

**ALASKA STATE LEGISLATURE  
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 10, 2020

1:06 p.m.

**MEMBERS PRESENT**

Representative Louise Stutes, Chair  
Representative Bryce Edgmon  
Representative Matt Claman  
Representative Harriet Drummond  
Representative Andi Story  
Representative Mel Gillis

**MEMBERS ABSENT**

Representative Dave Talerico

**COMMITTEE CALENDAR**

HOUSE BILL NO. 253

"An Act relating to the powers of the Department of Transportation and Public Facilities; and relating to the sale, transfer, or disposal of state ferries."

- MOVED HB 253 OUT OF COMMITTEE

CS FOR SENATE BILL NO. 115 (FIN) (EFD FLD)

"An Act relating to vehicle registration fees; and relating to the motor fuel tax."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 253

SHORT TITLE: SALE, TRANSFER, OR DISPOSAL OF FERRIES

SPONSOR(S): REPRESENTATIVE(S) KREISS-TOMKINS

02/17/20	(H)	READ THE FIRST TIME - REFERRALS
02/17/20	(H)	TRA, STA
02/25/20	(H)	TRA AT 1:00 PM BARNES 124
02/25/20	(H)	Heard & Held
02/25/20	(H)	MINUTE(TRA)
03/03/20	(H)	TRA AT 1:00 PM BARNES 124
03/03/20	(H)	-- MEETING CANCELED --
03/10/20	(H)	TRA AT 1:00 PM BARNES 124

BILL: SB 115

SHORT TITLE: MOTOR FUEL TAX; EV REG FEES

SPONSOR(s): SENATOR(s) BISHOP

04/24/19	(S)	READ THE FIRST TIME - REFERRALS
04/24/19	(S)	FIN
02/03/20	(S)	FIN AT 9:00 AM SENATE FINANCE 532
02/03/20	(S)	Heard & Held
02/03/20	(S)	MINUTE(FIN)
02/21/20	(S)	FIN RPT CS 3DP 1DNP 3NR NEW TITLE
02/21/20	(S)	DP: VON IMHOF, HOFFMAN, BISHOP
02/21/20	(S)	NR: STEDMAN, WILSON, OLSON
02/21/20	(S)	DNP: WIELECHOWSKI
02/21/20	(S)	FIN AT 9:00 AM SENATE FINANCE 532
02/21/20	(S)	Moved CSSB 115(FIN) Out of Committee
02/21/20	(S)	MINUTE(FIN)
03/02/20	(S)	TRANSMITTED TO (H)
03/02/20	(S)	VERSION: CSSB 115(FIN) (EFD FLD)
03/03/20	(H)	READ THE FIRST TIME - REFERRALS
03/03/20	(H)	TRA, FIN
03/10/20	(H)	TRA AT 1:00 PM BARNES 124

**WITNESS REGISTER**

SARA PERMAN, Staff  
Representative Louise Stutes  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Explained Amendment 1 to HB 253 on behalf of Representative Stutes, prime sponsor.

MATT MCLAREN, Business Development Manager  
Alaska Marine Highway  
Juneau, Alaska

**POSITION STATEMENT:** Provided clarification during the hearing on HB 253.

ROB CARPENTER, Deputy Commissioner  
Department of Transportation and Public Facilities  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 253.

JANICE WRENTMORE, Chair  
Skagway AdHoc Marine Highway Committee  
Skagway, Alaska

**POSITION STATEMENT:** Testified in support of HB 253.

SENATOR CLICK BISHOP  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, presented CSSB 115(FIN) (efd fld).

DARWIN PETERSON, Staff  
Senator Click Bishop  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Gave a PowerPoint presentation on CSSB 115(FIN) (efd fld), on behalf of Senator Bishop, prime sponsor.

ROB CARPENTER, Deputy Commissioner  
Department of Transportation and Public Facilities  
Juneau, Alaska

**POSITION STATEMENT:** Offered information during the hearing on CSSB 115(FIN) (efd fld).

DANIEL NICHOLS  
American Society of Civil Engineers  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 115.

NILS ANDREASSEN, Executive Director  
Alaska Municipal League  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of SB 115.

FRANCIS LEACH, Executive Director  
United Fishermen of Alaska  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the hearing on SB 115.

**ACTION NARRATIVE**

[1:06:38 PM](#)

**CHAIR LOUISE STUTES** called the House Transportation Standing Committee meeting to order at 1:06 p.m. Representatives Claman, Drummond, Story, and Stutes were present at the call to order. Representatives Gillis and Edgmon arrived as the meeting was in progress.

**HB 253-SALE, TRANSFER, OR DISPOSAL OF FERRIES**

[1:07:56 PM](#)

CHAIR STUTES announced that the first order of business would be HOUSE BILL NO. 253, "An Act relating to the powers of the Department of Transportation and Public Facilities; and relating to the sale, transfer, or disposal of state ferries."

[1:08:56 PM](#)

CHAIR STUTES opened public testimony on HB 253. After ascertaining that there was no one who wished to testify, she closed public testimony.

[1:09:24 PM](#)

REPRESENTATIVE DRUMMOND moved to adopt Amendment 1, labeled 31-LS1541\M.4, Fisher, 3/10/20, which read as follows:

Page 1, following line 7:

Insert a new bill section to read:

**"\* Sec. 2.** AS 19.65.060(a) is amended to read:

(a) There is created, as a special account in the general fund, the Alaska marine highway system fund, into which shall be deposited

(1) the gross revenue of the Alaska marine highway system;

(2) money that is appropriated to the Alaska marine highway system fund by the legislature in an amount that is consistent from year to year and is the amount necessary, after consideration of gross revenue, to provide stable services to the public consistent with the provisions of AS 19.65.050(b)(4), which appropriations are not one-year appropriations and the balances of which do not lapse under AS 37.25.010; [AND]

(3) any other money that is appropriated to the Alaska marine highway system fund by the legislature, which appropriations are not one-year appropriations and the balances of which do not lapse under AS 37.25.010; and

(4) the proceeds from the sale, transfer, or disposal of a ferry, except for proceeds that are required to be used for an eligible purpose under 23 U.S.C."

[1:09:29 PM](#)

CHAIR STUTES objected, for the purpose of discussion.

[1:09:36 PM](#)

REPRESENTATIVE DRUMMOND said Amendment 1 would ensure that any proceeds from sale, transfer or disposal of ferries would return funds to the appropriate account.

[1:10:08 PM](#)

SARA PERMAN, Staff, Representative Louise Stutes, Alaska State Legislature, on behalf of Representative Stutes, prime sponsor of HB 253, explained that Amendment 1 would add a section stating that any proceeds from the sale, transfer, or disposal of a ferry - except for those classified in Title 23, Federal Highway Administration dollars - would be returned to the Alaska Marine Highway System (AMHS) fund. Vessels built with federal dollars were not eligible to go straight to AMHS, she explained. Funds that were not able to be separated could go back to AMHS.

[1:11:10 PM](#)

REPRESENTATIVE DRUMMOND presented an example wherein a ferry that had been built with 90 percent federal funds generated \$200,000, and she asked whether \$180,000 would be returned to the federal fund.

[1:11:54 PM](#)

MS. PERMAN responded that the lifetime of a vessel was also a factor: if a vessel had lived its lifetime there may be a different calculation in terms of which funds were returned to the federal fund.

[1:14:16 PM](#)

The committee took a brief at-ease at 1:14 p.m.

[1:14:51 PM](#)

MATT MCLAREN, Business Development Manager, Alaska Marine Highway, replied that it was not simply a matter of a ship having been built with federal funds, but any federal funds used on the vessel from the date it was built through the current date, as well as improvements made using federal dollars that would be factored in, as well as how much money the state had

put into the vessel over the years. Inflation was also a factor, he said. In terms of the motor vessel (M/V) Taku, 63.9 percent was the federal portion, and 36.1 percent was determined to go to the state.

[1:15:48 PM](#)

REPRESENTATIVE CLAMAN asked whether the AMHS fund was a designated or a dedicated fund.

[1:16:19 PM](#)

ROB CARPENTER, Deputy Commissioner, Department of Transportation and Public Facilities, replied that funds are designated for AMHS, not dedicated.

[1:16:30 PM](#)

CHAIR STUTES reopened public testimony on HB 253.

[1:16:49 PM](#)

JANICE WRENTMORE, Chair, Skagway AdHoc Marine Highway Committee, testified in support of HB 253. She said she would like to learn what happens to vessels, and she offered her experience and understanding that communities that inquire almost never hear back from AMHS staff. Ms. Wrentmore remarked that AMHS does not get much from the sale of vessels. She said she thinks there should be some public scrutiny of the process and suggested the information could be provided in the form of an engineer's report, so folks could learn about the vessel's issues. She then suggested that AMHS offer [retired] vessels to Alaska communities.

[1:19:22 PM](#)

CHAIR STUTES removed her objection to the motion to adopt Amendment 1. There being no further objection, it was so ordered.

[1:19:52 PM](#)

CHAIR STUTES closed public testimony on HB 253.

[1:20:48 PM](#)

The committee took an at-ease from 1:20 p.m. to 1:21 p.m.

[1:21:14 PM](#)

REPRESENTATIVE EDGMON moved to report HB 253, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 253(TRA) was reported out of the House Transportation Standing Committee.

[1:21:34 PM](#)

The committee took an at-ease from 1:21 p.m. to 1:22 p.m.

**SB 115-MOTOR FUEL TAX; EV REG FEES**

[1:22:18 PM](#)

CHAIR STUTES announced that the final order of business would be CS FOR SENATE BILL NO. 115(FIN)(efd fld), "An Act relating to vehicle registration fees; and relating to the motor fuel tax."

[1:23:18 PM](#)

SENATOR CLICK BISHOP, Alaska State Legislature, as prime sponsor, presented CSSB 115(FIN)(efd fld). He informed the committee motor fuel tax, which accounted for 6 percent of the state's budget, had not been raised since 1970. The base excise rate for motor fuel is still \$.08 per gallon, he imparted, and marine fuel is still \$.05 per gallon. After adjusting for inflation, the motor fuel tax rate of 1970 would be the equivalent of \$.52 today. Alaska fuel tax has lost 82 percent of its purchasing power since 1970, he said. With the increase, Alaska would move from fiftieth to forty-first in the nation, he related. No proposed increases in aviation or jet fuel would be included in SB 115, he added. The revenue sources book shows that Alaska is losing between 1 and 2 percent a year in income, he said.

SENATOR BISHOP related that cars get better fuel mileage today, about 25 miles per gallon. Electric vehicles (EV) and plug-in hybrid vehicles increase "wear and tear" but do not add to revenue, he said, and a good transportation system is necessary to move goods and commerce. Approximately \$33 million in new revenue would be generated by SB 115 and would move Alaska forward on deferred road maintenance. Senator Bishop urged the passage of SB 115 for the purpose of citizens' safety on Alaska's highways.

[1:28:22 PM](#)

The committee took a brief at-ease at 1:28 p.m.

[1:28:41 PM](#)

DARWIN PETERSON, Staff, Senator Click Bishop, Alaska State Legislature, gave a PowerPoint presentation on SB 115 CSSB 115(FIN)(efd fld) [hard copy included in the committee packet], on behalf of Senator Bishop, prime sponsor. Beginning with slide 2, Mr. Peterson showed a brief primer on motor fuel tax history. In 1945, as the slide showed, motor fuel tax was levied at \$.01 per gallon. In 1970, the last increase brought it to \$.08 per gallon. In 1977 and 1994, marine fuel tax and aviation tax were raised respectively to \$.05 and \$.047 per gallon; from September 1, 2008, until August 31, 2009, a fuel tax "holiday" took place in which motor fuel tax was suspended on all types; and in 2015, House Bill 158 added a \$.0095 per gallon surcharge on motor fuel intended for spill prevention and response fund, Mr. Peterson imparted.

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REPRESENTATIVE STORY asked why CSSB 115(FIN)(efd fld) would not include an increase on marine and aviation fuel and how those types of fuel compared to other states.

[1:30:46 PM](#)

MR. PETERSON replied that an increase was proposed for marine fuel but not jet and aviation fuel. He explained there was a more competitive advantage in Alaska than in other states for jet and aviation fuel, currently ranking thirty-sixth and fortieth, respectively. Cargo flying through Ted Stevens Anchorage International Airport was quite a benefit to Alaska's economy, he explained, so the competitive advantage with jet fuel need not be jeopardized. Money generated by jet and aviation fuel is required by the Federal Aviation Administration (FAA) to be spent on airports, so there are federal requirements if those fuels were to undergo a tax increase.

[1:32:38 PM](#)

REPRESENTATIVE DRUMMOND asked whether the FAA would allow revenue to be spent on state airports or only international airports.

MR. PETERSON answered that it wasn't restricted to region; money just needed to be spent on maintenance or upkeep to airports.

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REPRESENTATIVE DRUMMOND said it had been proposed to transfer a couple of rural airports to local communities. She asked Mr. Peterson how much jet and aviation tax would be directed toward the smaller airports.

[1:33:58 PM](#)

MR. PETERSON replied there was a municipal sharing program in which revenue was shared with municipalities that owned their airports, and he estimated 60 percent went to municipalities. He added this was in statute so could be raised or lowered according to the will of the legislature.

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ROB CARPENTER, Deputy Commissioner, Department of Transportation and Public Facilities, said the FAA did require that revenue generated at an airport be spent at that airport. Ted Stevens Anchorage International Airport and Fairbanks International Airport were considered a "system," meaning revenue was shared between those two airports. All the rural airports were a system as well, so any revenue generated at a rural airport could be used for any rural airport.

[1:35:54 PM](#)

CHAIR STUTES asked how Juneau International Airport was designated.

MR. CARPENTER replied that Juneau International Airport was owned by the City & Borough of Juneau (CBJ).

[1:36:04 PM](#)

REPRESENTATIVE STORY asked whether there was any more information about rural airports which would be closing.

[1:36:33 PM](#)

MR. CARPENTER replied that there was some information regarding into which airports DOT&PF was considering divesting, and that it would be provided to the committee.

[1:36:52 PM](#)

MR. PETERSON moved on to slide 3, which showed current motor fuel tax rates and what they would be under CSSB 115(FIN)(efd fld): highway fuel and marine fuel would increase from \$.08 to \$.16 and \$.05 to \$.10, respectively; aviation fuel and jet fuel would stay the same at \$.047 and \$.032, respectively; and the off-road use refund would increase from \$.06 to \$.12. He explained the off-road refund applied to gas used in snow machines or other vehicles that did not use the public road system, and to receive the refund, receipts must be kept and sent to the Department of Revenue (DOR). The refund also applied to mines that bought fuel for machinery, he said.

[1:39:39 PM](#)

REPRESENTATIVE STORY asked whether there was a breakdown of the total revenue received from highway fuel, marine fuel, and off-road use.

MR. PETERSON replied it hadn't been broken down as such for the fiscal note, but the rough number was at \$33.8 million, approximately \$5 million of which came from the marine fuel tax and \$28.8 million from the highway tax.

[1:40:43 PM](#)

REPRESENTATIVE CLAMAN asked why, after adjusting for inflation, motor fuel tax had been set at \$.52 and whether there was any reason why CSSB 115(FIN)(efd fld) was not increasing motor fuel tax more.

MR. PETERSON replied that a previous attempt to increase by two tiers had not passed, so Senator Bishop had decided not to "bite off such a big chunk" and instead just pass something that had support.

REPRESENTATIVE CLAMAN asked whether these funds were dedicated or designated.

MR. PETERSON replied that they were designated; none of the fuel tax categories were dedicated. Designated funds were sub-funds of the general fund, he said. All highway fuel tax proceeds were deposited into the highway maintenance account, all marine fuel tax proceeds were deposited into the watercraft account, and off-road has its account meant to be used for trails.

[1:43:39 PM](#)

MR. PETERSON moved on to slide 4, regarding the impact the tax increase would have on the average Alaska consumer. The Division of Motor Vehicles (DMV) put the total number of registered cars and trucks in Alaska at 654,826, Mr. Peterson stated. The average number of miles per year per vehicle by Kelley Blue Book was estimated at 15,000. To get the average miles per gallon (mpg), the average for cars, 24.2, plus the average for trucks, 17.5, was divided, coming up with 20.85 mpg total. To reach the number of gallons of fuel used per year, 15,000 miles was divided by 20.85 mpg to come up with 719 gallons per year. The annual cost per vehicle, then, multiplying 719 gallons by \$.08 per gallon, was found to be \$57.52.

MR. PETERSON continued with slide 5, the Electric Vehicle Registration Fee. There is an additional registration fee for EVs, he imparted, because they do contribute to the need for road maintenance and are heavier than gasoline-powered vehicles due to the rechargeable batteries. About half of U.S. states charge an additional registration fee for EVs for purposes of maintenance since they do not buy gasoline, he added. The proposal is to increase fees for EVs, of which there are 600-plus in Alaska, from \$100 to \$200, as well as that of plug-in hybrid vehicles, of which there are 300-plus in Alaska, from \$100 to \$150. The revenue will be collected by the DMV and deposited into the highway maintenance fund.

[1:48:58 PM](#)

CHAIR STUTES said that as an EV owner she personally was happy to pay a fee to use the roads.

[1:49:09 PM](#)

REPRESENTATIVE STORY asked whether after eight years it would still be in effect to obtain permanent registration for EVs and plug-in hybrids.

[1:49:44 PM](#)

MR. PETERSON replied that was correct, for boroughs that participated. He added that Juneau was not a participating municipality.

REPRESENTATIVE STORY asked whether Mr. Peterson knew how the permanent registration came to be.

MR. PETERSON said that he did not, but he would research it and let the committee know.

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REPRESENTATIVE CLAMAN asked why CSSB 115(FIN)(efd fld) showed a \$100 increase in fees but the PowerPoint showed \$200.

[1:52:05 PM](#)

MR. PETERSON replied that Section 1 in SB read "in addition to other fees imposed", so the EV charge of \$100 and \$50 for plug-in hybrids was in addition to the regular registration fee, making EVs \$250 and plug-in hybrids \$150.

REPRESENTATIVE CLAMAN said folks have complained that a higher registration for EVs and hybrids created a disincentive to purchase those vehicles, and asked Mr. Peterson how he would respond to the criticism that the increased fee makes it more difficult for people to purchase vehicles that have some obvious positive advantages in terms of climate change.

MR. PETERSON reiterated EVs did provide more wear and tear because of their weight, but the sponsor had taken into consideration that EVs and plug-in hybrids were better for the environment, so that is why the increase was still lower bi-annually than those with gas tax vehicles were paying per year.

[1:56:11 PM](#)

MR. PETERSON moved on to slide 6, which compared Alaska to other states in terms of fuel tax rates. Alaska has the lowest tax rate on highway fuel and marine fuel of any state, he informed the committee. In most states, he added, the marine rate is the same as the highway rate, so Alaska is one of the few states that separates and charges a separate rate for marine fuel and highway fuel. With the passage of SB 115, Alaska would remain well below the national average in highway fuel, moving from fiftieth to forty-first, and would still have the lowest tax on marine fuel in the U.S.

MR. PETERSON showed slide 7, a graph that depicted the base excise tax beside other fees and taxes imposed by each state. He pointed out Pennsylvania, which had the second highest taxes

in the U.S. after California, even though they had no base excise tax. Showing the other fees was important for "apples to apples" comparison, he related. The chart did not include the \$.18 per gallon federal excise tax charged in every state, he added. Mr. Peterson pointed out where Alaska currently stood at the graph's far left, the lowest in the U.S. With the passage of CSSB 115(FIN)(efd fld), Alaska would move ten spaces to the right as indicated on the graph.

[1:59:18 PM](#)

CHAIR STUTES opened invited testimony on CSSB 115(FIN)(efd fld).

[1:59:39 PM](#)

DANIEL NICHOLS, American Society of Civil Engineers, informed the committee that the American Society of Civil Engineers (ASCE) was one of the oldest civil organizations in the U.S. with 150,000 members. In Alaska there are about 900 members across the state, he said, and they are politically motivated in terms of infrastructure. In 2017 the organization issued an "Alaska infrastructure report card," and Alaska's grade of C- was still higher than the national average of D+. Alaska has almost 5,600 miles of road, 60 to 70 percent of which are paved, and all of which are extremely important in terms of transporting people and goods. Funding has not increased since the report had been done in 2017, he said. It was estimated that there was about a \$22 million deficit in operation and maintenance, and ASCE had long been advocating for a fuel tax increase. In 2013 ASCE estimated that failure to invest in roads was costing American families \$3,400 per year in increased transportation costs. He related anecdotally that hitting a pothole with a sport utility vehicle cost \$500 to \$600 to repair. If that number were multiplied per number of vehicles in a family, then it would start to add up quickly.

[2:05:34 PM](#)

MR. NICHOLS related to the committee the different metrics used by DOT&PF, including a performance and economic rating system which helped identify the condition of a road through different factors on a scale from 2.5 to 4. Roads in Alaska were largely around 3.1, which was considered marginal, he said. The system had been devised in 2017, he reminded the committee, and the transportation budget had not increased since then. As Mr. Nichols pointed out, the fatalities on roads, however, had increased.

2:08:06 PM

The committee took an at-ease from 2:08 p.m. to 2:09 p.m.

2:09:02 PM

NILS ANDREASSEN, Executive Director, Alaska Municipal League (AML), spoke on the need for a healthy DOT&PF, which included communities and "everything in between communities," he related. Mr. Andreassen, referencing slide 2 of a PowerPoint presentation, entitled "Funding Transportation: Municipal Perspective," said it was understood municipalities managed about 5,500 road miles, equal to DOT&PF road miles. The municipal transportation budget, or the budget for roads, ports, harbors, and airports, was \$190 million, he said. Municipalities' annual need as it applied to roads, when looking at a \$28,000 per mile national average, was around \$154 million, and the state of Alaska's need was \$308 million, he stated. He could also point to \$2.8 billion in need when it came to projects within boroughs, he said, and \$1.9 billion in need for projects outside boroughs.

MR. ANDREASSEN continued with slide 3, which looked at specifics on ports and harbors. He pointed to a 2010 study by the Army Corps of Engineers which stated roughly \$600 million was needed. He said AML would update the figure to include coastal infrastructure needs. Mr. Andreassen provided detailed information regarding port and harbor matching grants, which are related to SB 115 directly, from 2007 to 2019: 98 of these were requested; 45 were awarded. Of the grants awarded, 30 were considered Tier I and 15 were considered Tier II. He also looked at debt reimbursement for DOT&PF projects, as provided for under House Bill 528 [passed during the Twenty-Second Alaska State Legislature]. Reimbursement stood at 16.4 million, he imparted. Regarding ferry terminals, another \$68.25 million was needed, he added.

2:12:45 PM

MR. ANDREASSEN directed the committee's attention to slide 4, which listed municipal airports: Juneau International, maintained by CBJ; Merrill Field, maintained by the municipality of Anchorage; Ketchikan International, managed by Ketchikan Gateway Borough; Kenai Municipal Airport; Kodiak Municipal Airport; and Wasilla Municipal Airport. Only a few localities had a motor fuel tax, he stated, looking at slide 5. Anchorage

was at \$.10 per gallon, and Cold Bay and Larsen Bay were at 4 and 3 percent, respectively. Whittier and Bettles were others with very minimal local taxation for motor fuel tax, he imparted. Marine fuel tax was available for appropriation to port and harbor facilities, he said. In terms of airports the state did share 60 percent with municipalities that owned or managed airports. These were Akutan, Anchorage, Craig, Delta Junction, Egegik, Haines, Juneau, Kake, Kenai, Klawock, Ketchikan, Kodiak, Nenana, North Slope Borough, Palmer, Pelican, Port Alexander, Seldovia, Sitka, Soldotna, Thorne Bay, Wasilla, Whale Pass, Wrangell, and Yakutat, Mr. Andreassen shared with the committee.

[2:14:24 PM](#)

MR. ANDREASSEN said that SB 115 would improve things. Referencing slide 6, which looked at motor fuel tax, the additional \$30.5 million within DOT&PF would cover Southcoast operations, he said. It would cover General Fund (GF) funding for Central and Southcoast divisions. It would cover one-fifth of the funding necessary for road maintenance. For marine fuel, the additional \$5.7 million wouldn't go a long way and was probably insufficient considering the need. The state requested \$12.5 million and there is \$5 million budgeted. The \$5.7 million would cover just under one percent of port and harbor infrastructure needs, he related.

MR. ANDREASSEN turned to slide 7, a map published by the American Petroleum Institute, of gasoline taxes nationwide. Alaska was in the "less than \$.40 per gallon" category. The average was found to be \$.55. Slide 8 showed gasoline tax increases or reforms enacted between 2013 and 2019; Mr. Andreassen acknowledged that more recent data could be found on these. Slide 9 showed states with variable-rate gasoline taxes, in which inflation and fuel economy indexing, as well as EV and plug-in hybrid vehicle fees were taken into consideration. In many ways SB 115 mirrored nationwide trends, Mr. Andreassen imparted, although it still had a way to go in terms of fully funding infrastructure. Referencing slide 10, he added SB 115 increased Alaska's purchasing power as it applied to roads and reiterated there was a critical need for the funding and support of DOT&PF. He pointed out marine fuel tax sharing is important to local governments responsible for the entirety of Alaska's coastal infrastructure. Last, Mr. Andreassen said a portion of SB 115 should be reserved for community infrastructure needs.

[2:18:43 PM](#)

REPRESENTATIVE EDGMON pointed out the last state to institute income tax was Connecticut, and most states have had sales tax in place for many years. He offered Mr. Andreassen the opportunity to comment why this was not the case with gasoline tax.

MR. ANDREASSEN replied that the taxes are considered user fees, so for a nation that has huge infrastructure gaps states could make a pretty strong argument for increasing a tax such as this and directing it toward improved living conditions.

REPRESENTATIVE EDGMON clarified a point Mr. Andreassen made on slide 5 that state fuel tax went to GF for DOT&PF.

[2:21:25 PM](#)

REPRESENTATIVE CLAMAN said that SB 115 would add \$70 million in state revenue and that may not pay the capital match to meet the federal fund. In the future there would need to be an even bigger federal match. He asked whether the legislature should consider a slightly higher fuel rate that would provide a greater chance of meeting the federal match fund-wise.

[2:23:22 PM](#)

MR. ANDREASSEN asked whether the match to which Representative Claman referred was capital needs versus operations.

REPRESENTATIVE CLAMAN replied that the question was still how much was being contributed to transportation. If the federal funds increased, he stated, the amount needed to make the match would increase.

MR. ANDREASSEN agreed with Representative Claman and said AML's potential to increase the funding source during a period of fiscal crisis should be considered. Whether for infrastructure or operations, there was a deficit and a challenge, he said. It would work better for AML members to support an increase beyond what was proposed if some of the increase came back to local governments, which might in turn supply a local match for some of the same projects.

[2:25:10 PM](#)

FRANCIS LEACH, Executive Director, United Fishermen of Alaska, representing 36 commercial fishing groups in Alaska, testified

regarding the marine fuel tax in SB 115. United Fishermen of Alaska (UFA) understood that the tax was necessary to maintain infrastructure and that it had not been raised in some time, but UFA has faced numerous additional expenses over the past few years, Ms. Leach stated, and a tax increase would be at a detriment to commercial fishermen. Kodiak saw a 25 percent increase in solid waste collection and disposal fees in both 2016 and 2017, she offered. In 2018 there was an increase in the sales tax cap from \$750 to \$3000, or 300 percent, on groceries and fuel.

MS. LEACH said the City of Kodiak increased harbor fees by 18.5 percent starting in July of 2017 and 2.8 percent annually after that; this was the trend all over Alaska ports and was hitting boaters hard. She stated that Chinese tariffs were also hurting fishermen: as of January 2020, 37 to 42 percent tariffs on seafood into China and "tariff on, tariff off again" policy was forcing down prices overall. With the drop of fish prices, the pink salmon disaster, lack of Pacific cod fisheries, rise in fuel costs, continued trade tensions between the European Union over World Trade Organization trade disputes, and the novel Coronavirus threatening to further impact tourism, Ms. Leach said that SB 115 could harm the commercial fishing industry, which in 2017 paid \$172,000,000 in taxes.

MS. LEACH mentioned that it was not only commercial fishermen who would be adversely affected but all boat and watercraft users, especially those who catered to tourism. She asked the committee to consider relief under SB 115 for boat and watercraft users.

[2:29:18 PM](#)

CHAIR STUTES announced that CSSB 115(FIN) (efd fld) would be held over.

[2:30:12 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:30 p.m.