



## **ASSOCIATED GENERAL CONTRACTORS of ALASKA**

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8005 SCHOON STREET, SUITE 100 • ANCHORAGE, ALASKA 99518  
TELEPHONE (907) 561-5354 • FAX (907) 562-6118

February 5, 2016

Representative Shelley Hughes  
State Capitol, Room 13  
Juneau AK, 99801

Re: House Bill 249

Dear Representative Hughes,

The Associated General Contractors of Alaska (AGC) is a trade association representing over 640 Alaskan businesses in the construction industry. On behalf of the AGC and those businesses, I offer the following comments in support of the increase to the motor fuel tax as proposed in House Bill 249.

At 8 cents per gallon, Alaska is in 50<sup>th</sup> place with the lowest state motor fuel tax in the nation. The proposed increase to 16 cents will move us up to 48<sup>th</sup> place, just ahead of Wyoming and New Jersey at 14 and 14.5 cents per gallon respectively.

At the time of statehood, there was a motor fuel tax of 6 cents per gallon that carried with it the special provision of "dedication" for uses related to highway purposes. In those days, we proudly paid our own way. In 1960 the legislature amended the motor fuel statute, increasing the tax to 8 cents per gallon, and in doing so, effectively removed the dedication. The motor fuel tax has remained at 8 cents per gallon for the past 55 years. Adjusted for inflation, 8 cents in 1960 is over 64 cents today.

It is too complicated to return to a dedicated motor fuel tax for highway purposes like we had at statehood. But we can start paying a little more of our way for the construction and maintenance of our highways.

Today, most of our highway construction dollars come from the federal government and federal gas tax dollars. Most states are "donor" states, paying more in federal gas taxes than they receive back. Alaska is a "donee" state, receiving over five times in federal highway funding that we contribute through the 18.4 cent per gallon federal tax.

That multiple doesn't go unnoticed in Congress with every Highway Reauthorization and re-calculation of the allocations to the states, especially in light of our own paltry state tax rate. To get the more than \$500 million in federal funds, Alaska must match its federal highway dollars with approximately ten percent state funds – that is \$50 million in current capital budget.

No one likes taxes, but the most palatable taxes are those where there is a direct and visible nexus between the tax or fee and a service received. In Alaska, we enjoy the privilege of driving on more than 5,000 miles of state roads and an annual federal contribution of \$500 million to rebuild and maintain those roads – all partially funded by a motor fuel tax.

We recognize the integral relationship between improving transportation infrastructure, economic health and fiscal responsibility. We recognize the serious fiscal condition of the state because of the low price of oil. We recognize the need all Alaskan's to pitch in and for the legislature and the administration to take action.

Sincerely,



John MacKinnon, Executive Director  
Associated General Contractors of Alaska