



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Office of the Governor

February 15, 2017

The Honorable Adam Wool
Alaska State Legislature
State Capitol, Room 412
Juneau Alaska, 99801

The Honorable Louise Stutes
Alaska State Legislature
State Capitol, Room 406
Juneau Alaska, 99801

Dear Co-Chair Wool and Co-Chair Stutes,

Thank you for the opportunity to present House Bill 60, the Governor's motor fuels tax proposal, before the House Transportation committee on February 14, 2017. The following is in response to questions posed by the committee during the overview for distribution to the members.

Representative Stutes: What will our ranking among all states for fuel taxes be after the second increase?

Alaska is one of 21 states that are currently considering motor fuel tax increases so our rankings in two years may be more favorable.

Fuel Type	Current	After the Second Increase
Highway	Lowest	25th Lowest*
Marine	Lowest	3rd Lowest^
Aviation Gasoline***	24th Lowest	38th lowest
Jet Fuel***	35th Lowest***	41st lowest***

*Tied for 25th, four states charge exactly 24 cents per gallon.

^In most states the marine tax is the same as the highway tax. Several states provide refunds for specific types of marine activities (commercial fishing, cargo shipping, recreational vessels), but Alaska is unique in having a lower rate for all marine fuel. Only Oklahoma (\$0.16 gas; \$0.13 diesel) and New Jersey (\$.105 gas; \$.135 diesel) are lower than (the rate after the second increase of) \$0.15 per gallon.

***While jet fuel/aviation gasoline taxes will be on the high end, it is important to note that most states include aviation fuel in their ordinary sales and use tax. The Tax Foundation illustrates that Alaska's current tax is 19th lowest in the nation when considering sales taxes and other fees charged to airlines and will be 36th lowest after the second increase. (<https://taxfoundation.org/combined-effective-commercial-jet-fuel-tax-rates-and-fees-state>).

Representative Eastman: How will our gas prices compare to Outside after the second increase?

The below chart applies a \$.16/gallon increase (triple current highway gas tax rates) to current gas prices paid in Alaska's largest 3 cities. Various major metropolitan areas are listed for comparison purposes.

Location	Current Gas Price (\$/Gallon)		Tax increase	Total Cost (\$/Gallon)	
Detroit, MI	\$	2.03	\$ -	\$	2.03
Orlando, FL	\$	2.07	\$ -	\$	2.07
Pittsburgh, PA	\$	2.36	\$ -	\$	2.36
New York, NY	\$	2.37	\$ -	\$	2.37
Seattle, WA	\$	2.39	\$ -	\$	2.39
Anchorage	\$	2.45	\$ 0.16	\$	2.61
Honolulu, HI	\$	2.81	\$ -	\$	2.81
Los Angeles, CA	\$	2.91	\$ -	\$	2.91
Fairbanks	\$	2.79	\$ 0.16	\$	2.95
Juneau	\$	2.99	\$ 0.16	\$	3.15

Representative Eastman: How much unrestricted general fund has the Department of Transportation and Public Facilities lapsed in the past five years?

In the past two years, the Governor has implemented restrictions on year-end procurements and a portion of the lapsed general funds can be attributed to this policy, but much of the annual lapse comes from the Marine Highway System. The nature of the Marine Highway System is that a vessel can be unavailable due to mechanical or other problems discovered in the annual inspection process. When ships do not sail, the general fund subsidy necessary to operate the system is reduced, but so is the revenue generated by the system. It is, by its nature, unpredictable.

OMB tracks point in time lapse balances but small adjustments are made annually by the Department of Administration in their annual Comprehensive Annual Financial Report (CAFR) process. Audited figures may vary slightly.

2016: \$6.3 million (preliminary)

2015: \$8.8 million

2014: \$0.9 million

2013: \$0.1 million

2012: \$4.2 million

Sincerely,



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cc: David Teal, Director, Legislative Finance
Darwin Peterson, Director, Governor's Legislative Office