

ALASKA STATE LEGISLATURE

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REPRESENTATIVE ANDY JOSEPHSON

HB 244: Refined Fuel Surcharge Sponsor Statement

The Department of Environmental Conservation's Spill, Prevention, and Response Division (SPAR) was created in 1990, in the aftermath of the Exxon Valdez oil spill, under the Oil and Hazardous Substance Release Prevention and Response Act. The purpose of the division is split into two functions funded in distinct accounts: prevention and response. The Response Account allocates funds toward the response to oil spills that pose immediate danger. The Prevention Account allocates funds to prevent, manage, and monitor spills. It is the latter account which is facing insolvency under the current statutory surcharge.

SPAR is funded through part of the motor fuel tax and the refined fuel surcharge. In 2015, the refined fuel surcharge was increased slightly to balance the account. However, inflation has caused this rate to be insufficient to maintain SPAR at current levels, causing the division to run a deficit covered with General Fund dollars. The division has managed to fully fund itself at the \$0.0095 surcharge this year, but it is projected that as soon as FY26 the prevention account expenditures will exceed revenues.

HB 244 ensures the Prevention Account within SPAR is fully funded without using General Fund dollars. By increasing the surcharge by half a penny per gallon, Alaskans can be confident the State of Alaska is taking proactive measures to prevent oil spills, protecting wildlife, the environment, and investments in the Alaskan economy.

Additionally, HB 244 revises a part of the refined fuel surcharge exemptions. Oil refined in the Puget Sound area and transported through Skagway is subject to the surcharge even though it is being sold in Canada. On the other hand, fuel refined in Canada and being transported through Southeast Alaska is not subject to the surcharge. This creates a disadvantage for US companies. The exemption offered in this bill mirrors language found in AS 43.40.100(2)(A), a motor fuel tax exemption, making the exemption consistent with other areas of similar statute.

January-May: State Capitol, Room 432, Juneau, Alaska 99801 • (907) 465-4939 • (800) 465-4939

June-December: 1500 W Benson Blvd, Room 312, Anchorage, Alaska 99503 • (907) 269-0265

Rep.Andy.Josephson@akleg.gov