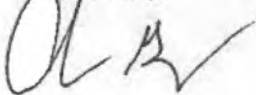
Aside from the obvious needs already mentioned, other positive economic benefits of an Alaska Transportation Infrastructure fund program in our state include:

- 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.

Calista 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