

## **The Need for Refined Fuel Surcharge Increase- HB 104**

- The Alaska Department of Environmental Conservation's Spill Prevention and Response (SPAR) Division relies on the Oil and Hazardous Substance Release Prevention and Response for various operational activities relating to preventing oil spills and cleaning-up other hazardous spill sites. This fund is divided in to two accounts- the Prevention Account and the Response Account- **the refined fuel surcharge increase deals with keeping the Prevention Account solvent.**
- The Prevention Account is used for non-emergency SPAR functions and funded by-
  - \$0.04 per barrel of crude oil produced
  - **\$0.0095 per gallon of refined fuel**
  - Repayments for services rendered
- **House Bill 158, effective July 1, 2015, added the surcharge of \$0.0095 a gallon on refined fuel sold, transferred, or used in Alaska.**
- **HB 104 proposes increasing this surcharge from \$.0095 to \$.015 (an increase of \$.0055)- this would increase prevention account revenue by between \$3.4 million and \$3.7 million annually.** For a typical driver with a 20-gallon tank the added surcharge should be \$3.60 per year.
- Refined fuels exempt from the surcharge are sales and use for federal and state government agencies, liquefied petroleum gas, aviation fuel, for fuel refined and used outside the United States, and for sales and transfers between qualified dealers. The surcharge is collected in the same manner as the motor fuel tax.
- The surcharge brings in roughly \$1 million less per year than anticipated when created- primarily due to lower oil production.
- Oversight duties of SPAR have expanded to include railroad contaminated sites, non-tank vessels and PFAS contamination. These come with unknown additional cost to the division.
- Even at reduced staffing levels implemented over the last several years revenue into the Prevention Account is inadequate to cover needed expenses.
- The Commissioner Brune of DEC has testified in favor of this increase and this revenue shortfall was listed under "Key Component Challenges" for SPAR in the FY23 Budget Book.
- At the end of FY21- with the failure of the reverse sweep the Prevention Account was swept into the CBR. This leaves the division with only annual revenue and no existing balance.
- In FY23- The DEC budget asks for an additional \$1.3 million in UGF to make up for a revenue shortfall. This shortfall is standard in recent fiscal years but normally this would be made up for with the additional balance from the Prevention Account.

### Annual Income from the Refined Fuels Surcharge FY2016- FY2021

(Data from Tax Division, Department of Revenue)

Fiscal Year	Actual revenue- \$ amount	Revenue Projected in 2015 Fiscal Note	Difference
2021	\$6,336,482	\$8,200,000	(\$1,863,518)
2020	\$6,633,925	\$8,050,000	(\$1,416,075)
2019	\$6,702,377	\$7,900,000	(\$1,197,623)
2018	\$6,672,778	\$7,750,000	(\$1,077,222)
2017	\$7,244,993	\$7,600,000	(\$355,007)
2016	\$6,543,599	\$7,450,000	(\$906,401)

### Projected Prevention Account Shortfall

(Assuming recapitalization and annual reverse sweep)

