

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

January 28, 2010

1:04 p.m.

MEMBERS PRESENT

Senator Albert Kookesh, Chair
Senator Linda Menard, Vice Chair
Senator Bettye Davis
Senator Kevin Meyer
Senator Joe Paskvan

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 218

"An Act suspending the motor fuel tax; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 218

SHORT TITLE: SUSPENDING MOTOR FUEL TAX

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/10	(S)	READ THE FIRST TIME - REFERRALS
01/19/10	(S)	TRA, FIN
01/28/10	(S)	TRA AT 1:00 PM BUTROVICH 205

WITNESS REGISTER

GINGER BLAISDELL, Director
Administrative Services Division
Department of Revenue
Juneau, AK

POSITION STATEMENT: Provided information related to SB 218.

JOHANNA BALES, Deputy Director
Tax Division
Department of Revenue
Juneau, AK

POSITION STATEMENT: Provided information related to SB 218.

TOM OBERMEYER, Staff
to Senator Davis
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Provided information related to SB 218.

ACTION NARRATIVE

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CHAIR ALBERT KOOKESH called the Senate Transportation Standing Committee meeting to order at 1:04 p.m. Senators Davis, Menard, Paskvan and Kookesh were present at the call to order. Senator Meyer arrived soon thereafter.

^#SB218

SB 218-SUSPENDING MOTOR FUEL TAX

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CHAIR KOOKESH announced the consideration of SB 218 and said he did not intend to move the bill today.

GINGER BLAISDELL, Director, Administrative Services Division, Department of Revenue, read the following sponsor statement into the record:

Escalating costs are placing a difficult burden on many Alaskans, particularly for those who live in rural areas of the state. Suspending the motor fuel tax is one step toward making Alaska's living expenses more reasonable across the state. The actual amount of money saved would vary depending on the type of fuel being purchased; however most consumers should save eight cents per gallon when filling up their vehicles.

It is important to note that while the motor fuel tax suspension would provide temporary assistance for two years, we still need to work together to seek longer term solutions to the energy costs facing us.

It is the needs of Alaska's families, communities, and businesses that justify the proposal contained in this legislation.

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Senator Myers joined the committee.

MS. BLAISDELL provided the following sectional analysis:

Section 1(a) - Suspends the motor fuel tax for two years beginning July 1, 2010 and ending June 30, 2012.

Section 1(b) - Requires motor fuel dealers to report the amount of motor fuel sold or transferred in the state to the Department of Revenue and provides for a penalty of up to \$5,000 for failure to report.

Section 1(c) - The Department of Revenue would be able to immediately draft regulations to implement the suspension.

Section 1(d) - Motor fuel dealer is defined for purposes of who must report sales or transfers of fuel in the state to include anyone who would have remitted taxes except for the fact that the fuel tax had been suspended.

Section 2 - Repeals Section 1(a) (the tax suspension) on June 30, 2012.

Section 3 - Repeals Section 1(b)(c) and (d) on August 31, 2012.

Section 4 - Provides for an immediate effective date.

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JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue, clarified that this bill suspends the tax for all highway, marine, jet fuel and aviation motor fuel tax types.

SENATOR MEYER asked if this is basically the same as the bill that passed two years ago, which suspended the \$0.08 motor fuel tax.

MS. BALES replied this would do exactly the same thing.

CHAIR KOOKESH asked where the tax would go if it weren't suspended.

MS. BALES replied it would go to the general fund. A subaccount in the general fund is used for highway projects and maintenance, she added.

CHAIR KOOKESH observed that this effectively takes money from a fund to repair and maintain highways.

MS. BALES said yes, but the fuel tax has been a very small portion of the amount that is appropriated for highway maintenance and repair.

CHAIR KOOKESH asked if that money is used to match federal dollars.

MS. BALES said yes, but the total fuel tax is comparatively small so it is heavily supplemented with other general fund dollars.

SENATOR MENARD asked how much Alaska pays in fuel tax compared to other states.

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MS. BALES replied Alaska has the lowest rate at \$0.08/gallon. The next closest is Georgia at \$0.15/g and the top rate is Washington at \$0.375/g.

SENATOR MEYER pointed out that Alaska also has the highest fuel prices in the nation so it's nice not to pay the additional \$0.08/g. He asked Senator Davis if she has a similar bill.

SENATOR DAVIS reported that her bill, which is in the finance committee, is virtually the same. She noted that she has an amendment to SB 218, but she won't offer it today. The administration is aware of her bill and wants one or the other to pass.

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SENATOR MEYER asked if the administration is concerned that Congressman Young said that suspending the tax could hurt the state as far as getting additional money from the federal government.

MS. BALES explained that part of the matching program requires reporting of the amount of fuel used on highways and this bill requires those reports. As long as the state continues to report, federal highway dollars will not be affected.

SENATOR MEYER asked if it's just a matter of reporting and there's no obligation for the state to actually collect the fuel tax.

MS. BALES said that's correct.

SENATOR PASKVAN asked if increasing the motor fuel tax would result in a larger federal revenue share.

MS. BALES said no; what would affect the share is if Alaska were to use more highway fuel.

SENATOR PASKVAN asked what the fuel tax would be if it reflected the actual cost to maintain a road.

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MS. BALES offered to look in to that.

SENATOR PASKVAN asked if the administration has given consideration to how electric cars or high-mpg vehicles might contribute to road upkeep. If two vehicles travel ten miles they should each pay roughly the same for road upkeep, he opined.

MS. BALES said the federation of tax administrators, of which her office is a member, is trying to address that issue.

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TOM OBERMEYER, Staff to Senator Davis, offered his understanding that the \$41 million fiscal note reflects revenue that is largely produced from aviation and jet fuel. DOR could probably break the number down further, he said.

CHAIR KOOKESH announced he would hold bill to answer questions like that and to work with Senator Davis to align the bills.

MR. OBERMEYER said the main difference between the two relates to the enactment language. Senator Davis's bill provides a contingency in case the Act doesn't take effect on July 1, 2010.

SENATOR MENARD noted the email from Congressman Young warning of the potential loss in federal funding. She offered to provide a copy to Ms. Blaisdell.

SENATOR DAVIS asked who Congressman Young sent the letter to; it isn't in the packet.

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SENATOR PASKVAN said his packet contains an ADN article that discusses the correlation between the state and federal monies. He understands that the ongoing debate on the federal level is that Alaska receives much more than it contributes. States that

contribute more than they receive and are in deficit financing take issue with this. It's a concern on the federal level that we must consider, he said.

CHAIR KOOKESH asked Ms. Blaisdell at the next hearing to break down the dollar amounts each motor fuel tax type.

SENATOR MEYER said he believes that constituents can spend the \$0.08 fuel tax more wisely than the Legislature. It helps the overall economy by keeping costs down. He supports SB 218 and Senator Davis's bill but he also appreciates that the Chair is being cautious.

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CHAIR KOOKESH reiterated that he wants to have all the information and to address all the concerns before moving the bill. He held SB 218 for further work.

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There being no further business to come before the committee, Chair Kookesh adjourned the meeting at 1:24 p.m.