

FISCAL NOTE

No. 2

Bill Version: SB/60

(S) Publish Date: 4-30-99

**STATE OF ALASKA
1999 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) _____ Dept. Affected _____
 Title _____ BRU _____
 Alaska Railroad Passenger Surcharge _____ Component _____
 Sponsor Senate Finance _____
 Requester _____ Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	1,535.0	1,535.0	1,535.0	1,535.0	1,535.0	1,535.0
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) cost: 75,000.0

POSITIONS

POSITIONS	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Full-time	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The Alaska Railroad computes passenger counts by segments and not by individual. In FY 1998, the number of passenger segments sold was 814,238. Since the proposed legislation states that a \$5 surcharge be applied to each passenger ticket sold, a more reasonable estimate of 1999 passenger count could be achieved by dividing the total number of segments by two. The Alaska Railroad fiscal year is on a calendar year basis.

Prepared by J. Blasingsame Phone _____
 Division _____ Date/Time _____
 Approved by Commissioner [Signature] Date 4/28/99
 Agency Alaska Railroad Corporation, Gov. Bill Shelton, Pres. & CEO

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**SECTIONAL ANALYSIS BY THE DEPARTMENT OF REVENUE OF SB 160 –
ALASKA RAILROAD PASSENGER SURCHARGE**

SECTION ANALYSIS

Section 1 amends AS 42.40 to add a new section imposing a passenger surcharge for carriage on the Alaska Railroad. AS 42.40.915 provides that the Alaska Railroad shall collect a \$5 passenger surcharge on each passenger transported in either corporation or privately owned railroad coaches. The Alaska Railroad is to remit the surcharge to the department each month for deposit in the general fund. The department and the legislative auditor may review the records of the Alaska Railroad to determine compliance.

Section 2 provides that the legislation has a January 1, 2000 effective date.

Overall Analysis

A \$5 head tax is imposed on each "passenger" transported on the Alaska Railroad. We interpret the reach of the bill to extend to each individual passenger transported on the railroad regardless of whether that person is a paying passenger. Presumably, this would cover every person riding on the railroad other than railroad employees on duty. That may be overly broad and could apply to non-revenue generating riders. For example, we understand that the railroad on occasion provides non-revenue generating special excursions for head-start children. Under the bill this would nevertheless result in the application of the \$5 head tax on each child transported.

It is also our understanding that tour companies pre-purchase a substantial amount of the space on the railroad cars. It is not clear from the bill whether the tour companies would include the \$5 head tax with the pre-payment to the Alaska Railroad or whether the obligation would fall upon the railroad to collect the tax from each individual as they are transported. We would anticipate that the Alaska Railroad would require the tour companies to pre-pay the tax at the time the space is paid, with a credit mechanism available to adjust between the number of persons pre-paid and the number of persons transported.

There may be some accounting problems in tracking passengers traveling more than one segment. The tour companies may not necessarily know the precise number of passengers that will occupy the pre-purchased space on a segment by segment basis. Individuals not traveling on tour company space may purchase tickets for each individual segment. We view the bill to associate a "passenger" with a ticket. An individual with one ticket for more than one segment and over any period of time is one passenger for purposes of the tax. An individual who buys tickets on a segment by segment basis would be subject to the tax on each ticket. These results may present some problems to the Alaska Railroad and require changes if it does not currently track tickets or passengers.