

Motor Fuels Tax Overview

HB 60

House Transportation Standing Committee
February 14, 2017

Office of Management and Budget
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Motor Fuels Tax

Motor Fuel Tax Rates (cents/gallon)

	Current	FY2018	FY2019
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Motor Fuel	\$ 8.0	\$ 16.0	\$ 24.0
Water Craft	\$ 5.0	\$ 10.0	\$ 15.0
Aviation Gasoline	\$ 4.7	\$ 9.4	\$ 14.1
Jet Fuel	\$ 3.2	\$ 6.4	\$ 9.6

Collections (\$millions)

	Current	FY2018	FY2019
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Motor Fuel	\$ 30.5	\$ 61.4	\$ 92.8
Water Craft	\$ 5.1	\$ 10.0	\$ 15.1
Aviation Gasoline	\$ 0.5	\$ 1.0	\$ 1.5
Jet Fuel	\$ 4.2	\$ 8.3	\$ 12.4
Total	\$ 40.3	\$ 80.7	\$ 121.8

- Motor fuel tax doubles in FY2018; triples in FY2019
- After the second increase taxes will be about average for all US states
- Tax proceeds designated to operate and maintain infrastructure
- An element of fairness is built in – users pay for the maintenance in proportion to their use

Cost to Alaskans

Motor Fuel: Wasilla to Anchorage Commuter

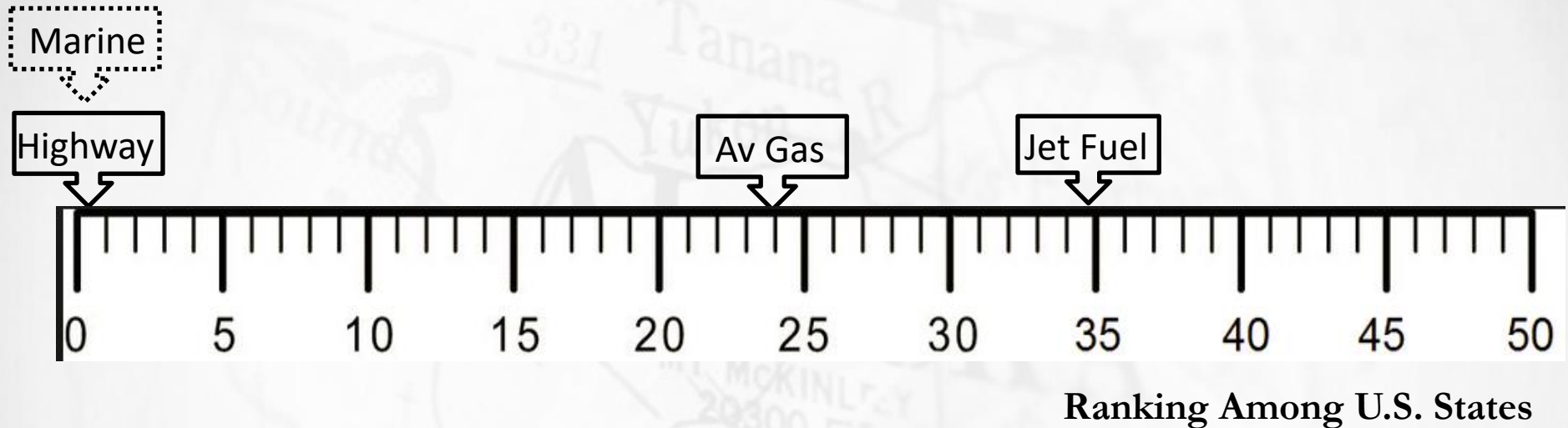
- 25,000 miles/year at 25 miles per gallon
 - Current payments: \$80.00/year
 - After first increase: \$160.00/year
 - After second increase: \$240.00/year

Jet Fuel: Alaska Airlines Flight from Juneau to Seattle

- 2 hour 15 minute flight
- Boeing 737 burn rate of 750 gallons/hour
 - Current payments: \$54.00/flight
 - After first increase: \$108.00/flight
 - After second increase: \$162.00/flight
 - \$1.37 per passenger

Comparison to Other States

Ranking based on Current Taxes



After the second increase

- Highway and marine remain below national average
- Jet fuel and aviation gas remain below 14 other states

Comparison to Other States

In most states the marine rate equals the highway rate (no reduced rate)

31 states include fuel in their ordinary sales tax

- A 3% sales tax on \$4.28/gallon jet fuel
= 12.8 cents per gallon compared with 9.6 cents proposed
- A 3% sales tax on \$5.28/gallon aviation gasoline
= 15.8 cents per gallon compared with 12.4 cents proposed
- A 3% sales tax on \$2.70/gallon marine gasoline
= 8.1 cents (plus 20 cents highway fuel tax) per gallon compared to 15.0 cents proposed

Designated Fund Mechanics

Designated vs. dedicated

Existing general fund accounts will be moved to a new designated fund

- **Special Highway Fuel Tax Account**

Motor fuel tax to be used on highway operations and maintenance

- **Special Nonpublic Highway Use Account**

Motor fuel tax for off-road equipment, (snowmachines, heavy equipment, generators, etc.) to be used on trails/shelters

- **Special Water Craft Fuel Tax Account**

Marine fuel tax to be used on water/harbor facilities

Designated Fund Mechanics

- These accounts were always **comingled** in the general fund
- Spending exceeds collections and is assumed to come from respective accounts
- Comingling yields added flexibility
- Jet fuel & aviation gasoline remain separate due to FAA regulations

Already reclassified (SLA2016)

Motor Fuel Tax Increase

Where Does the Money Go?	Total Collections Millions of Dollars	Percent of Total Tax (all types)
Airport Operations & Maintenance	\$ 9.2	12%
Central Highways & Aviation	\$ 2.8	3%
Northern Highways & Aviation	\$ 4.8	6%
Southcoast Highways & Aviation	\$ 1.6	2%
Highway & Road Maintenance	\$ 62.5	78%
Central Highways & Aviation	\$ 19.1	24%
Northern Highways & Aviation	\$ 32.1	40%
Southcoast Highways & Aviation	\$ 11.2	14%
Roadway Safety	\$ 1.5	2%
DPS - Alaska Bureau of Highway Patrol	\$ 1.5	2%
Transit/Busses	\$ 2.0	2%
Coordinated Transportation (Elderly/Disabled)	\$ 1.0	1%
Public & Community Transportation State Match	\$ 1.0	1%
Marine Transportation	\$ 5.1	6%
AMHS - Marine Vessel Operations	\$ 2.4	3%
Grant to Inter-Island Ferry Authority (Ketchikan/Hollis route)	\$ 0.3	0%
Municipal Harbor Facility Grant (Harbor Repairs)	\$ 2.5	3%

Motor Fuel Tax Increase

Where Does the Money Go?	Total Collections Millions of Dollars	Collections Used	Collections From Mode
Airport Operations & Maintenance	\$ 9.2	12%	12%
Highway & Road Maintenance	\$ 62.5	78%	76%
Roadway Safety	\$ 1.5	2%	0%
Transit/Busses	\$ 2.0	2%	0%
Marine Transportation	\$ 5.1	6%	12%

Reduce the deficit

Direct proceeds towards Governor's priorities

Respect the current designation codified in law

- Watercraft Fuel Account
- Nonpublic Highway Account
- Aviation Fuel Account
- Highway Fuel Account

Provide a link between users and taxes



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