



ALASKA AIR CARRIERS ASSOCIATION

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RE: Governor's Proposed Fuel Tax Increase – SB 25

The Alaska Air Carriers Association (AACA) is a membership organization whose mission is to support and advocate for the commercial aviation community. Our members include Part 121, 135, 125, and commercial Part 91 Alaskan air carrier operators.

Recently, Governor proposed a motor fuel tax increase. The bill proposes to triple the aviation fuel tax by July 1, 2018.

The bill analysis assumes an annual statewide jet fuel uplift volume of roughly **130 million gallons (MGal)**, which indicates the administration intends to continue the foreign flight exemptions. Otherwise, the number would be closer to **600 MGal** (SFY 2014 - 608,321,105 MGal of jet fuel was uplifted in Alaska). Existing law (AS 43.40.100(2)(B)) exempts from taxation jet fuel uplifted into aircraft that are bound to a foreign destination, as well as foreign-origin aircraft that are continuing on to a domestic destination. As a result, the burden of paying jet fuel taxes falls only on air carriers that operate within Alaska or strictly between Alaska and the other states.

Using the bill analysis fuel volume numbers, beginning on July 1, 2018, domestic and intra-Alaska aircraft operators will be paying \$13,890,000 per year in fuel taxes, or roughly \$9.3 million more than presently.

However, if the total amount of jet fuel uplifted into Alaskan domestic and foreign air carrier aircraft, or about 600 MGal was used in the calculation, roughly \$13,890,000 million could be raised with a jet fuel tax rate of about \$0.023 per gallon, and the existing jet fuel tax rate is \$0.032 per gallon.

SB 25

The bill would also establish a transportation maintenance fund, but the fund would exclude aviation fuel tax proceeds, which will continue as "Other Restricted funds" available for appropriation just to airports. The previous transportation fund proposals blended aviation and non-aviation fuel taxes, which might have allowed aviation tax revenue to be used for highways, the marine highway, etc. Keeping aviation and highway revenue separate is good since the stated purpose of taxing aviation fuel is to support airports (AS 43.40.010 (e)).

The Department of Transportation and Public Facilities (ADOT&PF) has examined a number of the revenue generating options. AACA board members commented that a fuel tax applied to all users of the Alaska aviation system including foreign flights would be the most equitable way to generate the revenue desired. In addition, administrative procedures are already in place to collect fuel taxes so no additional state personnel or equipment would be necessary to support changes to the existing fuel tax structure.

AACA requests the Senate Transportation Committee consider amending the SB 25 to repeal the existing foreign flight exemptions and expand those eligible to participate in Alaska fuel taxes. The FY2016 Department of Revenue Annual Report is due out in a few weeks and would be useful to determine current fuel usage.

Sincerely,



Jane Dale, Director
Alaska Air Carriers Association



Matt Atkinson, President
Alaska Air Carriers Association