

**ALASKA STATE LEGISLATURE**  
**SENATE TRANSPORTATION STANDING COMMITTEE**

February 16, 2016

1:17 p.m.

**MEMBERS PRESENT**

Senator Peter Micciche, Chair  
Senator Click Bishop, Vice Chair  
Senator Mike Dunleavy  
Senator Bert Stedman  
Senator Dennis Egan

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 132

"An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to the motor fuel tax; and providing for an effective date."

- MOVED CSSB 132(TRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 132

SHORT TITLE: ELECTRONIC TAX RETURNS & MOTOR FUEL TAX

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/16	(S)	READ THE FIRST TIME - REFERRALS
01/19/16	(S)	TRA, FIN
01/26/16	(S)	TRA AT 1:00 PM BUTROVICH 205
01/26/16	(S)	Heard & Held
01/26/16	(S)	MINUTE(TRA)
02/04/16	(S)	TRA AT 1:00 PM BUTROVICH 205
02/04/16	(S)	Heard & Held
02/04/16	(S)	MINUTE(TRA)
02/09/16	(S)	TRA AT 1:00 PM BUTROVICH 205
02/09/16	(S)	Heard & Held
02/09/16	(S)	MINUTE(TRA)
02/11/16	(S)	TRA AT 1:30 PM BUTROVICH 205
02/11/16	(S)	-- MEETING CANCELED --
02/16/16	(S)	TRA AT 1:00 PM BUTROVICH 205

## **WITNESS REGISTER**

JERRY BURNETT, Deputy Commissioner  
Department of Revenue (DOR)  
Juneau, Alaska

**POSITION STATEMENT:** said the projections he provided include all of the revenues that are available on annual basis for appropriation by the legislature.

DAN STICKLE, Assistant Chief Economist  
Department of Revenue (DOR)  
Juneau, Alaska

**POSITION STATEMENT:** said the revenues that come in through the oil and gas production tax there is a point at around \$80/barrel where for each \$1 of value in the barrel of oil the state takes an increasing share.

## **ACTION NARRATIVE**

[1:17:39 PM](#)

**CHAIR PETER MICCICHE** called the Senate Transportation Standing Committee meeting to order at 1:17 p.m. Present at the call to order were Senators Egan, Dunleavy, Stedman, Bishop and Chair Micciche.

### **SB 132-ELECTRONIC TAX RETURNS & MOTOR FUEL TAX**

[1:18:15 PM](#)

CHAIR MICCICHE announced consideration of SB 132. [Work draft CSSB 132, version 29-GS2912\H, was before the committee.] He said public testimony is still open and that at the last meeting the Department of Revenue (DOR) was asked to bring some projections on oil at the \$70 to \$90 a barrel range.

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JERRY BURNETT, Deputy Commissioner, Department of Revenue (DOR), Juneau, Alaska, said the projections he provided include all of the revenues that are available on an annual basis for appropriation by the legislature. The estimate for FY17 is \$6.2 billion; \$6.1 billion of it is total available recurring revenue. He explained the various places where revenues come from provided in the charts and said he didn't know how the legislature would chose to balance the budget this year.

SENATOR STEDMAN said the direction of the question wasn't so much the aggregate total revenues subjected to appropriations,

but the mechanics of the severance tax portion of the tax bill and the impacts the credits have.

DAN STICKLE, Assistant Chief Economist, Department of Revenue (DOR), Juneau, Alaska, said for the revenues that come in through the oil and gas production tax there is a point at around \$80/barrel where for each \$1 of value in the barrel of oil the state takes an increasing share. At this point the tax transitions from the gross minimum production tax to paying the progressive 35 percent income tax.

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SENATOR STEDMAN said this would have to be looked at in another committee, but stated that "Nobody pays 35 percent. It's mathematically impossible."

CHAIR MICCICHE explained that the reason he picked the \$85 price point is because it gave some room in the \$80 to \$85 range. If the budget is reduced as planned, there would be more revenue than needed at those price ranges. He thought it the right place to promise Alaskans they would be returning some of this revenue. However, some of the measures may not go through, including a draw and that would be a very different picture.

He wanted to discuss a potential amendment. The changes include removing the electronic submission, because it was problematic in accordance Legislative Legal. That could be fixed in another bill perhaps. The claw back was added that at \$85/barrel for the previous calendar year that the taxes would revert to current rates. Two new exemptions were added for fuels in an emergency vehicle and students' transportation services and made a few statutory cleanup changes. Then finally, the tax is sunsetted on July 1, 2018.

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SENATOR MICCICHE said another area of interest is they want Alaskans to be able to transparently view this pool of revenue with a special accounting fund by each fuel tax category. He asked what dedicating funds back to transportation would look like and to have that as a conceptual amendment.

MR. BURNETT answered that a number of revenues that are accounted for in a separate fund. For example, when the alcohol tax was last increased it created an Alcohol Substance Abuse Fund where half of the alcohol tax was put in that fund and then it's separately accounted for in the budget. Doing a similar type measure with this is possible. This money is currently

accounted for in subaccounts of the General Fund, so it certainly can be identified. He was certain the Department of Transportation and Public Facilities' (DOTPF) budget contains significantly more general funds dollars than is collected in motor fuel taxes. But, there is no technical or legal issue with doing what he suggests.

CHAIR MICCICHE asked if there is a cost.

MR. BURNETT answered that the department had never accounted for an additional cost in a fiscal note for setting up a new fund in the past when it was an accounting type fund.

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At ease

[1:30:07 PM](#)

CHAIR MICCICHE called the meeting back to order and noted letters of support and two letters of opposition. Finding no further comments, he closed public testimony.

SENATOR BISHOP offered conceptual Amendment 1 to create a special accounting fund for the motor fuel tax to be identified by fuel source; and he emphasized the fund is not to be dedicated. There were no objections and Amendment 1 was adopted.

SENATOR BISHOP moved to report CSSB 132, version H as amended, from committee with individual recommendations and attached fiscal note(s).

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At ease

[1:32:21 PM](#)

CHAIR MICCICHE called the meeting back to order.

SENATOR DUNLEAVY objected. He said vetting the bill has been a good process, but it's premature for taxes. It will raise \$46 million, but he is on the Finance Committee that is still finding "pockets of money." So, from his perspective they need to spend another year "doing due diligence" on these funds in the various departments and divisions, and when they get to the point of discovering all the pots of money and they have been used to cover this hole, he would feel more comfortable having a serious conversation about revenue measures. If they default too quickly to revenue measures they will never get to the bottom of these funds and some of the things money is spent on.

SENATOR STEDMAN said he wouldn't support this measure now, but he also thought it might be needed in the future. Other areas in the tax structure need significant work and pale in comparison to the revenue this measure is going to generate.

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SENATOR EGAN said he would reluctantly support this bill, because he wants it out of this committee and into the Finance Committee where it can be tackled to a greater degree.

SENATOR BISHOP said he would also support the bill; his reasons for supporting it haven't changed from his original testimony.

CHAIR MICCICHE clarified that he, too, didn't know if he supports the bill, but he wants to move it to the next committee. He explained that the Transportation Committee reviews the effect on transportation and they had done that and added provisions that make the taxes revert to current rates when it goes beyond where he feels transportation should be contributing at that level and two new fuel tax exemptions have been added. They also sunset the bill is two so it could be reviewed if it does pass the legislature. They have also provided an amendment allowing for a special accounting funds so that Alaskans can transparently see where those funds are coming from and what their totals are.

A roll call vote was taken: Senators Egan, Bishop, Micciche voted yea; Senators Stedman and Dunleavy voted nay. Therefore, CSSB 132, version \H as amended, moved from committee.

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CHAIR MICCICHE adjourned the Senate Transportation Standing Committee meeting at 1:37 p.m.