

HOUSE FINANCE COMMITTEE
May 7, 2021
9:03 a.m.

9:03:22 AM

CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Kelly Merrick, Co-Chair
Representative Dan Ortiz, Vice-Chair
Representative Ben Carpenter
Representative Bryce Edgmon
Representative DeLena Johnson
Representative Andy Josephson
Representative Bart LeBon
Representative Sara Rasmussen
Representative Steve Thompson
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Representative Andy Josephson, Sponsor; Nathaniel Grabman, Staff, Representative Andy Josephson.

PRESENT VIA TELECONFERENCE

Andy Mills, Legislative Liaison, Department of Transportation and Public Facilities; Dom Pannone, Administrative Services Director, Department of Transportation and Public Facilities, Office of Management and Budget, Office of the Governor.

SUMMARY

HB 104 MOTOR FUEL TAX; VEHICLE REG. FEE

HB 104 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the meeting agenda.

#hb104

HOUSE BILL NO. 104

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

9:03:43 AM

REPRESENTATIVE ANDY JOSEPHSON, SPONSOR, thanked the committee for hearing the bill. He believed the bill was good and well overdue. He began by providing a historical picture of the tax that was implemented in 1970. He discussed that 1970 had been the middle of the Vietnam War and the U.S. still had 335,000 troops in Vietnam. He stressed that the tax rate was 51 years old. He shared that his father had been in the state Senate when the tax had passed. He noted that the Parks Highway had not existed at the time, meaning it had been necessary to use the Richardson Highway to drive from Anchorage to Fairbanks. He underscored that the state was hurting itself by not increasing the tax. He explained that it was no longer possible to maintain the state's roads with existing revenue. The bill would increase revenue by approximately \$33 million.

Representative Josephson reported that the additional revenue would not cover all of the maintenance and operations needs. He added that maintenance and operations could not be funded directly with federal revenue; the costs had to be covered by the state exclusively. He highlighted that doubling the tax meant the state would come much closer to caring for its roads in a way that would help commerce in all facets. He relayed that former Department of Transportation and Public Facilities (DOT) commissioner Marc Luiken had stated that there would be a benefit to construction, tourism, fishing, oil and gas, logistics, shipping of goods and groceries, and all transportation related activities.

Representative Josephson explained that the bill would double the annual tax of about \$57 for an average car to

around \$120. He noted that the more urban the driving, the less a person would move off of the \$57 mean. He remarked that for Mat-Su, the cost would be closer to an additional full \$57 or more; however, the drivers would benefit during the commute to Anchorage. He stressed that the tax had lost 85 percent of its spending power since its inception 51 years earlier. He pointed out that DOT was asked to do more and more with less and less. He elaborated that cars were traveling three times as many miles as they had in 1970 due to an increased number of people, cars, and the construction of the Parks Highway. Additionally, cars could drive an increased number of miles on less gasoline. Consequently, there was less tax revenue from the gasoline tax.

Representative Josephson discussed that some of the extra mileage had been solved by charging electric vehicles (EV) and EV hybrids a biennial fee because they were not paying the same gasoline as others, yet their vehicles impacted the roads just like a regular combustion engine. He highlighted that DOT had \$264 million in deferred maintenance. He expounded that the bill would slowly whittle down the number. He detailed that the bill was supported by interests in the state that wanted to make the wheels of the economy turn including the Fairbanks Chamber of Commerce and the Alaska Trucking Association (ATA). He noted that ATA wanted to ensure the funds would go to maintenance and operations, which would largely happen. The bill was supported by the Alaska General Contractors and major engineering firms such as DOWL and HDR. He stated that people saw the tax increase as a need. He believed the increase was long overdue.

Representative Josephson explained that the bill would also increase a surcharge by 55 hundredths of a penny to make the Spill Prevention and Response (SPAR) account more sustainable. He detailed that the upcoming presentation would show the account was dropping off. He stressed that the account needed to be sustainable. He emphasized that there were 2,400 contaminated sites in Alaska. He underscored that the morale in the SPAR Division was suffering. Additionally, the bill would help stop the closure of maintenance stations like Silver Tip. He noted there was a press release in late 2018 specifying that the Silver Tip maintenance station closure was triggered by lower than expected revenue from motor fuel tax.

9:09:39 AM

Representative Josephson believed that even constituents who did not want to pay an average of \$57 more per year, would see their safety improved. He believed the bill was beyond due. He asked his staff to provide a presentation.

NATHANIAL GRABMAN, STAFF, REPRESENTATIVE ANDY JOSEPHSON, introduced himself. He relayed that the bill was identical to SB 115 that had passed out of the committee the previous year. He provided a PowerPoint presentation titled "House Bill 104 Motor Fuel Tax," dated May 6, 2021 (copy on file). He began with slide 2 and addressed the motor fuel tax history. He detailed that the motor fuel tax had started prior to statehood. The tax had started in 1945 at 1 cent per gallon and had been increased to 8 cents per gallon in 1970. He elaborated that seven years later, the marine fuel tax had increased to 5 cents per gallon. The most recent change had been in 2015 when a \$0.0095 per gallon surcharge had been added on motor fuel intended to maintain the solvency of the SPAR account.

9:11:29 AM

Mr. Grabman turned to slide 3 and reviewed existing motor fuel tax rates and the increases that would take place under the bill. He relayed that the motor fuel and marine fuel taxes would double, aviation and jet fuel taxes would remain the same, the refined fuel surcharge would increase from \$0.0095 to \$0.015 per gallon, the off-road use refund would increase from \$0.06 to \$0.12, and the Commercial Fisheries Entry Commission (CFEC) permittee refund would increase from \$0.00 to \$0.05 for commercial fishing vessels.

Mr. Grabman moved to slide 4 and addressed how the bill would impact the average Alaskan driver. He stated that based on information from the Federal Highway Administration on average mileage driven and average miles per gallon, there would be an estimated cost increase [for consumers] of about \$40 per year. He added that the average increase of \$57 per year mentioned by Representative Josephson was based on data from previous years. He relayed that the motor fuel tax aimed to charge consumers more for the upkeep of roads and highways. He stated that with the

advent of increasing numbers of electric vehicles and plug-in hybrids, the relationship had become somewhat strained.

Mr. Grabman moved to slide 5 and addressed an electric vehicle registration fee. The bill would increase the biennial registration fee from \$100 to \$200 for electric vehicles and vehicles using alternative fuels not subject to the tax. Additionally, the bill included a biennial registration fee increase for plug-in hybrids [from \$100 to \$150]. He explained that for gasoline powered vehicles the bill would cost a user an additional \$40 per year. He elaborated that because electric vehicles did not pay for motor fuel, the bill would increase the electric vehicle registration fee by about \$50 per year.

[9:14:12 AM](#)

Mr. Grabman advanced to slide 6 and gave a comparison to other states. He reported that Alaska had the lowest tax rate on highway fuel and marine fuel of any state. He expounded that under the legislation, Alaska would remain well below the national average, moving from 50th to 43rd in highway fuel tax. He added that the state would remain last in marine fuel taxes.

Representative LeBon asked about the electric vehicle renewal registration fee on slide 5. He understood the reason for increasing the fee from \$100 to \$200 biennially. He stated that the registration fee went into a designated account. He asked if the funds were directed to road maintenance. Alternatively, he asked if it was up to the legislature to allocate the funds to road maintenance.

Mr. Grabman replied that the increase in collected fees would go into the Special Highway Fuel Tax Account, which would be utilized similarly to the motor fuel tax revenue.

Representative Wool asked whether other states had marine fuel tax exemptions.

Mr. Grabman answered that there were a few states [with marine fuel tax exemptions] but Alaska was in the minority.

Representative Wool stated that his office had been unable to find another state with a marine fuel exemption. He was curious to learn which states had an exemption.

Mr. Grabman would follow up on the question. He moved to a graph on slide 8 showing the reduction in real value of Alaska's motor fuel tax from 1970 to 2021. He detailed that the state's motor fuel tax had been \$0.08 per gallon since 1970. He explained that if the tax had increased with the Consumer Price Index, the average cost of a gallon of gas, or per capita income in Alaska, the amount would be multiple times its current rate. He pointed to the static magenta line on the graph showing the \$0.08 per gallon tax over time. He noted that other lines on the graph showed what the tax would have looked like if it aligned with the aforementioned values. He noted that if the tax aligned with any of the mentioned values it would be over \$0.50 per gallon. He added that the bill would increase the motor fuel tax from \$0.08 to \$0.16 per gallon.

Mr. Grabman turned to slide 9 and showed a graph of motor fuel tax by state. He pointed out that Alaska was currently at the far left of the chart. He detailed that the blue portion of the bars represented state excise tax - Alaska's was \$0.08 per gallon - and the orange represented other taxes and fees such as Alaska's refined fuel surcharge and local sales taxes. He relayed that under the legislation, Alaska would move slightly to the right between Colorado and Washington D.C.; Alaska would still fall far on the left of the average taxes.

[9:18:07 AM](#)

Mr. Grabman moved to slide 10 and reported that the bill would increase annual revenue by approximately \$30 million per year. The bill was anticipated to generate around \$30 million per year in highway fuels. He reported that marine fuels would bring in between \$5.4 million and \$5.7 million, with some decrease due to the commercial fishing refund. The refined fuel surcharge would bring in approximately \$3.5 million. Additionally, the change in the alternative fuel vehicle registration fee would bring in about \$87,000 annually, assuming the number of alternative fuel vehicles remained constant. He noted it appeared the number of alternative fuel vehicles was increasing over time.

Mr. Grabman addressed the current impact of low rates on slide 11. He believed the information on the slide came from one of the bill's fiscal notes. He stated there were many things additional revenues could be used for. He highlighted a substantial deferred maintenance backlog at

DOT that a portion of the increased revenues could be used for.

Mr. Grabman advanced to a chart on slide 12 showing that without additional revenue, the SPAR fund (used to address spills around the state) faced insolvency. He explained that the increase to the refined fuel surcharge from \$0.0095 to \$0.015 aimed to prevent insolvency in the account.

[9:19:49 AM](#)

Representative Johnson referenced the marine "carve-out" provision. She felt like "we give into all of these complicated things in Alaska" due to the desire to carve out various things. She observed that people towed their boats on the highways. She pointed out that spill response was more expensive for marine spills.

Representative Josephson agreed that cleaning up spills in the water was more expensive than cleaning up spills on land. He reported that in 2015 Senator Peter Micciche and former Representative Cathy Munoz worked together to pass the first surcharge for SPAR of just under a penny at \$0.0095. He detailed that the resulting revenue had been slightly under the anticipated amount because municipalities and electric cooperatives were exempted. Additionally, there was less throughput, meaning there was less tax generated. The bill added an extra half cent.

Representative Johnson thought there was an exemption for marine fuel.

Representative Josephson clarified that the bill contained an exemption for CFEC vessels (commercial fishing boats). He explained that at the end of the year, a boat owner could submit fuel receipts for marine operations and the state would reimburse them for that amount.

Representative Johnson was trying to get her mind around another carve-out. She remarked there were commercial vehicles on the road, and it did not make sense to her to carve out an exemption for commercial fishing.

Representative Josephson answered that the carve-out had been in the bill for over a year.

Representative Thompson remarked that he was not totally understanding the commercial fishing vessel carve out. He stated that the Alaska Trucking Association was commercial and was responsible for hauling everything Alaskans ate. He highlighted that the organization had not asked for an exemption and had come out in support of the increased tax in the bill. He did not understand how the fishing vessels managed to receive a carve-out. He requested more detail on the reasoning for providing an exemption for one industry.

[9:24:04 AM](#)

Representative Josephson replied that ATA did not critique the exemption for the fishing industry. He detailed that ATA's criticism rested in wanting to be certain the tax was used for its industry. He elaborated that ATA was concerned about DOT using the funds for secondary purposes such as rights of way, appurtenances, and possibly things like sidewalks. He explained that ATA wanted the funds to go solely to maintenance and operations. He reiterated that ATA had not raised the issue of concern about the commercial fishing fleet.

Representative LeBon reported that he had a concern about the exemption the previous year. He asked for verification that someone operating a sport fishing guiding business was not entitled to the 5 cent per gallon rebate.

Representative Josephson replied affirmatively.

Representative LeBon stated that it had been his issue the previous year and it would remain an issue for him going forward.

[9:25:25 AM](#)

Representative Wool thought there was a proposed 10 cent reduction for marine fuel with an additional 5 cents for CFEC vessels. He asked if there was a 15 cent combined exemption on a 16 cent tax.

Mr. Grabman replied in the negative. He clarified that the tax on marine fuel would increase from 5 cents to 10 cents per gallon. The potential rebate for CFEC permit holders would increase from nonexistent to 5 cents per gallon. He elaborated that the effective rate for marine fuel users with CFEC permits would remain the same.

Representative Wool surmised that sport fishing companies would pay 10 cents and fishermen paid 5 cents. He had been unable to find any other states with a marine exemption. He had supported Representative LeBon's amendment the previous year on the issue. He noted the off-road use exemption in the bill. He remarked that off-road users had vocalized that they did not drive on the roads and therefore should not be subject to the tax. He countered the argument with an example on property tax. He provided a scenario where a person paid property tax but did not have children in school. He explained that people without children in the school system still had to pay property tax that benefitted schools because it was good for the community. He believed the tax generated by the bill would go to the General Fund and the same amount would be diverted to DOT. He asked if it would supplement DOT's budget or replace General Fund dollars that normally went to DOT.

Representative Josephson answered that the funding may briefly touch the General Fund in a technical way; however, the funding would ultimately go to a designated subaccount to pay for maintenance and operations. The aviation tax went to aviation purposes and the marine fuel tax revenue went to harbors. He reported that the state was spending about \$130 million per year on highways maintenance and operations with \$30 million in revenue. The bill would double the revenue to \$60 million. He explained that the undesignated general fund (UGF) spend would drop, which would free up UGF to cut government or pay for other needed services. He pointed out that when the tax had been set, the average American salary was \$9,000. He highlighted that in the past eight years, 31 states had increased their motor fuel tax. He suggested the need to act in a mature fashion and recognize that the existing motor fuel tax was 51 years old.

[9:29:42 AM](#)

Representative Wool clarified that he was in full support of the tax. He remarked that in 1970 the price of gas was 36 cents, and the tax was 8 cents [shown on slide 7]. He pointed out that 22 percent of the price of fuel had been tax. He highlighted that currently gas was about \$3.00 per gallon and the tax was 8 cents. He remarked that the contrast indicated the need for an increase in the tax. He commented that he did not want to upend the bill, which he

supported. He relayed he had a problem with some of the exemptions, including the off-road exemption. He understood that mining companies did not use the roads; however, they burned gas and produced emissions (unlike electric vehicles), which he noted was not good in the big picture. Additionally, the companies made substantial money. He believed the overall tax rate to the state for fishing and mining was relatively low. He was not in favor of any of the exemptions, but he supported the bill.

Representative Edgmon relayed that he had sat through a hearing on the bill in the House Transportation Committee two years earlier and therefore had some familiarity with the topic. He noted that the bill was titled motor fuels tax, yet it was applied to highway operations and maintenance. He asked if his understanding was accurate.

Representative Josephson replied affirmatively. He detailed that the fiscal notes referred to the tax as a motor fuel tax, as did the sponsor's office and Senator Click Bishop. He agreed that most of tax revenue would go to highway maintenance and operations, with exception to the SPAR assistance.

Representative Edgmon reasoned that motor fuel tax was a moniker or phrase used to describe the bill. He remarked that the bill exempted any increases on aviation and jet fuels. He asked for verification that proceeds from the bill did not go to airports.

Representative Josephson agreed.

Representative Edgmon stated his understanding that the bill would double the marine fuel tax, but it would exempt commercial fishing boats registered with the CFEC. He asked for verification that benefits from the \$30 million increase in revenue would not necessarily benefit water bound craft.

Representative Josephson agreed it was the foundational argument for the exemption.

Representative Edgmon stated that it was possible to argue that electric vehicles, which were on the rise in Alaska, should pay their way. While at the same time, he asked whether the legislature should offer an incentive for electric vehicles similar to the exemption offered for jet

fuels. He recalled hearing that an increase in jet fuel tax would mean commensurate downturn in economic activity in terms of the number of airplanes landing in Anchorage, Fairbanks, and other airports. He wanted to flag the issue for the committee to think about moving forward on the bill.

9:33:33 AM

Representative Carpenter asked who paid the refined fuel surcharge. He asked if the surcharge was paid at the pump.

Mr. Grabman answered that the surcharge was paid by all users at the pump.

Representative Carpenter asked for verification that the off-road use for fuel was not used by DOT on roads. He asked if the fuel was delivered to a facility and only used on that specific facility.

Mr. Grabman believed the statement was true, but the [off-road use] fuel could also be purchased at a typical gas station for off-road use. For example, a person could apply for an exemption for a lawnmower at a normal gas station, but it would require filling out a form. He noted the situation was fairly atypical.

Representative Carpenter did not realize that when he drove his 4-wheeler that he did not have to pay the tax because the vehicle was used off-road. He noted that his local gas station did not advertise a separate price. He would look into the issue. He referred to the discussion about commercial fishing, sport fishing, and other businesses able to pass a tax onto the customer. He remarked that commercial truck drivers hauled for a certain cost or price to the customer, and they would pass the cost onto the customer. He highlighted that commercial fishermen had a more difficult time passing the cost onto the customer because they did not control the price of the commodity. For example, if there was an increase of \$100 per catch, it was very difficult for commercial fishermen to negotiate with the buyer of the salmon to increase their revenue. He remarked that the situation was not the same for sport fish guides who could pass the cost onto the customer. He reasoned that if the cost were too high the customer would not use the service. He could see why there may be some justification for the exemption.

[9:36:36 AM](#)

Representative Thompson asked for verification that the marine fuel tax was currently 5 cents per gallon.

Representative Josephson affirmed by nodding.

Representative Thompson remarked that the bill would increase the marine fuel from 5 cents per gallon to 10 cents per gallon. He observed that commercial fishing vessels would get a 5 cent rebate under the bill. He asked for verification that commercial fishing vessels would only pay 5 cents per gallon after the refund.

Mr. Grabman replied affirmatively.

Representative Thompson referenced the discussion about saving UGF money due to the cost of maintaining roads. He pointed out that ports and harbors maintenance cost had increased since 1970. He believed that commercial fishing vessels used the ports and harbors often, but they did not have to pay for the increased maintenance costs.

[9:38:15 AM](#)

Vice-Chair Ortiz asked if there was an analysis on the impact of the commercial fishermen vessel exemption. He stated his understanding that commercial fishermen had to collect fuel receipts for the year report how much they paid in order to get the fuel refund. He asked how much revenue would be lost due to the exemption.

Representative Josephson believed the amount was no more than \$1.5 million. He remarked that the information may be reflected in the fiscal note. He added that the amount was somewhat indeterminate because the department did not know who would bother to turn their receipts in. He believed the figure was somewhere in excess of \$1 million.

[9:39:41 AM](#)

Vice-Chair Ortiz communicated that he would not let an amendment to remove the exemption for commercial fishermen cause him to vote against the bill. He believed the state needed the revenue. However, he noted Representative Carpenter's point that commercial fishermen did not have

the power to pass on the fuel tax cost to purchasers. He added they were talking about slightly over \$1 million in credit given back to commercial fishermen to show the state's support for the industry. He remarked that recently the committee had not batted an eye about coming up with \$115 million to continue to pay oil tax credits for one year. He stressed that the state had paid over \$4 billion in oil tax credits as an exploration incentive for companies. He stated that much time was spent talking about the issues, but it was not fathomable to him that they were seriously considering the issue at hand when the legislature did not talk about the big picture of how the state was subsidizing industries.

[9:42:13 AM](#)

Representative Rasmussen remarked that Alaska had a revenue problem. She believed there was fairly broad support from Alaskans for maintaining roads and highways and building new roads and highways. She was not certain increasing the motor fuel tax was the best solution. She was curious to hear from the involved parties how a toll road or tolls on some highways would be received. She had met with the commissioner of DOT two years earlier and he had mentioned that the Seward Highway between Anchorage and Girdwood saw about 25,000 average daily vehicles in the summer and about 10,000 in the winter. She considered that a \$3.00 toll would bring in \$2.5 million per month in the summer and almost \$1 million per month in the winter. She thought user fees were appropriate for the services. She understood that the gas tax was a user fee, but she felt there was disparity between the \$87,000 in revenue that would be generated by electric vehicles and \$3.5 million generated by motor fuel vehicles. She added that urban areas were not impacted at the same level as rural areas with the motor fuel tax increase.

Representative Josephson understood the options existed. He stated that "it sort of corrects itself." For example, he agreed that an urban driver would pay less, but he pointed out that urban drivers put less pressure on the highway system. He explained that urban drivers caused less demand for maintenance and operations. He addressed the idea that the commuter to Wasilla or Girdwood would pay more. He underscored that the cost would be in the range of \$100 per year [for a commuter]. He believed a toll would be more expensive [for users] than the tax increase in the bill. He

noted it was hard to find the perfect solution. He remarked on available data indicating that Mat-Su housing costs were lower, and its revenue would be lower if residents were not commuting into Anchorage. He believed it was acceptable to move from the cheapest state tax to the seventh cheapest nationwide. He reminded committee members that the tax would be over 50 cents if it tracked inflation. Whereas under the legislation, the tax would be 16 cents compared to the national average of 28 cents. He agreed there were other ways to achieve the same result, albeit none were perfect.

[9:45:40 AM](#)

Co-Chair Merrick noted the meeting would go no longer than 10:10 a.m.

Representative Johnson highlighted her areas of concern. She considered an average commuter driving 260 days of the year from Mat-Su to Anchorage at approximately 40 miles. She remarked that the number in the example was on the low end. She amended her example to include two drivers at \$200 per year. She addressed the idea of showing support for workers and suggested including a carve-out for commuters in addition to commercial fishermen. She did not believe the cost would be only \$100 per person. She added on all of the driving people did around town as well. She shared that her family had been commuters for 34 years. She believed the cost would be closer to \$200 per person and \$400 for two people. She stated that funds would be used for water and harbor facilities, but marine use would be carved out. She addressed construction and maintenance on highways and agreed it made sense to put the funds toward that purpose. She highlighted the expense of trails and shelter construction. She shared a concern with the truckers. She stated that oil credits were not germane to the conversation. She stated that the oil tax credits had been negotiated by a different group at a different time.

Representative Johnson remarked that the bill impacted users who were workaday people. She stated that the people in her district were straight-up and willing to pay for what they used. She thought it did not appear what her constituents would be paying for was necessarily what they would be using.

Representative Josephson answered that funds for the purchase of the fuel tax by off-road vehicles would be deposited into trails, shelter construction, and maintenance. He explained there was a correlation between the taxes and the use. He paraphrased Representative Johnson's statement that her constituents were willing to pay for the cost of doing business. He countered that if that were true the tax would need to be quadrupled because then it would mean Alaskans were actually paying for the maintenance and operations on highways.

Representative Johnson stated they were talking about working people. She highlighted that the individuals were also paying federal taxes and federal money was also going into roads. She remarked that if they were talking about motorized trails that was one thing. She did not support carving out groups. She was strongly opposed to the bill concept and believed it targeted working people.

[9:50:17 AM](#)

Representative Josephson replied that no one was questioning that people were working.

Representative Carpenter did not know who put as little as 9,000 miles per year on their vehicle. He shared that his family drove 20 or 30 minutes to get to town to buy groceries. He reasoned that with daily trips far exceeded 10,000 miles per year. He stated that with two family members 9,000 miles was very easy to do. He stressed that the legislature had a constitutional requirement to not dedicate funds. He remarked that the bill would collect taxes and put them into a fund with the expectation that the money would be used for a specific purpose. He noted that while the current legislature could agree to the proposal, the next legislature may choose to do something different because the constitution had been set up to avoid dedicated funds. He thought it was necessary to be very clear to the public that how the incoming tax revenue was used would be decided annually. He underscored that funds could not be dedicated to any particular operations, maintenance, buildings, or structures and trails.

Representative LeBon thought it was necessary to ask how to pay for roads in Alaska. He provided examples such as a tax or reducing the Permanent Fund Dividend. He asked if the 5 cents from commercial fuel sales to commercial fishing

vessels go toward harbor maintenance. He asked to hear from DOT.

9:53:00 AM

ANDY MILLS, LEGISLATIVE LIAISON, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (via teleconference), replied that Ben White, the appropriate person to answer the question, was out on emergency leave. He deferred the question to a colleague.

DOM PANNONE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), answered there were three separate accounts that tax receipts went into. He detailed that DOT received funds for fuels used on the highways. He did not have any information on the water fuel tax and harbor facilities.

Representative Edgmon remarked that kicking and screaming legislators were being drawn into a conversation they had been avoiding for years. He thought the conversation would intensify in the coming years. He highlighted that taxes were imperfect in terms of how they impact user groups and people. He pointed out that someone was treated unfairly and there were claims that others were not taxed enough. He highlighted that throughout all of the legislature's discussion on taxes, one of the core arguments in terms of broad-based taxes was on the cost of administering the tax (e.g., sales tax, income tax, and the payroll tax proposed by former Governor Bill Walker). He believed the advantage of the motor fuel tax was that its administration was fairly harmless. He did not believe it was anything akin to sales or income tax that would require hundreds of new state employees.

Representative Josephson agreed and remarked that it was reflected in the fiscal notes.

Representative Wool referenced the \$130 million price tag on road maintenance. He asked about the maintenance number on ports and harbors.

9:56:05 AM

Representative Josephson deferred the question to DOT.

Mr. Pannone replied that DOT had a harbor grant program that was funded annually. The department would follow up with the answer.

Representative Wool asked what percentage of CFEC-licensed vessels were owned by out-of-state fishermen.

Representative Josephson replied that he did not know.

Representative Wool remarked he had heard that about 30 percent [of the vessels] were from out-of-state and they accounted for about 50 percent of the catch because the boats tended to be large and likely bought a lot of fuel. He remarked on the discussion that fishermen could not control the price of fish they sell. He highlighted that miners could not control the price of gold they sold either. He added that the mining industry paid a significant amount for electricity, which the industry had no control over. He stated that the price of oil at the pump fluctuated frequently. He thought the price had fluctuated by 70 or 80 cents in the past couple of months. He asked if there had been any impacts of the 10 cent fuel tax in Anchorage. He asked whether Anchorage had come to a screeching halt or if people were upset about the tax.

Representative Josephson believed the question was rhetorical. He replied in the negative. He reported that COVID-19 had slowed Anchorage, but he could not imagine what Representative Wool suggested was true.

Representative Wool referenced Representative Edgmon's comments about tax and fairness and Representative Johnson's question about driving and roads. He shared that he drove often in Fairbanks and driving 100 miles per day was not uncommon. He believed all consumers would pay at some point. He thought that when considering the issue of fairness, it would be necessary to look at other taxes on industries like fishing and mining in addition to the motor fuel taxes. He reasoned that the one lever the legislature had control over was a tax that was already in place. He pointed out that Alaska's motor fuel tax was the lowest in the nation and he reasoned that increasing it slightly would not break the bank. He stated that the proposed 8 cent increase was certainly less than the variation [in price] in a given week or month. He understood the state needed revenue. He noted the earlier mention on the idea of

toll roads, but there were not many existing toll roads in Alaska apart from the road to Whittier. He thought the bill seemed like an easy method. He reiterated his opposition to any exemptions and believed all consumers could pay 16 cents. He stated that the increase would bring in needed revenue, whether it was used on roads, ports, or airports. He understood there was a federal restriction on aviation tax. He supported the tax increase but did not support exemptions.

[10:00:42 AM](#)

Representative Josephson agreed that the bill did not touch aviation taxes. He detailed there was belief that Alaska was so prominent and successful in the area, particularly at the Anchorage airport (due to Asia and Europe traffic), the state did not want to confound or trouble the air traffic in any way. He referred to Representative Johnson's mention of federal funds. He stated his understanding that the state could not use federal dollars on highway maintenance and operations in the specific component of the budget. He referenced remarks by Representative Carpenter and stated it was true that the tax would not go to a dedicated fund; however, there were scores of designated funds. He noted there was an element of trust the legislature and the public expected. He explained that it was the reason there had not been legislative support for a proposal by the Department of Law to spend \$4 million in higher education funding on prosecutor housing and recruitment. He stated that the legislature tried mightily to honor the purpose of the designated funds, but it was true that what would happen year-to-year could not be guaranteed.

Vice-Chair Ortiz clarified that the cost for ports and harbors was largely the responsibility of local municipalities. He noted that the state's portion of the cost was not substantial. He added that fishermen paid moorage fees that went into ports and harbors.

Co-Chair Merrick apologized to the invited testifiers that the committee had run out of time. She looked forward to hearing from testifiers at a future hearing on the bill.

HB 104 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

10:03:10 AM

The meeting was adjourned at 10:03 a.m.