

SENATE FINANCE COMMITTEE  
February 21, 2020  
9:02 a.m.

9:02:32 AM

CALL TO ORDER

Co-Chair von Imhof called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Darwin Peterson, Staff to Senator Bishop; Mary Siroky, Deputy Commissioner, Department of Transportation and Public Facilities; Brandon Spanos, Deputy Director, Tax Division, Department of Revenue.

PRESENT VIA TELECONFERENCE

Joanne Olsen, Interim Director, Division of Motor Vehicles, Department of Administration.

SUMMARY

SB 115      MOTOR FUEL TAX

CSSB 115(FIN) was REPORTED out of committee with three "do pass" recommendations, three "no recommendation" recommendations, one "do not pass" recommendation and with two new fiscal impact notes from the Department of Revenue and the Department of Administration and one new zero

note from the Department of Transportation and Public Facilities.

#sb115

SENATE BILL NO. 115

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

[9:03:00 AM](#)

Co-Chair von Imhof explained that the committee had heard the bill on February 3rd, 2020; and had taken public testimony and reviewed the fiscal notes. There was a committee substitute (CS) for the committee's consideration.

DARWIN PETERSON, STAFF TO SENATOR BISHOP, addressed the presentation "Senate Bill 115 - Motor Fuel Tax" (copy on file). He stated he would highlight the changes in the CS.

Mr. Peterson advanced to slide 5, "Electric Vehicle Registration Fee":

Electric Vehicle - a vehicle that is powered solely by an electric motor drawing current from rechargeable batteries, fuel cells or other portable sources of electrical current and manufactured primarily for use on public streets, roads and highways.

- Biennial registration fee increases from \$100 to \$200
- Collected by the Division of Motor Vehicles and deposited into the highway maintenance fund
- Approximately 600+ in Alaska

Plug-In Hybrid Vehicle - a vehicle that is capable of using gasoline, diesel fuel, or alternative fuel and is powered in part by electrical energy using a battery storage system capable of being recharged from an external source of electricity and manufactured primarily for use on public streets, roads and highways.

- Biennial registration fee increases from \$100 to \$150
- Collected by the Division of Motor Vehicles and deposited into the highway maintenance fund

- Approximately 300+ in Alaska

Mr. Peterson noted that in previous testimony he had estimated that there were 28,000 electric vehicles and hybrids in the state. The number had come from the Division of Motor Vehicles (DMV) the previous year. After his testimony he had learned from utilities companies that had hired consultants to determine the number of vehicles and the number from DMV had been hugely exaggerated due to a lack of specificity in reporting. The numbers on slide 5 had come from Chugach Electric, which had hired a private consultant. The fiscal note from the Department of Administration, DMV had estimated there were 675 electric vehicles in the state.

[9:07:15 AM](#)

Mr. Peterson continued to address slide 5. In total, there were about 1,000 vehicles for the additional registration fee, which would generate a total of just under \$100,000. He thought the number of vehicles that qualified would only increase in the future. He noted that there had been a letter submitted to the committee by the Juneau Electric Vehicle Association (copy on file). The letter expressed support for the legislation and found that the proposed fees were "fair" since the plug-in hybrid and electrical vehicle users would not be contributing through a fuel tax.

[9:09:10 AM](#)

Mr. Peterson referenced slide 6, "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 41st in comparison to other states.

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

[9:09:50 AM](#)

Mr. Peterson showed slide 7, "State Motor Fuels Tax Comparison," which showed a bar graph with data from the American Petroleum Institute. He noted that there was a larger copy of the bar graph in members' packets. The bar graph showed what taxes were collected for motor fuel in all states; including base excise taxes, other fees imposed by the state, and local taxes. He summarized that on the graph, with the change in SB 117, Alaska would rank 41st for total taxes collected.

Mr. Peterson continued to address the bar graph on slide 7. He noted that the orange portion of the bars showed other fees and taxes but did not include the 18.4 cents per gallon federal excise tax in all states. He noted that Alaska's current tax rate was shown on the far left. The amount included the base tax plus the .95 cent per gallon refined fuel surcharge. The other taxes in orange for Alaska included a 1.1 percent weighted average sales tax for all cities and boroughs. With the passage of SB 115, Alaska would rank 41 out of 50.

Mr. Peterson explained that Section 1 of the CS had a definition of electric and plug-in hybrid vehicles. Additionally, the section had set a \$100 biannual registration fee for electric vehicles and a \$50 fee for hybrids. The section also clarified that the additional funds would be deposited into the special highway account. He addressed Section 2 of the bill, which was conforming language. Currently in state law there was special individual traction permit, which anyone could apply for, which would allow for a person to use chains or studs beyond the allowable window of September 15 through May 1. Current statute charged a permit fee of one-third of the registration cost. Section 2 excluded the additional registration fee if paying the one-third special individual traction permit fee.

[9:13:05 AM](#)

Senator Wilson asked if any other states were similar to Alaska in having a narrower scope for the funding.

Mr. Peterson did not know what other states did with the funding specifically. He knew many other states were charging additional registration fees for electric vehicles.

Senator Wilson asked if there were additional registration fees for automobiles that used natural gas.

Mr. Peterson stated that there was nothing in the legislation that would capture a vehicle that ran on natural gas. If there was a vehicle that ran on natural gas and electricity, it would fall under the bill.

Senator Olson could see the reason for the proposed Motor Fuels Tax, but he thought the tax could be seen as a disincentive for ecological efforts and a penalty for people trying to improve the environment.

Mr. Peterson stated that the sponsor had taken the matter under consideration and had not wanted to penalize electric vehicle owners. He had learned that electric vehicles were heavier than those with internal combustion engines, and thereby caused more wear and tear on the road. He explained that under the bill a driver of an internal combustion car would pay from \$100 to \$114 per year in gas taxes, while a driver of an electric vehicle would pay a registration of \$50 per year. He explained that the sponsor thought the amount was fair. He referenced the letter from the Juneau Electric Vehicle Association, which indicated the majority of the members agreed they should contribute something.

[9:16:52 AM](#)

Co-Chair Stedman had a couple of concerns. He wanted to see projected differences in marine fuel consumption in dollars. He suggested that if the Motor Fuels Tax was imposed and future budgets were reduced, other funds would be supplanted. He referenced general maintenance of potholes. He suggested a tax on marine fuel could fund construction of harbors. He wanted to ensure a net increase for the Department of Transportation and Public Facilities (DOT) maintenance.

Co-Chair von Imhof asked if Co-Chair Stedman had a question or had made a comment.

Co-Chair Stedman clarified that his question was about the dollars to be generated by the passage of the bill, and how to ensure there was a net increase in maintenance funds.

Senator Bishop suggested asking DOT.

[9:19:24 AM](#)

Co-Chair von Imhof addressed Co-Chair Stedman's comment, and did not think that the committee could guarantee any action of a future legislature. She thought the committee could provide intent only. She thought if the funds went to the General Fund, there was nothing the committee could do about the choices of future legislators. She asked how far the legislature could go to put the funds towards potholes.

MARY SIROKY, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, stated that DOT would take any funds directed to the agency. She recognized that DOT had done things to make the agency more efficient. She referenced the current heavy snow year and acknowledged the challenge faced by the agency. She stated that the department would spend any funds as effectively and efficiently as possible.

Co-Chair Stedman thought that a year previously, the bill was a net neutral and would not constitute an increase in the DOT budget. He asked what steps DOT would take in its budget submissions to the governor and then legislature to ensure the tax was a net increase towards badly needed maintenance.

Ms. Siroky stated that the department would take direction from the fiscal note associated with the bill when it passed. She continued that if there was no reduction in the department's General Fund funding and there was an increase in the Motor Fuel Tax receipts it received, the agency would start the next budget utilizing the numbers.

[9:22:58 AM](#)

Senator Wilson questioned how to guarantee how potholes would be repaired and maintenance stations would be reopened or extended. He questioned how DOT would utilize the funds to the best interest of the state. He commented that his district most likely had the most road miles and commuters in the state. He pondered how the Motor Fuels Tax funds would be used for his district versus other districts. He considered that the tax was a user base fee. He asked how DOT would use the fees to enhance current operations, and how would DOT guarantee that the additional funds were a new baseline.

Ms. Siroky reminded that the legislature was the appropriating body. The department could guarantee using the funds as efficiently as possible. If DOT received additional Motor Fuel Tax funds, commensurate with the unrealized Motor Fuel Taxes currently existing in the budget, the department would use the funds to reinstate items that were closed the previous year due to budget cuts. If further funds were received, the department would reopen maintenance stations, purchase additional equipment, and move maintenance positions around. She explained that DOT tried to balance maintenance funds among the three regions and acknowledged the vastly different transportation needs in the different regions of the state.

[9:26:16 AM](#)

Senator Wilson thought the previous year the legislature had funded DOT to capacity, but there had been additional decisions that had been made to reduce funds such as shutting off lights on the Glenn Highway and closing maintenance stations. He wanted to ensure that the funding was a new baseline rather than supplemental funds.

Co-Chair von Imhof referenced a presentation by the Department of Administration the previous Monday that had shown labor costs among the different negotiated contracts. She commented that there were embedded costs in every department, and DOT had a large employee count. She thought with increased labor costs, healthcare, and a cost-of-living increase; there was a risk that any additional fund from the proposed tax would be absorbed by labor without additional maintenance being addressed.

Ms. Siroky acknowledged that the department did have annually increasing costs in its budget yet did not receive the commensurate funding increase in appropriations. She recalled that the previous year, the department had communicated to the finance committees that the Motor Fuel Tax receipts that were appropriated were unrealizable in the amount of approximately \$1.2 million. She recalled that the department had requested the General Funds, and the final budget had the authority but not the dollars. The department had been forced to reduce maintenance and operation activities to spend within the funds that were received. The department had reduced lighting in a variety of areas. She noted that very few people had been affected by the lighting change.

[9:29:35 AM](#)

Senator Hoffman asked about the department's number one priority that was not funded in the governor's FY 21 budget.

Ms. Siroky stated that the department had conversations with the governor's office that ranged from a lot more funding to the funding that it had actually received. In such discussions, the department was cognizant that there were budget limitations in matching expenses with revenue. The department was always clear that it had ongoing needs for funding for maintenance and operation of ferries and highways. She did not think the department's existing needs were new to any administration.

Senator Hoffman asked if the request was for additional personnel, more equipment, or more material for potholes. He explained that members represented constituencies, and the department submitted requests to the governor that may or may not reflect the priorities of the committee. He was trying to determine the priorities of the department. He asked where the department might direct an additional \$10 million.

Ms. Siroky stated the department's first priority was safety, so it would spend additional funds on activities that would increase the safety of the travelling public. She anticipated that in the current year any additional funds would go towards increased snow removal activities that had been reduced over time. The department would put any additional funds into roads, people, and airports.

[9:32:43 AM](#)

Senator Wielechowski asked if the governor supported the bill.

Ms. Siroky stated that as with all previous administrations, the governor had never made a commitment on a bill until a final version had passed.

Senator Wielechowski asked if the governor supported the current version of the bill.

Ms. Siroky stated that the department had not asked.

Senator Wielechowski asked if Ms. Siroky thought it was important to ascertain if her boss supported the bill. He asked if Ms. Siroky supported the bill.

Ms. Siroky stated that the department had been providing Senator Bishop's office with as much information as possible.

Co-Chair Stedman noted for the public that some bills were supported by governors, and some were not. He thought it was not uncommon for any governor to support or not support legislation.

[9:34:22 AM](#)

Senator Wielechowski asked if Ms. Siroky would advise the governor that the bill was good policy and the funds would be put to good use if the bill was to pass.

Ms. Siroky noted that the department's fiscal note had been approved by the governor's office; and she thought the approval spoke to the fact that the governor's office understood how the department would spend the money if it was appropriated.

Senator Bishop mentioned that there were problems beyond potholes such as very deteriorated roads. He thought that problems started with potholes and resulted in larger problems. He emphasized that the legislature was the appropriating body.

Co-Chair Stedman MOVED to ADOPT proposed committee substitute for SB 115, Work Draft 31-LS0895\K (Nauman, 2/18/20). There being NO OBJECTION, it was so ordered.

Co-Chair von Imhof discussed the fiscal notes. She relayed that there would be no change to the new fiscal note from the Department of Revenue. She detailed that the \$50,000 in FY 21 capital costs would be zeroed out as discussed in the previous bill hearing. There was a \$1.7 million Unrestricted General Fund (UGF) increment in the operating budget for the tax revenue management system and the department verified on record that the capital funds would not be needed if the UGF funds were approved.

Co-Chair von Imhof mentioned a draft fiscal note from the Department of Administration Division of Motor Vehicles (DMV).

[9:37:31 AM](#)

AT EASE

[9:40:28 AM](#)

RECONVENED

Co-Chair von Imhof relayed that the director of the DMV was present to address the fiscal note.

[9:41:00 AM](#)

JOANNE OLSEN, INTERIM DIRECTOR, DIVISION OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION (via teleconference), explained that the division did not track fuel sources and had to do research to determine the number of electric vehicles. The division had come up with a number for electric vehicles of 675; but by looking at the make and model a variance was observed. She estimated that 10 percent of the quantity denoted plug-in hybrid vehicles; and noted that there was a discrepancy between the division's report and that of the Department of Revenue.

Co-Chair von Imhof remarked on a \$59.9 thousand dollars change in General Fund revenues shown on the fiscal note. She asked if the amount was correct or if Ms. Olsen wanted to comment on the revenue change.

Ms. Olsen explained that what she submitted for electric vehicles was correct, but the division had estimated the number for hybrid vehicles.

Co-Chair von Imhof addressed a fiscal note for the Department of Revenue, OMB Component 2476.

[9:43:05 AM](#)

BRANDON SPANOS, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, addressed the fiscal note from Department of Revenue. He relayed that the fiscal noted added \$33.8 million. He specified that there was a mistake on the fiscal note, and the funds should be Designated General Funds rather than UGF. All the funds for the four specific fuel types were deposited into a special fund within the

General Fund that were designated and may be appropriated for use at airports or on highways.

Co-Chair von Imhof thought the funds were already being designated and would continue to be used in the same way.

Co-Chair Stedman MOVED to report CSSB 115(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 115(FIN) was REPORTED out of committee with three "do pass" recommendations, three "no recommendation" recommendations, one "do not pass" recommendation and with two new fiscal impact notes from the Department of Revenue and the Department of Administration and one new zero note from the Department of Transportation and Public Facilities.

Co-Chair von Imhof discussed the agenda for the next committee meeting.

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ADJOURNMENT

9:45:11 AM

The meeting was adjourned at 9:45 a.m.