

SENATE FINANCE COMMITTEE
February 3, 2020
9:00 a.m.

9:00:29 AM

CALL TO ORDER

Co-Chair von Imhof called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Donny Olson
Senator Bill Wielechowski

MEMBERS ABSENT

Senator Lyman Hoffman
Senator David Wilson

ALSO PRESENT

Senator Cathy Giessel; Darwin Peterson, Staff, Senator Click Bishop; Nils Andreassen, Alaska Municipal Legal, Juneau; Mary Siroky, Deputy Commissioner, Department of Transportation and Public Facilities, Juneau.

PRESENT VIA TELECONFERENCE

Joe Michel, Alaska Trucking Association, Anchorage; Alicia Siira, Executive Director, Associative General Contractors of Alaska, Anchorage; Mike Coons, Self, Palmer; Cris Eichenlaub, Self, Eagle River; Patrick Mulligan, Petro Marine Services, Anchorage; Herman Morgan, Self, Aniak; David Neef, Self, Anchorage; Vikki Kennedy, Self, Juneau; Clark Milne, Self, Fairbanks; Bert Houghtaling, Self, Big Lake; Sheila Schatz, Self, Wasilla; Adam Hykes, Self, Homer; Wes Humbyrd, Self, Homer; Colleen Bagot, Self, Palmer; Brandon Spanos, Deputy Director, Tax Division, Department of Revenue, Anchorage.

SUMMARY

SB 115 MOTOR FUEL TAX

SB 115 was HEARD and HELD in committee for further consideration.

#sb115

SENATE BILL NO. 115

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

9:02:18 AM

SENATOR CLICK BISHOP, SPONSOR, presented the legislation. He stated that the bill would increase the motor fuel tax by \$0.80. He commented that he had supported a motor fuel tax for several years at various iterations. He remarked that there was a growing use of hybrid and electric vehicles, so the fuel revenue was continuing to trend downward. He noted that five maintenance stations had recently closed in his district. He remarked that only two other states would have a lower fuel tax than Alaska, should the bill pass: Maine and Vermont. He remarked that the administration in the year prior had wanted an \$800,000 increment for Maintenance and Operations in the Department of Transportation and Public Facilities (DOT/PF) budget. He felt the reason for the request was because the motor fuel tax receipts were trending downward. He stated that the request of the governor did not move forward, but there was another maintenance closure in the meantime. He understood that there would be a Constitutional amendment to ensure that the tax was used for maintenance. He referenced the Revenue Sources Book, which stated that remaining motor fuel tax revenue was considered designated funds. He remarked that it would be a meaningful step toward the ability to maintain the roads. He stressed that safety should always be the most important consideration, and felt that DOT/PF should not always have the burden in deciding which roads would get attention. He recalled that he had attended a meeting in Fairbanks with the Alaska Truckers Association, and noted that there was such an expensive year to repair the trucks travelling to Prudhoe Bay. He stated that, in 1970, the motor fuel tax attributed 6 percent of the operating budget. He did not know what the math would attribute to in modern times, but he felt that it would be at much lower current percentage.

Co-Chair von Imhof acknowledged Senator Giessel in the meeting.

[9:08:03 AM](#)

DARWIN PETERSON, STAFF, SENATOR CLICK BISHOP, discussed the presentation, "Senate Bill 115; Motor Fuel Tax; Senator Click Bishop; February 3, 2020; Senate Finance Committee" (copy on file). He looked at slide 2, "Motor Fuel Tax History":

1945 - Alaska's first motor fuel tax levied at \$.01/gallon

1970 -Motor fuel tax was increased to \$.08/gallon

1977 -Marine fuel tax was increased to \$.05/gallon

1994 - Aviation fuel tax was increased to \$.047/gallon
Sept. 1, 2008 - Aug. 31, 2009 -Motor fuel tax suspended on all fuel types

2015 - HB 158 added a \$.0095/gallon surcharge on motor fuel intended for spill prevention and response fund

Mr. Peterson explained that in 1970, 8 cents a gallon was considered very typical compared to other states. He stated that, since then, every other state had gradually increased its motor fuel tax rates to keep pace with inflation.

[9:09:59 AM](#)

Mr. Peterson highlighted slide 3, "Motor Fuel Tax Rates (cents/gallon)":

Highway Fuel

Current: \$.08; SB 115 (proposed): \$.16

Marine Fuel

Current: \$.05; SB 115 (proposed): \$.10

Aviation Fuel

Current: \$.047; SB 115 (proposed): \$.047

Jet Fuel

Current: \$.032; SB 115 (proposed): \$.032

Off-Road Use Refund

Current: \$.06; SB 115 (proposed): \$.12

Co-Chair Stedman wondered how many people applied for the refunds, and the bureaucratic costs of the overhead.

Mr. Peterson agreed to provide that information.

Co-Chair von Imhof noted she requested a bar graph of all 50 states to show how Alaska compared to other states. She noted that the jet fuel was remaining constant, and reiterated the comments regarding maintaining competitiveness in Alaska. She stressed the importance of keeping Alaska competitive. She noted the "uplift charge", which was unique in Alaska, which increased the cost of the jet fuel taxes that went toward the local jurisdictions.

[9:14:24 AM](#)

Senator Wielechowski noted that Anchorage had a gas tax, and wondered whether other states had local community taxes. He asked whether that changed the state's ranking against the other states.

Mr. Peterson replied that there would be a slide on the competitiveness. He remarked that he had intended to discuss it at that point, but agreed to currently discuss the point. He explained that there was documentation that showed each state's charge as their base tax rate for motor fuel as well as state fees combined with local taxes. He pointed out that most other states did not separate marine fuel and highway fuel, because they were taxed the same in other states. He shared that Alaska would still be the lowest in the nation for marine fuel. He shared that with highway fuel tax at 16 cents a gallon would bring Alaska to 48th in the nation, above New Jersey and Vermont. He stressed that other New Jersey and Vermont taxes and state fees were still significantly higher than Alaska. He explained that taking the local Anchorage tax into consideration would still keep Alaska very low in comparison to the other states. He felt that, taking into consideration fees and taxes in other states would still result in Alaska being the lowest in the nation.

Co-Chair von Imhof felt that a one-page table with that information would be more useful to the committee.

Co-Chair Stedman remarked on the marine fuel tax. He stated that in the decade prior, the legislature had moved of the harbor systems to the local communities. He remarked that the harbors had since been rebuilt. He questioned how the tax would be integrated back to the user group, because the harbors were under local control. He noted that the highway fuel had a target of road maintenance, but queried the need and impact on marine fuel. He stressed that the local harbors needed to create separate funds for the harbor system, and in doing so there would not be a need to request funds from the state in the future. He stated that the state would help to build the harbor, but would not provide funds to repair old infrastructure. He looked at the road maintenance portion, and felt that there should be more funds for roads. He was concerned that the net benefit would be zero. He felt that there should be an assurance that it was an additive, rather than supplementing other funds, otherwise there was not a maintenance net gain on the highways. He requested a conversation about ensuring that the tax increase the maintenance rather than supplement what is already allotted in spending.

[9:22:22 AM](#)

Senator Olson noted the off-road use for the refund, and noted the application to snowmobiles and four-wheelers. He wondered whether there was relief for those who live throughout the state without harbors or boat slips to maintain.

Mr. Peterson responded that there was no relief for marine fuel tax that was purchased in an area without harbors or boat slips. He agreed to work with Senator Olson on that issue. He explained that the off road use refund was currently in statute.

Senator Bishop furthered that the refunds could be submitted on a quarterly basis.

Mr. Peterson agreed.

Co-Chair von Imhof stated that there would be an opportunity to address the bill with clarifying information.

[9:24:34 AM](#)

Mr. Peterson addressed slide 4, "Impact on Average Alaska Consumer":

Registered Passenger Vehicles (cars and trucks only) =
654,826 (per DOT/PF)

Average Miles per Year per Vehicle = 15,000 (per
Kelley Blue Book)

Average Miles Per Gallon (24.2 (cars) + 17.5 (trucks)
/ 2) = 20.85 (per DOT/PF)

Gallons of Fuel per Year (15,000/20.85) = 719

Annual Cost per Vehicle (719 x \$.08) = \$57.52

Co-Chair Stedman understood that the state always struggled with ensuring that all the constituents received fair treatment. He noted an interest in a clearer directional change from piston-fired engines to electrical cars. He wondered how there would be fairness to ensure all vehicles were sharing the burden of maintenance. He queried the thought around ensuring that the electric cars paid their fair share, and the implementation thereof.

Mr. Peterson replied that there were many considerations of that issue, and stated that there was a draft committee substitute which would propose an increase to the registration fee for electric vehicles. He explained that many other states had an additional registration fee for electric vehicles.

[9:31:23 AM](#)

Co-Chair von Imhof wondered how much the money in registration would replace the lost fuel tax. She wanted to see the bill in the future, and wanted to hear any possible amendments from the committee members to be included in the committee substitute.

Mr. Peterson displayed slide 5, "Comparison to Other States":

Alaska has the lowest tax rate on highway fuel and marine fuel of any state (in most states, the marine rate is the same as the highway rate).

With passage of SB 115, Alaska would remain well below the national average moving from 50th to 48th with New Jersey (\$10.5 cents/gallon) and Vermont (\$12.1 cents/gallon) being lower.

Alaska currently has a more competitive ranking among other states for jet fuel (36th) and aviation fuel (40th).

Co-Chair von Imhof requested a Sectional Analysis.

Senator Wielechowski requested information about the state financial effects of the 3 cent refund for miners.

Senator Bishop wanted to see the effect on the civil heavy and highway contractors.

[9:34:51 AM](#)

Mr. Peterson discussed the Sectional Analysis (copy on file):

Sec. 1 Changes the per-gallon tax rates for qualified dealers for two categories of motor fuel: highway fuel and gasohol from \$0.08 to \$0.16; and marine fuel from \$0.05 to \$0.10.

Sec. 2 Changes the per-gallon tax rates for users for two categories of motor fuel: highway fuel and gasohol from \$0.08 to \$0.16; and marine fuel from \$0.05 to \$0.10.

Sec. 3 Changes the refund for non-road use of taxed motor fuel from \$0.06 to \$0.12 per gallon.

Sec. 4 Transition language allowing for the Department of Revenue to adopt regulations.

Sec. 5 Provides for an immediate effective date for Section 4.

Sec. 6 Provides for a July 1, 2019 effective date for all other provisions of the bill.

Senator Olson noted that the states that were included in most of the comparisons were "back east." He remarked that there were a fair amount of toll roads in that area of the

country, which was different than Alaska's road system. He wondered how those toll roads factored into the comparisons.

Senator Bishop replied that he believed that toll roads were built with private funds.

Mr. Peterson agreed to provide the research information.

Co-Chair von Imhof OPENED public testimony.

[9:39:43 AM](#)

JOE MICHEL, ALASKA TRUCKING ASSOCIATION, ANCHORAGE (via teleconference), testified in support of the legislation. He looked forward to working with the sponsor. He stated that the association has always supported a fuel tax increase, because of the wear and tear caused to his member's vehicles.

[9:41:00 AM](#)

ALICIA SIIRA, EXECUTIVE DIRECTOR, ASSOCIATIVE GENERAL CONTRACTORS OF ALASKA, ANCHORAGE (via teleconference), spoke in support of the bill. She remarked that Alaska had not increased its motor fuel tax rates since 1970. She stated that Alaska had the lowest motor fuel tax rates in the nation. The proposed increase would only slightly adjust that ranking.

[9:42:29 AM](#)

MIKE COONS, SELF, PALMER (via teleconference), spoke against the proposed the legislation. He stated that he had submitted an email detailing his opposition. He felt that there were aspects of the presentation that were laughable, particularly related to the electric and hybrid vehicles.

[9:45:17 AM](#)

CRIS EICHENLAUB, SELF, EAGLE RIVER (via teleconference), spoke in opposition to the bill. He felt that it was a way to "nickel and dime" the private sector. He noted that Alaska had the second highest fuel prices in the nation.

[9:47:31 AM](#)

PATRICK MULLIGAN, PETRO MARINE SERVICES, ANCHORAGE (via teleconference), spoke against the marine fuel tax aspect of the bill.

Co-Chair Stedman noted that Dutch Harbor was also a large fishing hub. He noted that Petro Marine Services was mostly in Southeast Alaska.

Mr. Mulligan agreed. He felt that the same dynamic in Southeast Alaska would apply to Dutch Harbor.

[9:51:19 AM](#)

HERMAN MORGAN, SELF, ANIAK (via teleconference), spoke in opposition to the bill. He stressed that gas was over \$6.00 a gallon in his community. He remarked that many people in his community were on a fixed income, so the tax increase would have a detrimental effect on them.

[9:53:56 AM](#)

DAVID NEEF, SELF, ANCHORAGE (via teleconference), remarked that there was a problem with information, and felt that the American Petroleum Institute information about all income for taxes and the impacts should be included in the presentation. He shared that he worked for the cruise lines. He felt that there should be further examination of the history of the tax.

[9:56:27 AM](#)

VIKKI KENNEDY, SELF, JUNEAU (via teleconference), opposed the legislation, because it would not be fair for the older population. She stated that a toll road could also be beneficial. She also spoke in support of an income tax.

[9:59:07 AM](#)

NILS ANDREASSEN, ALASKA MUNICIPAL LEGAL, JUNEAU, spoke in support of the legislation. He remarked that the members had voted in support of the bill. He noted that the tax had not kept pace with behavior, inflation, and increased need for maintenance. He remarked that the municipal budgets included transportation budgets that were significantly high.

[10:02:09 AM](#)

CLARK MILNE, SELF, FAIRBANKS (via teleconference), spoke in support of the bill. He shared that he was a civil engineer and had been following the information about motor fuel tax for many years. He had significant experience on the subject. He explained the difference between dedication and designation.

[10:04:51 AM](#)

BERT HOUGHTALING, SELF, BIG LAKE (via teleconference), spoke against the legislation. He stressed that, because Anchorage had increased its fuel tax, he no longer used Anchorage to purchase gas. He felt that the focus should be on opening Pebble Mine and encouraging the logging industry. He also added that other ways to open various oil rigs should be a part of the consideration.

[10:06:44 AM](#)

SHEILA SCHATZ, SELF, WASILLA (via teleconference), testified in opposition to the legislation. He stressed that there were many increases in expenses for the residents of the state, and the Permanent Fund Dividend (PFD) was experiencing continued reductions. She felt that the budget could be fixed without taxation.

[10:07:29 AM](#)

ADAM HYKES, SELF, HOMER (via teleconference), spoke against the bill. He did not believe that money could not return to the people through designated or dedicated funds. He did not support any new taxes until there was a balanced budget.

[10:08:12 AM](#)

WES HUMBYRD, SELF, HOMER (via teleconference), testified in opposition to the marine fuel tax aspect of the legislation. He had been a commercial fisherman, and did not understand how that money could be used for maintenance on the water. He remarked that there was already a 25 cent sales tax on fuel in Homer.

[10:09:01 AM](#)

COLLEEN BAGOT, SELF, PALMER (via teleconference), spoke against the bill. She remarked that there were many older people in the state who did not even use the roads. He encouraged the committee to balance the budget.

Co-Chair von Imhof CLOSED public testimony.

10:10:30 AM

MARY SIROKY, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, JUNEAU, discussed the fiscal note. She stated that the legislature appropriated all of the motor fuel tax and aviation fuel tax to DOT/PF. She explained that in the current fiscal year, DOT/PF received \$33.3 million in motor fuel tax; \$4.7 million in aviation tax; and \$3.6 million in motor fuel tax receipts for the Alaska Marine Highway. She stated that in 2020, the legislature appropriated all of the motor fuel tax to DOT/PF, however the state would not collect the motor fuel tax.

Co-Chair Stedman noted that the budgetary process had not yet begun, and encouraged the department to draft a lookback of 15 years of maintenance dollars across the state for the subcommittee. He noted that there had been a substantial increase in highway maintenance dollars ten years prior, so he wanted to see the impact of that appropriation.

Ms. Siroky agreed to provide that information. She stressed that the fiscal note would be the vehicle to getting funding into the department's budget.

Co-Chair von Imhof felt that Co-Chair Stedman's was requesting a list of priorities for deferred maintenance.

Co-Chair Stedman added that there was a similar request a few years prior, and he recalled that DOT/PF would not see an added increase on maintenance, rather it would only be a tax on the citizens. Therefore, DOT/PF's maintenance budget would remain unchanged. He felt that implementing the tax increase would result in the maintenance budget.

Senator Bishop requested that the staffing levels be included in the lookback.

10:18:31 AM

Senator Wielechowski wondered whether the administration was in support or opposition to the bill.

Ms. Siroky replied that she was available to provide information on the bill.

Senator Wielechowski wondered the governor would veto the legislation.

Ms. Siroky agreed to ask that question to the governor.

Co-Chair von Imhof wondered whether there was more information.

Ms. Siroky replied "no."

[10:19:45 AM](#)

BRANDON SPANOS, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), addressed the fiscal note. He explained that there was an anticipation of doubling in revenue for the motor fuel tax.

Co-Chair von Imhof noted the estimation of capital costs for the revenue management systems. She recalled that the governor added \$1.7 million in UGF in the operating budget for the tax revenue management system, which would be added to the base budget. She wondered whether the extra \$50,000 would be needed if the \$1.7 million was also added to the base budget.

Mr. Spanos replied that they would not need the additional revenue for the fund.

[10:21:55 AM](#)

Co-Chair von Imhof felt that it made sense to include the system in the budget, because the conversations about the issue were important to process.

Senator Wielechowski requested an explanation of what point the tax was captured.

Mr. Spanos wondered whether the question was about where the tax was paid.

Senator Wielechowski replied in the affirmative. He further explained that he wanted to know who would be directly taxed.

Mr. Spanos replied that the distributor was taxed.

Senator Wielechowski recalled testimony related to a company who was shipping gas to themselves. He wondered whether that person would be considered a distributor.

Mr. Spanos replied that there were some allowances in the regulation for someone who was buying gas for a tax-off purpose.

Senator Wielechowski queried the types of fuel exempt purposes, and an estimate of how much was used for exempt purposes.

Mr. Spanos replied that it was not reported from the distributors for their tax-off sales. He stated that the information could be found during an audit. He remarked that there were some estimates that had been included in some past legislation. He stated that some exemptions were for heating fuel; federal, state, and government use; foreign fuel used in foreign flights; fuel used in exports; charitable institutions; and fuel transferred between qualified dealers.

Co-Chair von Imhof requested the previous information about the estimate. She wondered whether the ferry pay the marine fuel tax.

Mr. Spanos replied that he did not know, and agreed to provide that information.

Ms. Siroky stated that the state ferry was exempt from that tax.

[10:27:37 AM](#)

Co-Chair Stedman requested an analysis of Department of Transportation and Public Facilities (DOT/PF) by region.

Co-Chair von Imhof requested that amendments and concerns be submitted to her office as soon as possible. She discussed the following day's agenda.

SB 115 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

10:29:28 AM

The meeting was adjourned at 10:29 a.m.