

Sponsor Statement

SB 86 “An Act Relating to a refined fuel surcharge; relating to the motor fuel tax; relating to a qualified dealer license; and providing for an effective date.”

The Oil and Hazardous Substance Release Prevention and Response Fund (Response Fund) was created to provide a reliable source of funding for the Department of Environmental Conservation's (DEC) activities related to oil spill response and prevention.

The Response Fund has been financed with a five cent per-barrel surcharge on oil produced. Decreasing oil production has resulted in a decline of revenue available to pay for spill prevention and cleanup work. The prevention account which receives \$.04 cents per barrel, no longer has enough revenue to cover essential activities resulting in the need for an immediate solution that fixes the problem for future years as well.

A variety of industries and individuals spill oil and hazardous substances, including private homeowners, mines, fuel shippers, boat owners, village tank farms and the aviation industry to name a few. The majority of spills the State responds to are refined fuels. For example, in fiscal year 2014, of the 2,028 spills reported, 1,525 were refined fuel spills. According to Kristin Ryan, the Director for the Division of Spill Prevention and Response, 75-80% of active contaminated sites in Alaska are also the result of refined fuel spills. This bill distributes prevention and response costs across all users of refined fuel that are causing these response and cleanup efforts.

This bill proposes a surcharge of .8 cent per gallon on refined fuels distributed in the state. Fuel distributors already file and pay taxes on motor fuels each month. This bill anticipates that the surcharge will be collected from the same distributors and reported on the same forms, reducing implementation costs and maximizing efficiency for both the payers and the State. All funds collected will be deposited in the Response Fund's Prevention Account.

It is very important to the protection of Alaska's human and environmental health to have adequate funds available for spill prevention and response activities. This is the right time to broaden the base of support for this critical program. An eight tenths of a cent per gallon surcharge is a reasonable price to pay to fund these activities. Please join me in passing this bill.