

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

March 27, 2012

1:03 p.m.

MEMBERS PRESENT

Senator Albert Kookesh, Chair
Senator Dennis Egan
Senator Linda Menard
Senator Charlie Huggins

MEMBERS ABSENT

Senator Joe Thomas, Vice Chair

COMMITTEE CALENDAR

SENATE BILL NO. 41

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

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 41

SHORT TITLE: SUSPENDING MOTOR FUEL TAX

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/11	(S)	READ THE FIRST TIME - REFERRALS
01/19/11	(S)	TRA, L&C, FIN
02/03/11	(S)	TRA AT 1:00 PM BUTROVICH 205
02/03/11	(S)	Heard & Held
02/03/11	(S)	MINUTE(TRA)
03/27/12	(S)	TRA AT 1:00 PM BUTROVICH 205
03/27/12	(S)	Heard & Held

WITNESS REGISTER

MARC LUIKEN, Commissioner
Department of Transportation & Public Facilities
Juneau, Alaska

POSITION STATEMENT: Introduced SB 41.

PAUL LANDIS, President
CIRI Alaska Tourism

Sitka, Alaska

POSITION STATEMENT: Testified in support of SB 41.

ED SNIFFEN, Assistant Attorney General
Department of Law
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 41.

JOHANNA BALES, Deputy Director
Tax Division
Department of Revenue
Anchorage, Alaska

POSITION STATEMENT: Answered questions related to SB 41.

ACTION NARRATIVE

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CHAIR ALBERT KOOKESH called the Senate Transportation Standing Committee meeting to order at 1:03 p.m. Present at the call to order were Senators Egan, Huggins, and Chair Kookesh. Senator Menard arrived shortly thereafter.

SB 41-SUSPENDING MOTOR FUEL TAX

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SENATOR KOOKESH announced that the first order of business would be SB 41.

MARC LUIKEN, Commissioner, Department of Transportation & Public Facilities, (DOTPF) introduced SB 41. He emphasized that SB 41 is a two-year tax suspension, not a tax repeal. He pointed out that this tax suspension is one of the many efforts that the governor has put forward to improve the economic health of Alaskans. Suspension of the motor fuel tax demonstrates a consistent tax policy from the current administration. It would provide immediate tax relief to every citizen in every community across the state. The actual amount of money saved will vary depending on the type of fuel purchased, but most consumers will save up to 8 cents per gallon when fueling their boat, plane, or automobile.

COMMISSIONER LUIKEN related that many Alaskan communities deal with the highest energy costs in the nation. Relieving the burden of the motor fuel tax is one step in this administration's effort to improve Alaskan's daily living expenses. With rising fuel prices - about \$4.26 in Juneau

currently - it is important for every Alaskan to enjoy the benefit of this tax suspension.

COMMISSIONER LUIKEN continued to say that in 2008 the motor fuel tax suspension showed great success as fuel prices at the pump dropped by 8 cents almost immediately. While suspending the motor fuel tax provides a temporary reduction in the cost of motor fuel, efforts are being introduced to provide long-term solutions to Alaska's high energy costs.

COMMISSIONER LUIKEN explained that some people wonder how suspending the motor fuel tax will impact Alaska's federal funding for transportation. The state motor fuel tax has no direct link to federal dollars. Historical data shows that those states that have suspended or lowered their motor fuel tax saw no penalty to their federal funding. Therefore, suspending the motor fuel tax should have no impact on Alaska's federal highway or airport funding. Federal fuel tax, also paid at the pump, contributes to the federal highway trust fund. These funds are redistributed back to the states via a formula set forth in federal bills related to highways and their improvement.

He continued to say the surface transportation bill, which is currently being debated in Congress, as well as the Federal Aviation Reauthorization Act, which was passed and signed by the President last month, have nothing to do with whether a state collects a separate motor fuel tax. There is no federal requirement for states to collect a gas tax to support transportation. Additionally, Alaskans fund significantly more for transportation than is collected in state motor fuel tax revenue - close to 10 to 12 times more. The average state funding through general fund for transportation was over \$3 million per year for the last ten years. If a tax were to fund the transportation budget, more than 80 cents per gallon would be needed. Oil revenues fund the state government, not an 8 cents per gallon tax.

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COMMISSIONER LUIKEN referred to a spreadsheet in members' packets that shows Alaska's general fund contribution to transportation. There are only four states that contribute more from their state general funds for transportation than Alaska. He maintained one could not link the motor fuel tax revenue and DOTPF's budget. The suspension of the motor fuel tax in 2008 did not impact DOTFP's budget.

COMMISSIONER LUIKEN emphasized that suspension of the motor fuel tax will significantly impact Alaska's economy. Rising fuel prices will continue and added fuel costs will continue to be passed on to the consumer by industries who ship and transport goods. Suspending the fuel tax will benefit many of Alaska's largest industries. The fishing industry will benefit significantly from the suspension of the tax. United Fishermen of Alaska indicated a suspension of the gas tax would likely provide benefit to thousands of commercial fishermen statewide. Trucking and aviation industries and the consumers that buy the good those entities deliver will also benefit. Letters of support have been received by the Alaska Air Carriers Association, Alaska Airlines, Princess Lines, and the National Federation of Independent Businesses.

COMMISSIONER LUIKEN concluded that there is no compelling need to collect a motor fuel tax at this time. While suspension of the tax will benefit every Alaskan in every community, some may gain more than others, but it will be meaningful to all as this money is put back into Alaskan's pockets.

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SENATOR MENARD recalled that under two governors the motor fuel tax was repealed. She inquired if there was any interest now in completely repealing the tax.

COMMISSIONER LUIKEN replied that he had not heard of that plan.

SENATOR MENARD suggested the possibility of suspending the tax permanently.

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SENATOR EGAN wondered how the commissioner would address the congressional delegation's concerns regarding the suspension of the fuel tax.

COMMISSIONER LUIKEN stated that he presented them with the same information he just presented the committee. He reiterated that only four states pay more from their general funds than Alaska does for transportation expenses. He related that fifteen states contribute no general fund monies to their transportation expenses. He suggested asking what those states are doing to support transportation costs. He repeated that there is no federal requirement for the state to have a motor fuel tax in order to receive federal funding.

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SENATOR HUGGINS said he would not have supported an 8 cent fuel tax. He suggested using rebates instead of a tax.

COMMISSIONER LUIKEN was not familiar with that program.

SENATOR HUGGINS said there used to be a rebate program.

SENATOR EGAN countered that since Alaskans don't pay state tax, that 8 cents a gallon seems like a good deal. He stated that driving is a privilege.

COMMISSIONER LUIKEN reiterated that there is no direct correlation between the 8 cent tax and the DOTPF budget. The tax does not fund the department's budget, but goes into the general fund. If it were dedicated, then one could say the tax was a good deal.

SENATOR EGAN pointed out that funds are not dedicated in Alaska; however, the intent of the tax is there. He said he was upset that the school tax was eliminated, as was the state income tax, and he did not want to eliminate another tax.

COMMISSIONER LUIKEN noted that the bill suspends the tax and does not eliminate it.

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SENATOR HUGGINS stated he would support repealing the tax.

COMMISSIONER LUIKEN urged the committee to pass SB 41.

SENATOR MENARD moved to adopt Conceptual Amendment 1: on page 1, line 7, delete the year 2011 and insert 2012; also, on page 1, line 7, delete 2013 and insert 2014. On page 2, line 5, delete 2013 and insert 2014.

Seeing no objection, Conceptual Amendment 1 was adopted.

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PAUL LANDIS, President, CIRI Alaska Tourism, Sitka, Alaska, testified in support of SB 41. He stressed that the bill is good for tourism and other industries, such as marine transport, aviation, and highway businesses, that rely on tourism dollars. The bill also helps tourism employees by decreasing their individual energy costs.

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ED SNIFFEN, Assistant Attorney General, Department of Law, Anchorage, Alaska, testified in support of SB 41. He spoke of the success of the gas tax suspension in 2008. He thought the impacts of the suspension in Juneau were delayed, but had a positive impact, eventually. He referred to a May 2006 report by the National Bureau of Economic Research that summarized the effectiveness of the tax in Illinois.

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JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue, answered questions related to SB 41. She described the process of claiming a refund for gas used for off-road purposes. She noted that 8 cents a gallon for highway use and 5 cents for marine use is a big deal for many Alaskans.

SENATOR MENARD said she thought a successful guiding business might apply for a rebate. She gave an example of how the gas tax would be calculated. She reiterated her idea to repeal the gas tax.

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COMMISSION LUIKEN agreed that the people who apply for a rebate consider it a benefit. He suggested that suspension is a first step.

SENATOR HUGGINS said aviation fuel is taxed at 4.7 cents per gallon. He opined that this issue was a political football the last time it was worked on.

SENATOR MENARD asked if the tax was 5 cents for marine use.

MS. BALES clarified that the highway fuel tax is 8 cents, the marine fuel tax is 5 cents, the aviation fuel tax is 4.7 cents, and the jet fuel tax is 3.2 cents per gallon.

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SENATOR KOOKESH stated that SB 41 would be held in committee.

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There being no further business to come before the committee, Chair Kookesh adjourned the Senate Transportation Standing Committee at 1:28 p.m.