

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 18, 2003

1:37 p.m.

MEMBERS PRESENT

Representative Jim Holm, Co-Chair
Representative Beverly Masek, Co-Chair
Representative Hugh Fate
Representative Mary Kapsner
Representative Albert Kookesh

MEMBERS ABSENT

Representative Vic Kohring
Representative Cheryll Heinze

OTHER LEGISLATORS PRESENT

Senator Donny Olson

COMMITTEE CALENDAR

HOUSE BILL NO. 156

"An Act increasing the motor fuel tax and repealing the special tax rates on blended fuels; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 170

"An Act increasing certain motor vehicle registration fees; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 173

"An Act relating to a fee on studded tires; and providing for an effective date."

- HEARD AND HELD

PREVIOUS ACTION

BILL: HB 156

SHORT TITLE: INCREASE MOTOR FUEL TAX

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/05/03	0424	(H)	READ THE FIRST TIME - REFERRALS
03/05/03	0424	(H)	TRA, FIN
03/05/03	0424	(H)	FN1: ZERO(DEC)
03/05/03	0424	(H)	FN2: (REV)
03/05/03	0424	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/11/03		(H)	TRA AT 2:00 PM CAPITOL 17
03/11/03		(H)	Heard & Held MINUTE(TRA)
03/18/03		(H)	TRA AT 1:30 PM CAPITOL 17

BILL: HB 170

SHORT TITLE:MOTOR VEHICLE REGISTRATION FEES

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/05/03	0444	(H)	READ THE FIRST TIME - REFERRALS
03/05/03	0444	(H)	TRA, FIN
03/05/03	0444	(H)	FN1: (ADM)
03/05/03	0444	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/05/03	0444	(H)	REFERRED TO TRANSPORTATION
03/11/03		(H)	TRA AT 2:00 PM CAPITOL 17
03/11/03		(H)	Scheduled But Not Heard
03/18/03		(H)	TRA AT 1:30 PM CAPITOL 17

BILL: HB 173

SHORT TITLE:FEE FOR STUDDERED TIRES

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
03/05/03	0447	(H)	READ THE FIRST TIME - REFERRALS
03/05/03	0447	(H)	TRA, FIN
03/05/03	0448	(H)	FN1: (REV)
03/05/03	0448	(H)	GOVERNOR'S TRANSMITTAL LETTER
03/11/03		(H)	TRA AT 2:00 PM CAPITOL 17
03/11/03		(H)	Heard & Held MINUTE(TRA)
03/18/03		(H)	TRA AT 1:30 PM CAPITOL 17

WITNESS REGISTER

SARAH GILBERTSON, Policy and Program Coordinator

Alaska Municipal League (AML)
Juneau, Alaska
POSITION STATEMENT: Testified on HB 156.

ROBYNN J. WILSON, Motor Fuel Tax Program Manager
Tax Division
Department of Revenue
Anchorage, Alaska
POSITION STATEMENT: Answered questions pertaining to HB 156.

LARRY PERSILY, Deputy Commissioner
Office of the Commissioner
Department of Revenue
Juneau, Alaska
POSITION STATEMENT: Answered questions pertaining to HB 156.

BARBARA COTTING, Staff
to Representative Jim Holm
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: As committee aide, spoke to HB 156,
Amendment 1; discussed the changes incorporated in Version D of
CSHB 173.

GEORGE LEVASSEUER, Maintenance and Operations Manager
Southcentral District
Northern Region
Department of Transportation & Public Facilities
Valdez, Alaska
POSITION STATEMENT: Answered questions pertaining to HB 156 and
HB 173.

RONALD JORDAN
Anchorage, Alaska
POSITION STATEMENT: During hearing on HB 170, expressed concern
with the lack of an annual fee increase for tractor-trailers and
semi-trailers that are pulled behind a tractor.

DUANE BANNOCK, Director
Division of Motor Vehicles
Department of Administration
Anchorage, Alaska
POSITION STATEMENT: During hearing on HB 170, answered
questions.

DAVE SNYDER, Operator
Diversified Tire

Wasilla, Alaska

POSITION STATEMENT: During discussion of HB 173, characterized the \$10 fee as extreme.

JUDY SNYDER

Diversified Tire

Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 173 as written.

ACTION NARRATIVE

TAPE 03-11, SIDE A

Number 0001

CO-CHAIR BEVERLY MASEK called the House Transportation Standing Committee meeting to order at 1:37 p.m. Representatives Masek, Holm, Fate, and Kookesh were present at the call to order. Representative Kapsner arrived as the meeting was in progress. Representatives Kohring and Heinze were excused. Also present was Senator Donny Olson.

HB 156-INCREASE MOTOR FUEL TAX

CO-CHAIR MASEK announced that the first order of business would be HOUSE BILL NO. 156, "An Act increasing the motor fuel tax and repealing the special tax rates on blended fuels; and providing for an effective date."

Number 0146

SARAH GILBERTSON, Policy and Program Coordinator, Alaska Municipal League (AML), provided the following testimony:

As many of you know, AML represents 140 communities around the state of Alaska. For years, AML members have supported an increase, both in the motor vehicle fuel tax and the motor vehicle registration fees, so long as these fees are: 1) used to fund state and municipal highway road operation, maintenance, and improvements; and 2) shared on an equitable basis between local and state government based upon the proportion of local-versus state-maintained roads.

Thus, if the gas tax is to increase from \$.08 to \$.20, which is the national average, AML members believe that: 1) these funds should be earmarked for road

operation, maintenance, and improvements; and 2) local governments ought to receive a greater share of the revenues from such a tax.

Currently, Alaska's local governments receive less than 5 percent of revenues from state gas tax, whereas local governments in other states such as Iowa and Illinois receive 65 percent and 59 percent, respectively. On an average, local governments across the country receive approximately 31 percent of revenues from state gas taxes. If Alaska's gas tax is to increase to the national average of \$.20, at a minimum, 31 percent of these revenues from Alaska's gas tax should be distributed back to Alaska's local governments. At a maximum, Alaska's local governments should receive 43.5 percent of state gas tax revenues because 43.5 percent of all roads in Alaska are municipally maintained roads.

AML members recognize that the governor wants to cut the budget. On one of these cuts - the 25 percent cut, which is equivalent to a \$7.4 million cut in revenue sharing and safe communities funding - will have a significant impact on Alaska's local governments. Having said that, writing local governments into this bill to receive a greater percentage of the revenue from gas tax will offset that loss. At the same time, local government leaders who are very skilled and have experience in selling such increases in fees would be willing to work with the governor to sell this increase to the public in Alaska.

Number 0339

CO-CHAIR HOLM expressed concern that certain municipalities such as the Fairbanks Northstar Borough do not have "road powers." He said that the only areas near Fairbanks that have road powers are the cities, such as City of North Pole and the City of Fairbanks. He questioned how this would be played out if most of the road maintenance was provided through service areas.

MS. GILBERTSON said using the revenue-sharing formula or something similar to distribute funds to all communities in Alaska has been suggested. She said that hopefully all of Alaska's local governments and local communities could benefit from the increase.

CO-CHAIR HOLM said although first-class boroughs and municipalities do have road-service powers and therefore could take money in and disseminate it, his concern is with the second-class boroughs and Bush areas that don't have road-service powers.

MS. GILBERTSON said that AML would be willing to work to see if distribution throughout all of Alaska could occur so that no communities were left out.

Number 0495

REPRESENTATIVE KOOKESH referred to Ms. Gilbertson's testimony indicating AML's support as long as "two things happen" and asked, "What happens if only one of these things happen?"

MS. GILBERTSON said the two statements are directly from the AML policy statement, which is approved by all 140 AML members. She said she was not sure of the answer to Representative Kookesh's question, but the AML membership could discuss it further.

REPRESENTATIVE KOOKESH wondered if AML would have to express opposition if only one instead of both requests were included. He also wondered if it was constitutional to earmark the vehicle fuel taxes for a specific purpose rather than to direct them to the general fund.

Number 0596

REPRESENTATIVE KAPSNER said that a lot of rural communities such as Bethel and Unalaska, are part of AML. She said her concern with the increase in the motor fuel tax is that some communities pay more for gasoline than other communities, and a \$.20 tax on top of a \$5.00 gallon of gas is a lot to ask. She wondered if this point had been discussed by AML's membership.

MS. GILBERTSON said the two statements had been approved by all 140 AML members and have been part of the policy statement for many years. She stated that although this point had not come up in debate, she would be happy to set up further discussion.

Number 0673

REPRESENTATIVE FATE noted that the tax on aviation fuel, other than gasoline, is three and two-tenths cents a gallon. He questioned what effect this would have on the airline industry

and how it would affect the cargo pattern at airports both in Anchorage and Fairbanks.

Number 0714

ROBYNN J. WILSON, Motor Fuel Tax Program Manager, Tax Division, Department of Revenue, testified that to her knowledge, the bill did not contain an increase in the aviation tax.

Number 0800

LARRY PERSILY, Deputy Commissioner, Office of the Commissioner, Department of Revenue, noted that the legislation has nothing to do with aviation or marine fuel; it pertains only to highway motor fuel.

Number 0849

CO-CHAIR MASEK, after ascertaining that there was no further public testimony, closed HB 156 to public testimony and directed the committee to the proposed amendments for the bill.

Number 0920

BARBARA COTTING, Staff to Representative Jim Holm, Alaska State Legislature, speaking as the committee aide, explained Amendment 1 as she said Dennis Poshard, of the Department of Transportation & Public Facilities (DOT&PF) had explained it to her. Currently, state vehicles have access to credit cards that can be used at specific companies. A contract with MasterCard is being worked on by DOT&PF so that persons driving state vehicles can go to various stations. The problem is that stations wouldn't know not to charge the tax and therefore, MasterCard has agreed to have different companies apply for the refund.

Number 0971

GEORGE LEVASSEUER, Maintenance and Operations Manager, Southcentral District, Northern Region, Department of Transportation & Public Facilities, noted that he was the Acting State Maintenance Engineer, and testified that there would be a refund to government agencies, from MasterCard, for the tax assessed on any purchase of highway motor vehicle fuel.

REPRESENTATIVE KOOKESH noted that Amendment 1 [proposed Section 5] reads: "For fuel sold to federal, state, and local

government agencies". He asked if this also refers to local government.

MR. LEVASSEUER stated that this would be the case if a government agency qualified for a tax exemption on fuel.

CO-CHAIR MASEK referred to the remainder of the sentence mentioned by Representative Kookesh, in which it states "for official use". She pointed out that "official use" would need to be clarified before obtaining a tax credit.

Number 1094

REPRESENTATIVE KOOKESH asked what the difference was in using a credit card rather than a purchase order.

MR. LEVASSEUER replied that in DOT&PF, a purchase order is obtained through the supply section for purchases of a larger amount or quantity. For smaller, field-type purchases, to avoid overburdening the supply function, credit cards are used.

REPRESENTATIVE KOOKESH said he was concerned with agencies other than DOT&PF and suggested that a provision for the use of purchase orders be included, if there was going to be an exemption.

MR. PERSILY said that he believed purchase orders were already covered and that he doesn't think that government entities pay the tax. He explained that Amendment 1 was brought forward by the Department of Administration's Division of Finance in attempts to work on a new credit card for DOT&PF so that when a credit card purchase was made in the field, it would be "tax-off" so that the state wouldn't be charging tax to itself. He said this specifically deals with the problem of fuel purchases by credit card and applies not just to the state, but also to other governmental agencies so that credit card purchases by the school district or municipal government would also be tax-exempt.

REPRESENTATIVE KAPSNER asked if this specifically had to be a government credit card or if it could be something like a school district credit card.

MR. PERSILY replied that his understanding was that the State of Alaska would get the credit card through a commercial bank and it would be issued to departmental field personnel. The account would be a governmental account, to be used for official use.

REPRESENTATIVE KOOKESH noted that the discussion pertained to federal, state, and local agencies and he wanted it on record that focusing on how DOT&PF does business is too narrow of a focus.

MR. PERSILY replied that this originally began because the state, in moving to a new credit card system for DOT&PF, brought up the issue. He believed that Amendment 1 was drafted so that it would have a broader application, adding that it makes things easier on the agencies but also on the credit cards and the service stations.

Number 1260

CO-CHAIR MASEK referred to Amendment 1, proposed Section 6, which says in part, "on a form prescribed by the department", noting that DOT&PF is not specified.

MR. PERSILY clarified that "the department" refers to the Department of Revenue and its tax code.

REPRESENTATIVE FATE asked how the checks and balances of accounting would be done, particularly by the federal government. He asked if each department turned in information regarding the amount of purchase to the Department of Revenue.

MR. PERSILY said he believed it was done by the taxpayer.

Number 1340

MS. WILSON provided background information, saying that federal, state, and local agencies have always been exempt on official use. If the agency initially pays tax by going to the gas station and not requesting an exemption, the government agency then applies to the department for a refund. There is a provision in statute for a user to get a refund if the use is exempt. She continued that a second scenario would be that a government agency could go to a gas station and claim, "We're a government agency and shouldn't have to pay tax"; in that case, the gas station has already paid for the tax but is not collecting the tax. There is a mechanism for the gas station to get the refund directly from the department.

MS. WILSON continued that the difficulty with the credit card situation is that the government agency does not want to pay the tax, and the retailer, the gas station, has already paid the

tax. The credit card company is in the middle, but to date, there has not been a mechanism for the credit card company to get a refund. This has presented difficulties because the government agencies or the gas stations would have to apply for refunds and there was unnecessary paperwork.

MS. WILSON stated that this bill is an attempt to simplify that process so that the agencies can get their fuel and not pay tax and the gas stations will not be overburdened with having to apply for refunds. The credit card company would assimilate the "tax-off" purchases and send the refund claims to the department, which would then be paid directly. The government agency would not have to pay tax - which is the objective.

REPRESENTATIVE FATE asked if the accounting for each department was done separately so that federal receipts were not mixed with receipts from DOT&PF, for example.

MS. WILSON explained that any refund claimed by a government agency is accounted for separately. The refund claim is filed by that agency under its name, and the department then evaluates that claim. There is a requirement in statute for an attachment of invoices to show that the tax has been paid, and to avoid duplication. She said if Amendment 1 passed, the department would produce regulations specific to credit card companies in order to address the challenges regarding original invoices. She stated that she does not see a problem with keeping the accounting separate and making sure that there are no duplicate refunds.

CO-CHAIR MASEK inquired as to whether the monies would be directed to the general fund or would be used as leverage for TEA-21 [Transportation Equity Act for the 21st Century] funding for highways from the federal government.

Number 1562

MR. PERSILY replied that the estimate is that in a full fiscal year, the increase to \$.20 per gallon would bring in about \$41.6 million per year. He was not aware of a particular dedication of funds and referred the question to DOT&PF.

Number 1608

REPRESENTATIVE KAPSNER asked if unincorporated communities would qualify.

MR. PERSILY commented that if a community was unincorporated, then perhaps it was not a government.

REPRESENTATIVE KAPSNER explained that there are communities that do operate as if a government.

CO-CHAIR MASEK suggested that the bill for the increased motor fuel tax would only affect areas that have gas pumps at service stations.

REPRESENTATIVE KAPSNER said that a lot of the communities that are unincorporated do have a gas station with a pump. Some of the communities have roads, not highways, and a gas station is used.

MS. WILSON said this bill would not affect whether or not that entity would get an exemption. She said that it is a question of whether the credit card company can get the refund.

Number 1727

REPRESENTATIVE KAPSNER asked if a friendly amendment could be added to Amendment 1 to include "unincorporated communities".

MR. PERSILY expressed concern over not wanting to alter the way the communities are currently being treated. He said that without being sure if the communities are treated as off-road and off-tax, or treated as on-road and taxable, he wasn't sure of supporting an amendment that might cloud that issue.

Number 1770

MR. LEVASSEUER said if the communities are currently exempt, that exemption would apply to the amendment as well, noting that this might complicate the issue. He added that the increase in the user fee is not to be used for ATVs [all-terrain vehicles], snow machines, boats, and motors - it is just a highway user-fee increase.

REPRESENTATIVE KAPSNER said there are governmental agencies that have vehicles in communities or use the ice road and drive to Bethel, for example, and should qualify as well as the other local, federal, and state governments.

MR. LEVASSEUER said that the Department of Revenue had indicated that with regard to usage that was not highway-related, an application could be made for a refund.

Number 1867

CO-CHAIR HOLM moved to adopt Amendment 1 [text provided previously] as written. There being no objection, it was so ordered.

Number 1882

REPRESENTATIVE KAPSNER offered Amendment 2, labeled 23-GH1118\A.1, Kurtz, 3/10/03, which read:

Page 1, line 9:
Delete "and"

Page 1, line 11:
Delete "[; AND"
Insert "; and"

Page 1, line 12, following "(4)":
Insert "the tax rate on motor fuel used in a motor vehicle only on roads that are not connected by land highway or the Alaska marine highway system to the main road system of the state, whether or not licensed to be operated on public ways, is eight cents a gallon ["

Page 3, line 8:
Delete "and"

Page 3, line 10:
Delete "[; AND"
Insert "; and"

Page 3, line 11, following "(4)":
Insert "the tax rate on motor fuel used in a motor vehicle only on roads that are not connected by land highway or the Alaska marine highway system to the main road system of the state, whether or not licensed to be operated on public ways, is eight cents a gallon ["

Number 1926

MR. LEVASSEUER responded that this was the first he had seen of Amendment 2.

REPRESENTATIVE KAPSNER said she understood there to be a verbal understanding that the bill wouldn't affect communities off the road system; Amendment 2 just puts that language on the books.

MR. LEVASSEUER asked if an area like Nome, where there are 130 or 140 miles of road, would be exempt and therefore remain at \$.08, pointing out that the department pays for road upgrades in that area.

CO-CHAIR MASEK noted that this would be statewide, as the state owns a lot of roads that are not in urban areas, and the result would have a pretty big negative impact on the bill.

CO-CHAIR HOLM asked: If roads were built and maintained by state money, then wouldn't it make sense to pay the additional \$.12?

MR. LEVASSEUER said these roads are either built with federal funds and matched by state dollars, or built with state dollars.

Number 2029

REPRESENTATIVE KOOKESH explained that the off-road system in Alaska is treated differently, and because Angoon is considered to be an off-road system, a person can drive on the roads in Angoon without having a valid state driver's license. Similarly, insurance is not a requirement.

CO-CHAIR HOLM wondered whether, as a state policy, the road systems should be treated differently. He asked if the discussion was about money or about making policy changes.

MR. LEVASSEUER said the department's policy and opinion would be that if any of the roads that were driven were built and maintained by federal or state funds, then the \$.12 increase should apply.

Number 2086

REPRESENTATIVE KAPSNER said this was a different sentiment than she had previously heard, which had indicated that the off-road communities and the non-state-highway communities would not be affected. She suggested that with the written language offered in Amendment 2, the department was expressing a different opinion.

MR. LEVASSEUER responded that he had tried to be clear in the previous discussion that this wouldn't affect communities that use ATVs or four-wheelers to get around, or use boats to run the rivers. He added that if a community or an individual felt that inclusion was unfair, application could be made to the Department of Revenue for a refund. He emphasized that the intent was not to put the burden on someone who was running a four-wheeler between villages.

Number 2125

MS. WILSON said that the provision for non-highway use refers to whether or not the motor vehicle is licensed to operate on public ways. The department has enforced that if the vehicle is required to be licensed to drive on the road, then the full amount of tax would be paid. If it's the sort of road where it's not required to be licensed, then there is a net \$.02 that is paid. She clarified "net" because up until now it has been \$.08 as the full rate, and the user could apply for a \$.06 refund. She said she understood that this bill would not change that net amount. She gave the example that the net amount would not change for a truck in a remote area that didn't require a license in order to be driven on that road.

Number 2202

REPRESENTATIVE KAPSNER withdrew Amendment 2, saying this answered her question.

Number 2213

CO-CHAIR HOLM referred to the title of the bill, noting that it says "motor fuel tax". Because the bill does not refer to all motors, he wondered if specifying "vehicular motor fuel tax" would be more appropriate.

CO-CHAIR MASEK said a possible clarification was in the bill, under Section 3, where it states: "(2) the motor fuel is not aviation fuel, or motor fuel used in or on watercraft; and (3) the internal combustion engine is not used in or in conjunction with a motor vehicle licensed to be operated on public ways."

CO-CHAIR HOLM said he was more inclined to think there is a need for further specification of what the bill really does.

Number 2293

MR. LEVASSEUER replied that there had been discussion of a "highway user fee increase" and also of this as a tax versus a fee. He explained that this centers basically on what the governor had said, which is more closely associating the "cost-causers," which are people who drive the state roads, to people who purchase the gasoline for the vehicles. The department is spending about \$60 million per year to repair and maintain the highway system. With the \$.08 tax, about \$28 million per year is recovered. Mr. Levasseuer explained that in addition to [the state's] \$60 million, an additional \$50 million is spent in federal match. Therefore, \$110 million comes out of the general fund for the highway program. The people who are driving the roads, the users of the roads, should pay the fee to take care of the roads. Thus this is a highway user fee increase. Between the \$28 million that is now collected and the additional \$41 million with the \$.12 increase, the result would be \$69 million.

Number 2361

CO-CHAIR HOLM pointed out that a letter was received from AML referring to an increase in the "motor vehicle fuel tax." He asked if it would be more appropriate to call this a "motor vehicle fuel tax" rather than leaving it as "motor fuel tax."

MR. LEVASSEUER added that "highway" might be added to be more specific.

TAPE 03-11, SIDE B

CO-CHAIR MASEK indicated that if there were a title change, there would need to be changes throughout the bill as well. For example, page 4, line 18, "(1) the tax on the motor fuel ...", might need to be changed to be consistent with a title change.

Number 2362

MS. WILSON expressed concern over a title change because of the use throughout the chapter of the term "motor fuel." She said she was not sure if this might cause more confusion because "motor vehicle tax" is not currently included in statute. She said she would like to defer to people with more statutory experience. She referred to definitions in [AS 43.40.100] in which "motor fuel" is defined. She also pointed out that the off-road section is an exception under [AS 43.40.030].

CO-CHAIR HOLM said his question pertained to how motor fuel fits in with the tax scheme, with the discussion being whether motor fuel includes aircraft fuel, marine fuel, off-highway fuel, and road fuel. He wanted it on record that this refers to highway taxes, pertaining to properties that are built by and maintained by state funds.

REPRESENTATIVE FATE said the clarification suggested by Co-Chair Holm was important and could be done either through further definition or through a new section with intent language. He said he would be comfortable with either choice.

CO-CHAIR MASEK said she would like the bill drafter to come up with a committee substitute specifying that the bill pertains to highway motor vehicle fuel.

Mr. LEVASSEUER, in response to Co-Chair Masek, confirmed that he would be willing to work towards implementing those changes.

Number 2218

CO-CHAIR MASEK indicated HB 156 would be held in committee.

HB 170-MOTOR VEHICLE REGISTRATION FEES

CO-CHAIR MASEK announced that the next order of business would be HOUSE BILL NO. 170, "An Act increasing certain motor vehicle registration fees; and providing for an effective date."

Number 2192

RONALD JORDAN said that he had no real objection to the HB 170. However, he expressed concern with Section 4, subsection (i), and the lack of an annual fee increase for tractor-trailers and semi-trailers that are pulled behind a tractor, which do just as much road damage as studded tires or any other vehicle on the road. There should be a equitable balance between the consumer and the State of Alaska, he said. Many states do charge an annual fee for these trailers. If there was a \$100 or \$200 annual fee, Mr. Jordan said he would feel more comfortable with any fee increases for automobiles.

CO-CHAIR HOLM related his understanding of Mr. Jordan's concern because he has driven trucks with trailers and seen asphalt peel up behind the trailer when it's warm outside. He asked if Mr. Jordan knew what folks have been charged for that.

MR. JORDAN directed attention to Section 3, Subsection (h)(4), which he interpreted to refer to a delivery van. He said that an increase in the fee for trailers and semi-trailers would offset some of the estimated \$60 million of road maintenance. He reiterated the need for equality in this matter.

CO-CHAIR HOLM pointed out that the fee under Section 1, Subsection (b)(6), raises the fee for a trailer not used or maintained for the transportation of persons or property for hire or for other commercial use from \$10 to \$30. He acknowledged the disparity and related that [Mr. Jordan's concern] will probably have to be reviewed.

Number 1967

DUANE BANNOCK, Director, Division of Motor Vehicles, Department of Administration, turned to Mr. Jordan's concern. Mr. Bannock explained that the division's dramatically different treatment of commercial trailers occurred in 1999. That change was part of a national effort to not have states do annual registration on commercial trailers. Mr. Bannock explained that the International Registration Plan (IRP) is a program that Alaska is prepared to join, although it has not done so yet. In 1999 Alaska, for all practical purposes, eliminated the annual registration fee. The legislation doing the aforementioned was revenue-neutral and shifted approximately \$1.6 million over all commercial vehicles. Commercial vehicles already pay a much greater cost than a noncommercial vehicle because the \$1.6 million was divided amongst them. Therefore, it's fair to say that the commercial trailers aren't paying an annual registration fee, but it's also fair to say that the truck towing the commercial trailer is paying what used to be the fee for the trailer.

CO-CHAIR HOLM replied that he appreciated what Mr. Bannock said, although he said he wasn't sure he believed it because there was no documentation to that effect.

MR. BANNOCK offered to provide a detailed report. He pointed out that in 1998, HB 73 officially changed the way in which accounting is done for commercial trailers. With regard to the reference to "biennial", Mr. Bannock noted that the legislation is drafted in a biennial form but that commercial vehicles are allowed to choose an annual registration fee.

CO-CHAIR HOLM requested the historical data that shows the shift and specifies the fee the commercial vehicles pay. The problem

here is to receive the maintenance dollars that are related [to the damage caused by] commercial transportation. Furthermore, he didn't know whether Alaska's membership or nonmembership in IRP was germane to the question unless [the state] is receiving compensation from the IRP that's relative to the damage caused to Alaska's highways.

Number 1782

REPRESENTATIVE FATE turned to Mr. Bannock's mention that the cost has been shifted from the trailer to the tractor. He asked if the commercial trailers are no longer licensed and thus no longer have a license fee.

MR. BANNOCK answered that commercial trailers have a one-time registration or permanent registration. Unlike the truck, the tractor requires an annual or biennial registration. In further response to Representative Fate, Mr. Bannock specified that the one-time fee is \$10 and HB 170 proposes raising that to \$20.

REPRESENTATIVE FATE surmised then that his little trash trailer that he hauls behind his 50-horsepower car that he registers biennially at \$10 costs more than a commercial trailer.

MR. BANNOCK explained that the aforementioned isn't a good analogy because the 50-horsepower car is registered biennially, whereas the semi-truck towing the trailer is now paying \$321 per year.

REPRESENTATIVE FATE remarked that his vehicle isn't a 50-horsepower vehicle but rather it's a F-250 truck for which he pays quite a bit biennially.

MR. BANNOCK said that for a pick-up truck the [registration fee] would be \$78 biennially. The \$321 fee refers to what is commonly referred to as a semi-truck, a tractor-truck, or a fifth-wheel trailer-truck.

Number 1663

CO-CHAIR HOLM requested that HB 170 be held until more information is available with regard to the changes made [in 1998] by HB 73 and how it relates to the Department of Transportation & Public Facilities' maintenance.

CO-CHAIR MASEK announced that HB 170 would held and taken up at the committee's next meeting.

MR. BANNOCK said that he has requested department staff to provide a calendar history of all commercial vehicle revenue rates beginning in 1998, which was the last year that an annual registration was collected on trailers. He related his belief that the aforementioned will illustrate that the decrease of approximately \$1.6 million in 1999 was absorbed by the remaining commercial categories.

[HB 170 was held over.]

HB 173-FEE FOR STUDDERED TIRES

CO-CHAIR MASEK announced that the final order of business would be HOUSE BILL NO. 173, "An Act relating to a fee on studded tires; and providing for an effective date."

Number 1586

CO-CHAIR HOLM moved to adopt the proposed committee substitute (CS) [Version 23-GH1127\D, Kurtz, 3/12/03] as the working document. There being no objection, Version D was before the committee.

Number 1558

BARBARA COTTING, Staff to Representative Jim Holm, Alaska State Legislature, speaking as the committee aide, explained that Version D, under Section 1, creates a fine for people who violate the law. It also eliminates the language "or other transfer" on page 1, line 8. Furthermore, it changes the definition of studded tire to refer to a motor vehicle tire rather than just a tire, which might refer to bicycle tires.

Number 1498

DAVE SNYDER, Operator, Diversified Tire, related his belief that most people aren't likely to pay the extra \$40 for studded tires. He estimated that 30-40 percent of Alaskans would be more willing to jeopardize their safety and that of other innocent drivers on the road than to pay the proposed fee. Mr. Snyder said that he believes the \$10 fee per studded tire is extreme. He suggested an alternative of a \$1 tax on all tires. All tires wear out the road and studded tires keep many people safe on the road.

CO-CHAIR HOLM inquired as to the cost of siped tires.

MR. SNYDER said his facility does a lot of siped tires. Mr. Snyder informed the committee that siped tires and studless winter tires don't have the same effect on glare ice conditions as studded tires. Mr. Snyder related that he charges customers according to the situation. When a tire is full of rocks, there is a labor-intensive rock-picking session before the tire can be siped, and that can cost from \$15-\$20 per car tire. For tires without rocks, there is a fee to sipe the tire of \$10 per tire.

CO-CHAIR HOLM asked if siped tires are an alternative in most cases. Co-Chair Holm highlighted that Alaska is one of three states that allow any type of studded tires.

MR. SNYDER answered that in Alaska most of the winter conditions [justify] the need for studded tires or chains. If studded tires are eliminated, Mr. Snyder predicted an increase in accidents. Mr. Snyder said that his customers don't want studs, but they need them and must have them to be safe.

Number 1320

CO-CHAIR HOLM offered his understanding that Canada doesn't allow studded tires and thus he asked if there is any information regarding whether this has compromised the safety of drivers in Canada. He related that in most cases the use of studded tires has been eliminated because of the damage they create to the highways and that perhaps those areas are doing more salting than in Alaska. Therefore, perhaps more salting is an option.

Number 1285

JUDY SNYDER, Diversified Tire, announced her opposition to HB 173 as written. She related that testing has proven that the use of studded tires significantly increases safety with regard to braking and handling while on icy road conditions. Regarding the use of studded tires, the National Tire Safety Organization has mandated the use of four studded tires if any are used on a vehicle. Therefore, HB 173 is essentially a \$40 per vehicle fee. She expressed concern that such a fee would preclude many Alaskans from purchasing studded tires, which could have a serious negative impact on road safety. If it's determined to be absolutely necessary to impose a tire surcharge, Ms. Snyder echoed the earlier suggestion to charge \$1 on all tires sold in Alaska and thus the burden would be more evenly distributed among all drivers.

CO-CHAIR MASEK, upon determining that no one else wished to testify, asked if there was any discussion on HB 173.

REPRESENTATIVE FATE said the testimony was that all tires exact some wear on highways. He asked if there have been any studies with regard to the ratio of wear from a studded tire and an all-weather tire.

Number 1164

GEORGE LEVASSEUER, Maintenance and Operations Manager, Southcentral District, Northern Region, Department of Transportation & Public Facilities (DOT&PF), informed the committee that there have been a number of studies that have reviewed the amount of wear that studded tires do. The department estimates that every studded tire costs \$50 in wear. Therefore, for a set of four tires, over the length of their life, there will be \$200 worth of pavement damage. There have been a number of tests in which studded tires were run on one track and an all-weather tire or radial tire alongside of it. What was illustrated was that there isn't much appreciable wear at all from the standard winter tire as compared with the studded tire. Mr. Levasseuer highlighted that in Alaska the grooves in the highway are about 55-58 inches apart, and that's not related to truck wear because the width between those tires is about 80-82 inches. Therefore, the grooves are related to a standard passenger vehicle equipped with studded tires. The department estimates that over \$5 million a year [worth of] damage is experienced from studded tires.

CO-CHAIR MASEK recalled an earlier meeting during which it was noted that the most wear can be seen on the Glenn Highway and the Seward Highway.

CO-CHAIR HOLM pointed out that the total amount of revenue [generated by HB 173] is about \$1,950,000. Therefore, [the state] would be subsidizing in the amount of about \$3 million, even with HB 173.

Number 1052

REPRESENTATIVE KOOKESH asked if there has been a study reviewing the safety of studded tires versus [standard all-weather] tires.

MR. LEVASSEUER informed the committee that the department has done a number of studies which show that Alaska has clear roads

about 95 percent of the time in the winter. There has been review of several factors that help with the newer cars such as those with anti-lock braking systems, which provide much better traction in the winter. There are also siped tires as well as radial tires that provide much better traction. Furthermore, more and more front-wheel-drive vehicles and sport-utility vehicles (SUVs) are in use. Mr. Levasseuer explained that when studded tires came out in the mid-1960s, studded tires were a valid way in which to increase traction and safety. However, now there are a number of methods being used that make studded tires almost obsolete on Alaska's main arterials. He noted that the department has a very aggressive maintenance program on the main arterials throughout Southcentral Alaska and Southeast Alaska. Furthermore, the department utilizes a very aggressive chemical application program with magnesium chloride.

Number 0942

MR. LEVASSEUER reiterated that Alaska has clear roads about 95 percent of the time and said this negates [the need] to use studs on the main arterials. He asserted that [the use of studs on the main arterials] actually decreases the safety of the traveling public because of the grooves from stud wear, which collect water and cause the loss of traction due to hydroplaning and decreased visibility. Therefore, Mr. Levasseuer related his belief that there are a number of alternatives available that provide adequate safety on Alaska's main arterials and thus negate the need for studded tires.

REPRESENTATIVE KOOKESH said this didn't answer his question.

CO-CHAIR MASEK announced that HB 173 would be held over.

ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:55 p.m.