THE STATE of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

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April 16, 2019

The Honorable Louise Stutes
Chair, House Special Committee on Fisheries
Alaska State House of Representatives
State Capitol Room 406
Juneau, Alaska 99801

Dear Chair Stutes:

The purpose of this letter is to provide you with a response to the question asked of the Department of Revenue in the March 21, 2019 hearing regarding HB 65, Fish Tax: Repeal Municipality Refunds and Revenue Sharing. Please see the question in italics and our response immediately below the question.

***What is the harbor facility grant fund referenced in Sections 1 and 2 of HB 65?***

The harbor facility grant fund is a program which became law in 2006. The program provides financial support, as grants, for deferred harbor maintenance projects. It was established at a time when the State of Alaska was turning harbor operations over to municipalities. The program is managed through the Department of Transportation & Public Facilities (DOTPF). Money appropriated to the fund may be used by the DOTPF for grants to municipalities without further appropriation. Money in the fund does not lapse and may be used for grants in future years. Existing law requires the DOTPF to use at least 50% of the fund balance at the end of the prior fiscal year for harbor facility grants.

Current law provides that fisheries business tax revenue, after the municipal share is disbursed, may be appropriated to the harbor facility grant fund. HB 65 would remove the reference to the municipal sharing since that would no longer take place. However, the bill does not change the language by which the legislature may appropriate revenue from the fisheries business tax to the harbor facility grant fund. Current law also specifies that the legislature may appropriate money to the fund from the watercraft fuel tax account and "make other appropriations to the fund" as well as appropriate to the fund income earned on money in the fund.

Section 2 relates to grant applications from the fund. A municipality or regional housing authority applicant is to provide for 50% of the total project costs as matching funds for the state grant. The grant applicant may not use state money for its portion of the match, except that it may use shared fisheries business taxes as part of the municipal side of the match. The bill would remove the reference to shared fisheries business taxes because the municipalities would no longer receive those revenues to be included in their portion of the match for a harbor facility grant if the bill were to become law.

My response during the hearing was that the Department of Commerce, Community, and Economic Development (DCCED) administers the harbor facility grant fund. I misspoke. To clarify I was referring to the Section 5 repeal of 29.60.450. Under current law, the DCCED receives 50% of the fisheries business and fisheries resource landing taxes collected outside municipal areas. The DCCED then disburses that money to eligible municipalities through an annual application process. This bill would remove the authority for DCCED to disburse fisheries tax revenue to municipalities.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

Brandon Spanos
Deputy Director, Tax Division