



House Bill 104

Motor Fuel Tax

Rep. Andy Josephson

March 4, 2021

House Transportation Committee

Motor Fuel Tax History

1945 – Alaska’s first motor fuel tax levied at \$.01/gallon

1970 – Motor fuel tax increased to \$.08/gallon

1977 – Marine fuel tax increased to \$.05/gallon

1994 – Aviation fuel tax increased to \$.047/gallon

Sept. 1, 2008 – Aug. 31, 2009 – Motor fuel tax suspended on all fuel types

2015 – HB 158 added a \$.0095/gallon surcharge on motor fuel intended for spill prevention and response fund

Motor Fuel Tax Rates (per gallon)

| | <u>Current</u> | <u>HB104 (proposed)</u> |
|--------------------------------|----------------|-------------------------|
| Highway Fuel | \$.08 | \$.16 |
| Marine Fuel | \$.05 | \$.10 |
| Aviation Fuel | \$.047 | \$.047 |
| Jet Fuel | \$.032 | \$.032 |
| Refined Fuels Surcharge | \$.0095 | \$.015 |
| Off-Road Use Refund | \$.06 | \$.12 |

Impact on Average Alaska Consumer

Registered Passenger Vehicles (non-commercial cars and trucks only) = 645,434 ¹

Average Miles Per Year Per Alaskan Vehicle = 9,111 mi/yr ²

Average Miles Per Gallon (all vehicles, US average) = 18.1 mi/gal ²

Gallons of Fuel Per Year (9111/18.1) = 503 gal/yr

Annual Cost Per Vehicle (503 x \$.08) = \$40.24

¹ Division of Motor Vehicles

² US DOT, Federal Highway Administration

Electric Vehicle Registration Fee

Electric Vehicle – a vehicle that is powered solely by an electric motor drawing current from rechargeable batteries, fuel cells or other portable sources of electrical current and manufactured primarily for use on public streets, roads and highways.

- **Biennial registration fee increases from \$100 to \$200**
- **Collected by the Division of Motor Vehicles and deposited into the highway maintenance fund**
- **1311 confirmed electric vehicles in Alaska (January 2021)**

Plug-In Hybrid Vehicle – a vehicle that is capable of using gasoline, diesel fuel, or alternative fuel and is powered in part by electrical energy using a battery storage system capable of being recharged from an external source of electricity and manufactured primarily for use on public streets, roads and highways.

- **Biennial registration fee increases from \$100 to \$150**
- **Collected by the Division of Motor Vehicles and deposited into the highway maintenance fund**
- **Estimated 867+ plug in hybrid vehicles in Alaska**

Comparison to Other States

Alaska has the lowest tax rate on highway fuel and marine fuel of any state (in most states, the marine rate is the same as the highway rate).

With passage of SB 115, Alaska would remain well below the national average, moving from 50th to 43rd in highway fuel tax rate in comparison to other states, and remain dead last in marine fuel taxes.

Alaska currently has a more competitive ranking among other states for jet fuel (36th) and aviation fuel (40th).

Reduction in Purchasing Power

Alaska's motor fuel tax of \$0.08/gallon has not changed since 1970.

By comparison:

The Consumer Price Index (CPI) has increased by a factor of 6.74x since 1970¹.

The average cost of a gallon of gas in the US was \$0.36/gallon² in 1970. It's now \$2.72³ (7.56x higher).

In 1970, Alaskan per capita annual income was \$5,911. As of 2019, it's \$62,806⁴ (10.63x higher)

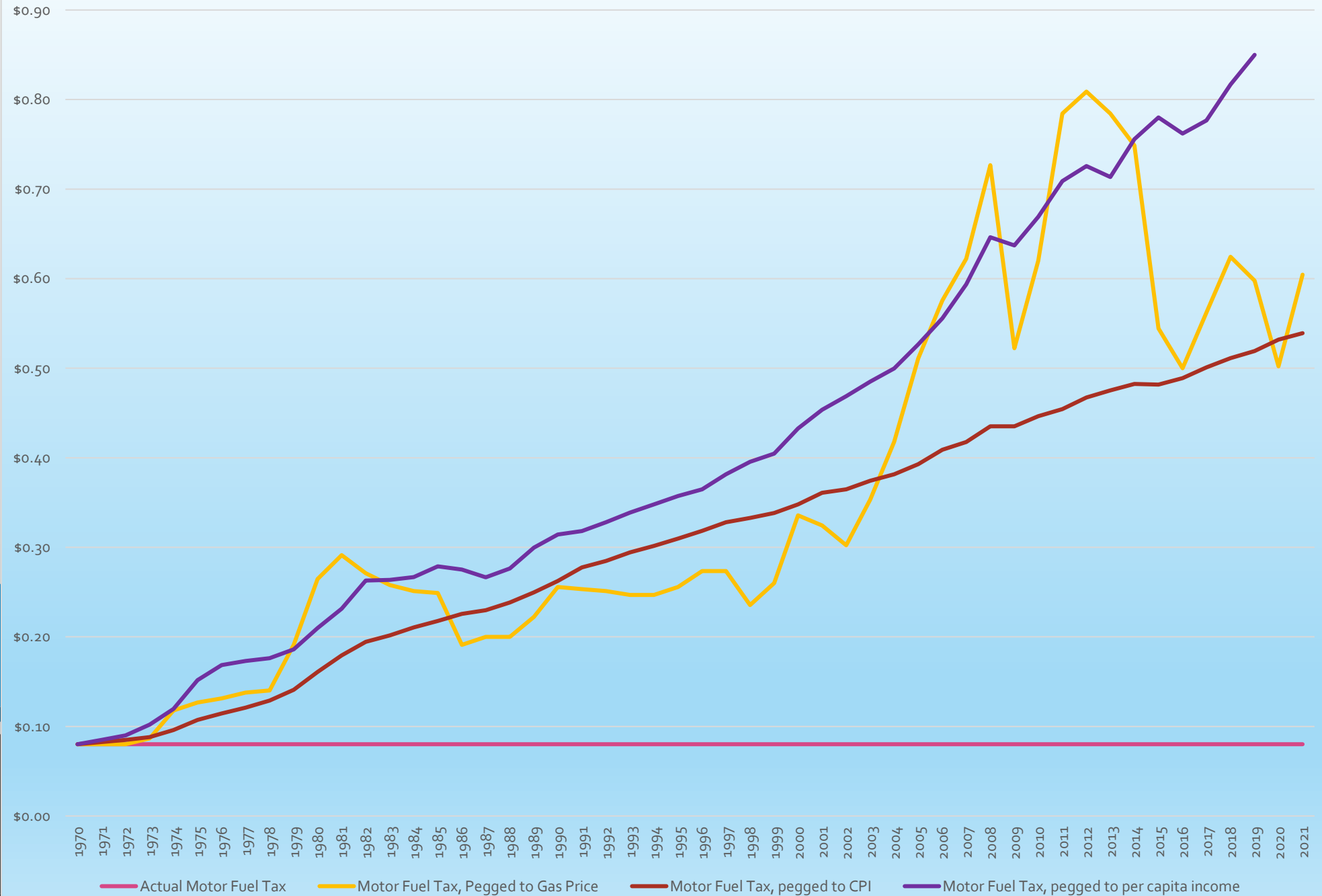
¹ https://www.bls.gov/data/inflation_calculator.htm (accessed March 1, 2021)

² <https://www.energy.gov/eere/vehicles/fact-915-march-7-2016-average-historical-annual-gasoline-pump-price-1929-2015> (accessed March 1, 2021)

³ <https://gasprices.aaa.com/state-gas-price-averages> (accessed March 1, 2021)

⁴ <https://fred.stlouisfed.org/series/AKPCPI> (accessed March 1, 2021)

Reduction in Real Value of Alaska's Motor Fuel Tax, 1970-2021



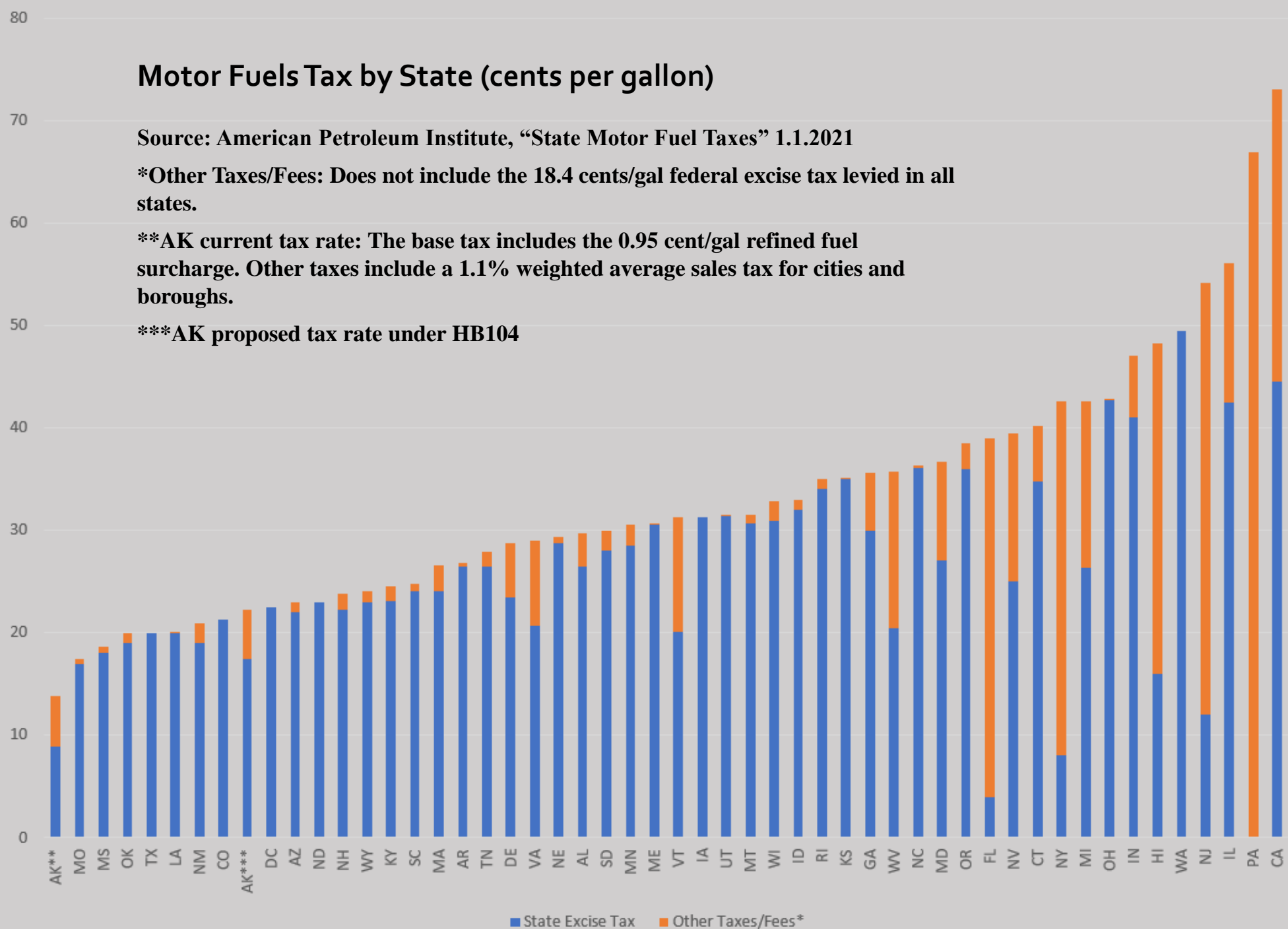
Motor Fuels Tax by State (cents per gallon)

Source: American Petroleum Institute, "State Motor Fuel Taxes" 1.1.2021

***Other Taxes/Fees:** Does not include the 18.4 cents/gal federal excise tax levied in all states.

****AK current tax rate:** The base tax includes the 0.95 cent/gal refined fuel surcharge. Other taxes include a 1.1% weighted average sales tax for cities and boroughs.

*****AK proposed tax rate under HB104**



Anticipated New Revenue from HB 104

Highway Fuels: \$29.7M to \$31.4M annually

Marine Fuels: \$5.4M to \$5.7M annually, less the commercial fishing refund

Refined Fuel Surcharge: \$3.4M-\$3.6M annually

**Electric, Hybrid, and Alternative Fuel Vehicles Registration Fee:
Approx. \$87k annually, assuming the number of these vehicles is constant.**

Current Impact of Low Rates:

DOTP&F is the only department appropriated Motor Fuel Tax Receipts.

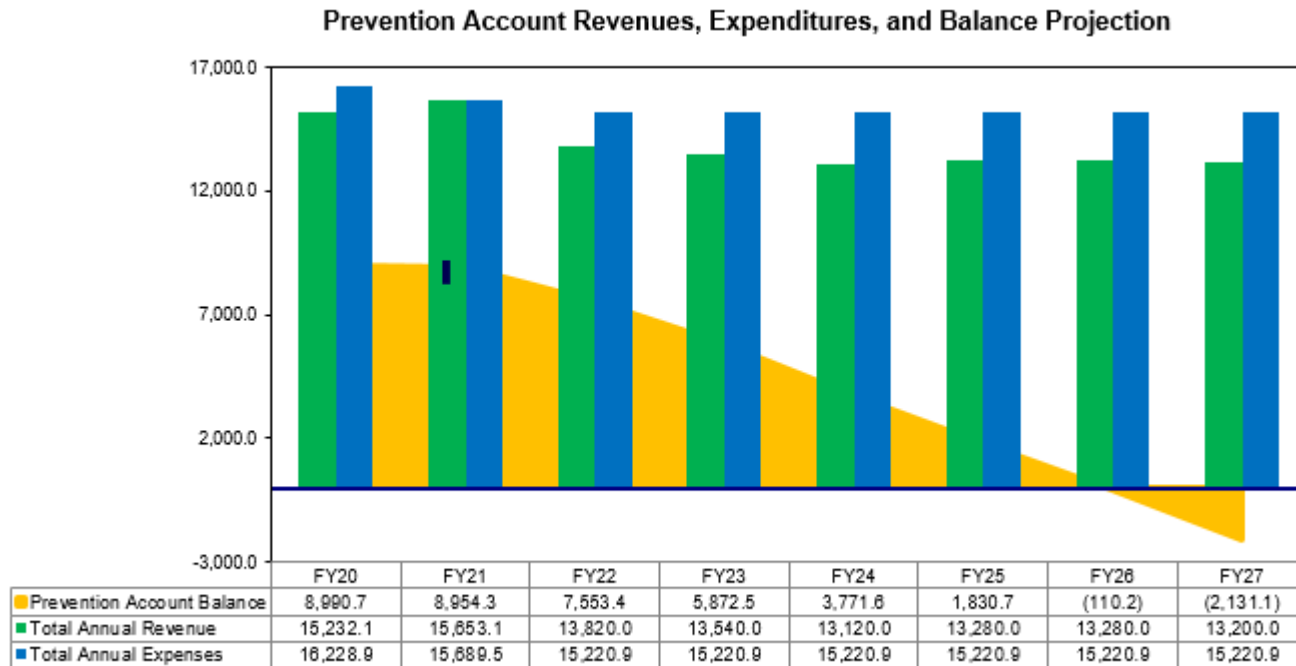
Lower-than-expected revenue from the Motor Fuel Tax was cited in the Silver Tip Maintenance Station's 2019 closure.

DOTP&F has a deferred maintenance backlog of \$153.8M (Highways) and \$264.5M (total).

Additional revenue could be used for any of the following:

- * Increased safety and maintenance response times;**
- * Increased maintenance operators;**
- * Increased winter maintenance;**
- * Increase response time to priority 1 and roadways with more resources available to respond to priority 3 and 4 roads;**
- * Increased maintenance stations;**
- * Reduced and more manageable areas of responsibility for operators;**
- * Decreases in response times during storms;**
- * Decrease in road closure times due to acts of nature;**
- * Increased surface treatment chemicals and materials;**
- * Increased ability and resources to repair potholes and guardrails.**

Without additional revenue, the SPAR account faces insolvency.



Questions?