

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

May 12, 2022

1:33 p.m.

**MEMBERS PRESENT**

Senator Robert Myers, Chair  
Senator Peter Micciche  
Senator Jesse Kiehl

**MEMBERS ABSENT**

Senator Mike Shower, Vice Chair  
Senator Click Bishop

**COMMITTEE CALENDAR**

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 104 (FIN) AM  
"An Act relating to the refined fuel surcharge; suspending the tax on motor fuel; and providing for an effective date."

- MOVED SCS CSHB 104 (TRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 104

SHORT TITLE: REFINED FUEL SURCHARGE; SUSP MTR FUEL TAX

SPONSOR(S): REPRESENTATIVE(S) JOSEPHSON

02/19/21	(H)	READ THE FIRST TIME - REFERRALS
02/19/21	(H)	TRA, FIN
03/04/21	(H)	TRA AT 1:30 PM BARNES 124
03/04/21	(H)	Heard & Held
03/04/21	(H)	MINUTE (TRA)
03/16/21	(H)	TRA AT 1:30 PM BARNES 124
03/16/21	(H)	Moved HB 104 Out of Committee
03/16/21	(H)	MINUTE (TRA)
03/17/21	(H)	TRA RPT 3DP 3DNP 1NR
03/17/21	(H)	DP: DRUMMOND, HANNAN, SPOHNHOLZ
03/17/21	(H)	DNP: CRONK, MCKAY, MCCABE
03/17/21	(H)	NR: HOPKINS
05/07/21	(H)	FIN AT 9:00 AM ADAMS 519
05/07/21	(H)	Heard & Held
05/07/21	(H)	MINUTE (FIN)
05/11/21	(H)	FIN AT 9:00 AM ADAMS 519

05/11/21	(H)	Heard & Held
05/11/21	(H)	MINUTE(FIN)
05/18/21	(H)	FIN AT 9:00 AM ADAMS 519
05/18/21	(H)	Heard & Held
05/18/21	(H)	MINUTE(FIN)
05/19/21	(H)	FIN AT 1:30 PM ADAMS 519
05/19/21	(H)	<Bill Hearing Canceled>
03/08/22	(H)	FIN AT 9:00 AM ADAMS 519
03/08/22	(H)	Scheduled but Not Heard
03/09/22	(H)	FIN AT 1:30 PM ADAMS 519
03/09/22	(H)	Moved CSHB 104(FIN) Out of Committee
03/09/22	(H)	MINUTE(FIN)
03/14/22	(H)	FIN RPT CS(FIN) NEW TITLE 3DP 5NR
03/14/22	(H)	DP: ORTIZ, JOSEPHSON, FOSTER
03/14/22	(H)	NR: LEBON, JOHNSON, WOOL, RASMUSSEN, MERRICK
05/04/22	(H)	TRANSMITTED TO (S)
05/04/22	(H)	VERSION: CSHB 104(FIN) AM
05/05/22	(S)	READ THE FIRST TIME - REFERRALS
05/05/22	(S)	TRA, FIN
05/10/22	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)
05/10/22	(S)	-- Public Testimony --
05/12/22	(S)	TRA AT 1:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

REPRESENTATIVE ANDY JOSEPHSON  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Sponsor of HB 104.

ELISE SORUM-BIRK, Staff  
Representative Andy Josephson  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Provided a sectional analysis for HB 104 on behalf of the sponsor.

TIFFANY LARSON, Director  
Division of Spill Prevention and Response (SPAR)  
Department of Environmental Conservation (DEC)  
Fairbanks, Alaska  
**POSITION STATEMENT:** Answered questions during the discussion of HB 104.

JASON WERNER, Chief Financial Officer  
Petro Marine Services

Anchorage, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 104.

CATHY SCHLINGHEYDE, Staff

Senator Jesse Kiehl

Alaska State Legislature

Juneau, Alaska

**POSITION STATEMENT:** Answered questions on behalf of the sponsor of Amendment 1 to HB 104.

#### **ACTION NARRATIVE**

[1:33:33 PM](#)

**CHAIR ROBERT MYERS** called the Senate Transportation Standing Committee meeting to order at 1:33 p.m. Present at the call to order were Senators Kiehl, Micciche, and Chair Myers.

#### **HB 104-REFINED FUEL SURCHARGE; SUSP MTR FUEL TAX**

[1:33:56 PM](#)

CHAIR MYERS announced the consideration of CS FOR HOUSE BILL NO. 104(FIN) am "An Act relating to the refined fuel surcharge; suspending the tax on motor fuel; and providing for an effective date."

[1:34:24 PM](#)

REPRESENTATIVE ANDY JOSEPHSON, Alaska State Legislature, Juneau, Alaska, sponsor of HB 104, explained the bill's genesis. He said he introduced the bill to double the motor fuel tax, which the Alaska Trucking Association supported to provide funding for road maintenance. However, the House Finance committee deleted the tax increase and suspended the motor fuel tax until next summer, leaving a surcharge.

REPRESENTATIVE JOSEPHSON noted Senator Micciche introduced a bill to create a surcharge on the sale of wholesale refined fuels in 2015. Then-Representative Munoz introduced a companion bill, House Bill 158, which became the vehicle.

[1:36:26 PM](#)

REPRESENTATIVE JOSEPHSON paraphrased the sponsor statement for HB 104:

Sponsor Statement for CSHB 104(FIN)am Refined Fuels  
Surcharge and Motor Fuels Tax Holiday

CSHB104(FIN)am increases the exiting surcharge on refined fuels by \$.0055 per gallon bringing the total surcharge amount to a penny and a half. The current surcharge of \$.0095 was put in place in 2015. Less revenue has been actualized than was projected from this surcharge leading to a need for this increase.

The bill will allow the Spill Prevention and Response unit of Department of Environmental Conservation (DEC) to be fully funded without any UGF support and is supported by the Commissioner of DEC. This modest increase aims to keep the Oil and Hazardous Substance Release Prevention Account solvent.

The cost of this increase to the typical urban driver, per year, per car, is in the range of \$4.00. (This amount will vary depending on the user.)

The department expects to see about \$3.5 million in additional revenue through this legislation. The upstream oil industry will see no direct impact from this legislation as the surcharge is not part of the nickel per barrel TAPS throughput tax. In addition, an amendment adopted on the House floor added a provision to HB 104 suspending the tax on motor fuels for one year. The tax holiday will take effect on the first day of the month following the bill's enactment and will expire on June 30, 2022. There was language included in the amendment to ensure entities selling motor fuel would pass the saving from the tax pause onto consumers. This should equate to a decrease of 8 cents per gallon at the gas pump for Alaskans. Additionally, taxes on Marine Fuel and Aviation Fuel would also be suspended for this period.

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REPRESENTATIVE JOSEPHSON characterized this effort as cooperative since Alaskans use gas stations and experience fuel spills. The bill would provide a net benefit for urban drivers of about \$36 due to the moratorium on the motor fuel tax. He highlighted that the Alaska Oil and Gas Association supported the principle behind the bill. It will also benefit the Prince William Sound Regional Citizen's Advisory Council. He noted that he had not received any opposition to the bill.

[1:38:08 PM](#)

ELISE SORUM-BIRK, Staff, Representative Andy Josephson, Alaska State Legislature, Juneau, Alaska, paraphrased the sectional analysis for HB 104, which read:

Section 1: Amends the refined fuel surcharge in AS 43.40.005(a) from \$.0095 to \$.015 per gallon on refined fuel sold, transferred, or used in the state.

Section 2: Suspends the tax on motor fuels under AS 43.40.010(a) and (b). This suspension will take effect on the first of the month following the effective date of this section and will expire on June 30, 2023. This section also contains a provision requiring dealers to reduce fuel costs by the amount of the suspended tax.

Section 3: Transitional language that allows the Department of Revenue to adopt regulations needed to implement the tax pause.

Section 4: Provides an immediate effective date for sections 2 and 3 of the bill

Section 5: Provides an effective date of January 1, 2023, for section 1 of the bill.

[1:39:46 PM](#)

REPRESENTATIVE JOSEPHSON added the surcharge was necessary because the throughput has diminished since it was created seven years ago. At that time, Senators Micciche and Stevens noted that it would likely need to be increased. He emphasized that the department would like the surcharge to be self-funding. He indicated that the state had to dip into Undesignated General Fund (UGF) dollars this year, partly due to a dispute about how the sweep impacts the Oil and Hazardous Substance Release Prevention and Response Fund. This is designed to keep the account self-sufficient. He anticipated that the remaining balances would soon be depleted at the current rate. He stated that the DEC commissioner, Jason Brune, indicated his support for the bill.

[1:40:59 PM](#)

SENATOR MICCICHE recalled that the surcharge ranged from just under a penny to a penny and a half. At the time, some fuels were not exempt from the surcharge. He identified home heating oil as one of Alaska's most significant sources of spills. He stated that the funds are used for cleanup. He related that the industry depends on the fund to meet federal requirements. He

highlighted that industry pays its share of costs, the fund is valuable, and the surcharge needs to be increased. He thanked Representative Josephson for bringing this bill forward.

[1:42:43 PM](#)

CHAIR MYERS stated his support conceptually. He expressed concern that retailers might not pass on the surcharge to consumers and may use it to offset their costs.

REPRESENTATIVE JOSEPHSON deferred to Ms. Sorum-Birk.

MS. SORUM-BIRK directed attention to the language on page 1, lines 13-14, and page 2, line 1, which read:

During the suspension, a dealer or user of refined fuel shall reduce the cost of fuel to the final consumer by an amount equal to the amount of the tax suspended under this section.

REPRESENTATIVE JOSEPHSON pointed out that someone would need to monitor it to ensure it happened.

CHAIR MYERS indicated enforcement was always an issue.

[1:44:07 PM](#)

SENATOR MICCICHE asked for the fiscal note figures. He highlighted that these dollars were directed to road maintenance and snow removal. He wondered how the state would make up the gap.

[1:44:37 PM](#)

REPRESENTATIVE JOSEPHSON recalled that the total amount DOTPF would need for the approximately \$37 million shortfall would be derived from UGF. He was unsure how the department would meet that shortfall.

[1:45:32 PM](#)

SENATOR KIEHL asked why the refined fuel surcharge goes up. He wondered how the Oil and Hazardous Substance Release Prevention and Response Fund, funded by \$.05 per barrel, was expected to be self-supporting when highway maintenance and match for federal highway funds were not self-supporting. He suggested that the state support the Oil and Hazardous Substance Release Prevention and Response Fund in the same way it does for road maintenance and state match.

REPRESENTATIVE JOSEPHSON related his understanding Senator Kiehl was interested in why there was a difference in how the state pays for things. He offered his view that Senator Micciche and then-Representative Munoz made the case that 75-80 percent of the spills occur from Alaskans, the government, or schools. The Alaska Oil and Gas Association was funding cleanup for those. However, AOGA indicated it would no longer do so, which sounded reasonable. He stated that that is what the legislature is trying to supplement. He highlighted that DEC doesn't have a lot of UGF dollars. The legislature has funded highway maintenance with tax revenue, but it was the will of the House that the Motor Fuel Tax was suspended for a year. He offered his belief that the administration supports the moratorium, which is being imposed by other states. He remarked that gas prices are high.

[1:47:45 PM](#)

SENATOR KIEHL stated that individuals damage guardrails during crashes, and studded tires adversely impact highways. He highlighted that AOGA and investment accounts pay for some of these costs.

[1:48:44 PM](#)

MS. SORUM-BIRK noted that it was also due to a statutory imperative. She referred to a statement of legislative intent in AS 46.08.030, which read:

It is the intent of the legislature and declared to be the public policy of the state that funds for the abatement of a release of oil or a hazardous substance will always be available.

MS. SORUM-BIRK emphasized the importance of always having funds available for spill prevention and response.

[1:49:31 PM](#)

REPRESENTATIVE JOSEPHSON noted that AS 29.60.500 has similar language related to the importance of the Oil and Hazardous Substance Municipal Program, which read, in part:

- (a) The legislature finds and declares that a major release of oil or hazardous substances into the environment presents a real and substantial threat to the economy and public welfare of the municipalities, villages, and school districts that are affected by the release and the resultant activities to contain and clean up the release.

- (b) The legislature concludes that it is in the best interest of the state and its citizens to provide a readily available fund for the payment of the expenses incurred by municipalities, villages, and school districts to mitigate the social and economic effects that arise out of a major release of oil or hazardous substances and resultant cleanup activities.

[1:49:51 PM](#)

SENATOR MICCICHE asked whether someone from the Department of Environmental Conservation (DEC), Division of Spill Prevention and Response (SPAR) could speak to the elements of the program. He recalled that SPAR provides education and prevention as well as spill response. He recalled that the legislature previously recognized significant industry investment, including funding for the Prince William Sound Regional Citizens' Advisory Council, dues, and infrastructure. The legislature determined that other users should be responsible for their impacts. He stated that then-Representative Munoz's bill, created the first tax increase in 40 years. He noted he had introduced the companion bill in the Senate, which had not passed.

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REPRESENTATIVE JOSEPHSON echoed Senator Micciche's comments. He recalled his testimony in March 2015 indicating that \$175 million was spent annually by the oil industry on spill prevention and response and related cleanup activities, in addition to \$500 million in response assets. He reiterated that 75-80 percent of spills were from Alaskans. He offered his view that allocating each user group's share was fundamentally impractical. However, the state needs the source of funds to respond to spills discovered when someone dies, leaving behind a leaking fuel tank.

[1:52:52 PM](#)

CHAIR MYERS deferred to DEC to respond.

SENATOR MICCICHE said it would be helpful for the director to expand on the elements of the division's programs.

[1:53:35 PM](#)

TIFFANY LARSON, Director, Division of Spill Prevention and Response (SPAR), Department of Environmental Conservation (DEC), Fairbanks, Alaska, introduced herself.

CHAIR MYERS asked for a high-level view of activities conducted by the division.

[1:54:01 PM](#)

MS. LARSON responded that approximately 70 percent of SPAR's operating budget comes from spill prevention funding. She stated that SPAR works with the industry on ways to avoid spills and response planning when spills occur or a home-heating fuel tank leaks. She noted that staff was at Manley Hot Springs checking on vapor issues related to flooding. She highlighted that the division works extensively on preparedness plans, so it is ready to respond to specific situations. She stated that the division's Contaminated Sites program oversees the remediation of approximately 2,400 contaminated sites throughout the state. The division's Response Fund Administration program manages the funds for these programs.

[1:55:50 PM](#)

SENATOR MICCICHE asked what percentage remains of the refined-fuel underground or above-ground storage tanks.

MS. LARSON highlighted that the division has an Underground Storage Tank component in its Contaminated Site Program. She offered to provide more information to the committee.

[1:56:49 PM](#)

REPRESENTATIVE JOSEPHSON thanked the committee and indicated he had a House Finance Committee to attend.

[1:57:14 PM](#)

CHAIR MYERS opened public testimony HB 104.

[1:57:44 PM](#)

JASON WERNER, Chief Financial Officer, Petro Marine Services, Anchorage, Alaska, stated that Petro Marine Services was neutral on the current version of the bill. He directed attention to a letter dated May 5, 2022, which provided some specifics. He summarized that Petro Marine brings fuel from the Seattle area on a US-hull vessel to Skagway, then trucks it to Canada. He explained that Petro Marine Services is exempt from the excise tax but is subject to the fuel surcharge. However, if a Canadian-hull barge brought fuel from Vancouver, Canada, to Skagway and trucks it, it would be exempt from the fuel surcharge.

MR. WERNER said Petro Marine also competes against fuel brought to Whitehorse from Edmonton. He characterized it as a desire to level the playing field and not penalize a company bringing domestic fuel in on a domestic hull. He stated that the

wholesale fuel industry relates to pennies, and cost increases and exchange rates complicate the matter. He said Petro Marine would appreciate any relief the committee could provide.

CHAIR MYERS noted that Senator Micciche would be proposing an amendment later to address Mr. Werner's concern.

[1:59:55 PM](#)

CHAIR MYERS closed public testimony on HB 104.

[2:00:16 PM](#)

SENATOR KIEHL moved to adopt Amendment 1, work order 32-LS0444\I.A.1.

32-LS0444\I.A.1  
Nauman  
5/10/22

#### AMENDMENT 1

OFFERED IN THE SENATE  
TO: CSHB 104(FIN) am

BY SENATOR KIEHL

Page 1, line 1, following "Act":

Insert **"relating to vehicle registration and registration fees; relating to the motor fuel tax;"**

Page 1, following line 3:

Insert new bill sections to read:

**"\* Section 1.** AS 28.10.421 is amended by adding a new subsection to read:

(k) In addition to the other fees imposed under this section, the owner of an electric vehicle shall pay a special biennial registration fee of \$100, the owner of a vehicle powered by alternative fuel shall pay a special biennial registration fee of \$100, and the owner of a plug-in hybrid vehicle shall pay a special biennial registration fee of \$50. Fees collected under this subsection shall be deposited in the special highway fuel tax account described in AS 43.40.010(g). In this subsection,

(1) "alternative fuel" includes hydrogen and natural gas;

(2) "electric vehicle" means a vehicle that is

(A) powered solely by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electrical current; and

(B) manufactured primarily for use on public streets, roads, and highways;

(3) "plug-in hybrid vehicle" means a vehicle that is

(A) 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

(B) manufactured primarily for use on public streets, roads, and highways.

\* **Sec. 2.** AS 28.35.155(a) is amended to read:

(a) It is unlawful to operate a motor vehicle with studded tires or tires with chains attached on a paved highway or road from May 1 through September 15, inclusive, north of 60 North Latitude and from April 15 through September 30, inclusive, south of 60 North Latitude, except that at any latitude on a paved portion of the Sterling Highway a person may not operate a motor vehicle with studded tires or tires with chains attached from May 1 through September 15, inclusive. The commissioner of public safety shall by emergency order provide for additional lawful operating periods based on unusual seasonal or weather conditions. An emergency order adopted under this section is not subject to AS 44.62 (Administrative Procedure Act). Upon application, a special individual traction permit may be issued by the Department of Administration allowing the operation of a motor vehicle with studded tires or chains at any time at the discretion of the vehicle owner. The fee for the special individual permit is one-third of the biennial registration fee applicable to that class of vehicle under AS 28.10.421(b), (c), or (h) [AS 28.10.421]. The department may provide an appropriate sticker or other device identifying the vehicle to which the permit applies."

Page 1, line 4:

Delete "**Section 1**"

Insert "**Sec. 3**"

Renumber the following bill sections accordingly.

Page 1, following line 6:

Insert new bill sections to read:

\* **Sec. 4.** AS 43.40.010(a) is amended to read:

(a) In addition to the surcharge levied under AS 43.40.005, there is levied a tax of 11 [EIGHT] cents a gallon on all motor fuel sold or otherwise transferred within the state, except that

(1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

(2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon;

(3) the tax on all aviation fuel other than gasoline is three and two-tenths cents a gallon; and

(4) the tax rate on motor fuel that is blended with alcohol is the same tax rate a gallon as other motor fuel; however, in an area and during the months in which fuel containing alcohol is required to be sold, transferred, or used in an effort to attain air quality standards for carbon monoxide as required by federal or state law or regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon less than the tax on other motor fuel not described in (1) - (3) of this subsection.

\* **Sec. 5.** AS 43.40.010(a), as amended by sec. 4 of this Act, is amended to read:

(a) In addition to the surcharge levied under AS 43.40.005, there is levied a tax of 14 [11] cents a gallon on all motor fuel sold or otherwise transferred within the state, except that

(1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

(2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon;

(3) the tax on all aviation fuel other than gasoline is three and two-tenths cents a gallon; and

(4) the tax rate on motor fuel that is blended with alcohol is the same tax rate a gallon as other motor fuel; however, in an area and during the months in which fuel containing alcohol is required to be sold, transferred, or used in an effort to attain air quality standards for carbon monoxide as required by federal or state law or regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon less than the tax on other motor fuel not described in (1) - (3) of this subsection.

\* **Sec. 6.** AS 43.40.010(a), as amended by secs. 4 and 5 of this Act, is amended to read:

(a) In addition to the surcharge levied under AS 43.40.005, there is levied a tax of 16 [14] cents a gallon on all motor fuel sold or otherwise transferred within the state, except that

(1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

(2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon;

(3) the tax on all aviation fuel other than gasoline is three and two-tenths cents a gallon; and

(4) the tax rate on motor fuel that is blended with alcohol is the same tax rate a gallon as other motor fuel; however, in an area and during the months in which fuel containing alcohol is required to be sold, transferred, or used in an effort to attain air quality standards for carbon monoxide as required by federal or state law or regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon less than the tax on other motor fuel not described in (1) - (3) of this subsection.

\* **Sec. 7.** AS 43.40.010(b) is amended to read:

(b) In addition to the surcharge levied under AS 43.40.005, there is levied a tax of 11 [EIGHT] cents a gallon on all motor fuel consumed by a user, except that

(1) the tax on aviation gasoline consumed is four and seven-tenths cents a gallon;

(2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon;

(3) the tax on all aviation fuel other than gasoline is three and two-tenths cents a gallon; and

(4) the tax rate on motor fuel that is blended with alcohol is the same tax rate a gallon as other motor fuel; however, in an area and during the months in which fuel containing alcohol is required to be sold, transferred, or used in an effort to attain air quality standards for carbon monoxide as required by federal or state law or regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon less than the tax on other motor fuel not described in (1) - (3) of this subsection.

\* **Sec. 8.** AS 43.40.010(b), as amended by sec. 7 of this Act, is amended to read:

(b) In addition to the surcharge levied under AS 43.40.005, there is levied a tax of 14 [11] cents a

gallon on all motor fuel consumed by a user, except that

(1) the tax on aviation gasoline consumed is four and seven-tenths cents a gallon;

(2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon;

(3) the tax on all aviation fuel other than gasoline is three and two-tenths cents a gallon; and

(4) the tax rate on motor fuel that is blended with alcohol is the same tax rate a gallon as other motor fuel; however, in an area and during the months in which fuel containing alcohol is required to be sold, transferred, or used in an effort to attain air quality standards for carbon monoxide as required by federal or state law or regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon less than the tax on other motor fuel not described in (1) - (3) of this subsection.

\* **Sec. 9.** AS 43.40.010(b), as amended by secs. 7 and 8 of this Act, is amended to read:

(b) In addition to the surcharge levied under AS 43.40.005, there is levied a tax of 16 [14] cents a gallon on all motor fuel consumed by a user, except that

(1) the tax on aviation gasoline consumed is four and seven-tenths cents a gallon;

(2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon;

(3) the tax on all aviation fuel other than gasoline is three and two-tenths cents a gallon; and

(4) the tax rate on motor fuel that is blended with alcohol is the same tax rate a gallon as other motor fuel; however, in an area and during the months in which fuel containing alcohol is required to be sold, transferred, or used in an effort to attain air quality standards for carbon monoxide as required by federal or state law or regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon less than the tax on other motor fuel not described in (1) - (3) of this subsection.

\* **Sec. 10.** AS 43.40.030(a) is amended to read:

(a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to operate an internal combustion engine is entitled to a motor fuel tax refund of 75 percent of the tax levied under AS 43.40.010(a) or (b) [SIX CENTS A GALLON] if

(1) the tax on the motor fuel has been paid;

(2) the motor fuel is not aviation fuel, or motor fuel used in or on watercraft; and

(3) the internal combustion engine is not used in or in conjunction with a motor vehicle licensed to be operated on public ways."

Renumber the following bill sections accordingly.

Page 2, line 8:

Delete "sec. 2"

Insert "sec. 11"

Page 2, line 9:

Delete "sec. 2"

Insert "sec. 11"

Page 2, line 10:

Delete "sec. 2"

Insert "sec. 11"

Page 2, line 11:

Delete "Sections 2 and 3"

Insert "Sections 11 and 12"

Page 2, line 12:

Delete "Except as provided in sec. 4 of this Act,"

Insert "Section 1 of"

Page 2, following line 12:

Insert new bill sections to read:

**\* Sec. 15.** Sections 4 and 7 of this Act take effect July 1, 2023.

**\* Sec. 16.** Sections 5 and 8 of this Act take effect July 1, 2024.

**\* Sec. 17.** Sections 6 and 9 of this Act take effect July 1, 2025."

[2:00:19 PM](#)

CHAIR MYERS objected for discussion purposes.

[2:00:32 PM](#)

SENATOR KIEHL explained that Amendment 1 would gradually increase the motor fuel tax to 8 cents per gallon over three years. It would also impose a registration surcharge on battery

electric vehicles and plug-in hybrids so everyone would pay to maintain Alaska's highways.

[2:01:07 PM](#)

SENATOR KIEHL acknowledged that it would not bring it to the Oil and Hazardous Substance Release Prevention and Response Fund but would gradually double the motor fuel tax. He offered his belief that it would cover about two-thirds of the federal match or the highway maintenance & operation (M&O) costs for the three regions. He highlighted the conforming language related to existing permits. He summarized that Amendment 1 would increase the motor fuel tax to 11 cents in July 2023, 14 cents in July 2024, and 16 cents in July 2025.

SENATOR MICCICHE noted that he had not previously reviewed Amendment 1. He stated that he was inclined not to increase the motor fuel tax even though the bill would phase in the tax over time. Although he supported the motor fuel tax increase a few years ago, people are currently disturbed by motor fuel costs. He offered his support for the first portion of Amendment 1 because alternative fuel and electric vehicles use the highways and should pay their share of highway maintenance.

SENATOR MICCICHE asked for clarification on Section 2.

SENATOR KIEHL deferred to his staff to explain.

[2:05:07 PM](#)

CATHY SCHLINGHEYDE, Staff, Senator Jesse Kiehl, Alaska State Legislature, Juneau, Alaska, on behalf of the sponsor of Amendment 1, explained that Section 2 was conforming language. She noted there is a fee for a special individual traction permit in existing law to use studded tires or tires with chains attached when they are not in season, which is tied to the registration fee. Section 2 of Amendment 1 would require someone with an electric vehicle would pay the same special fee as someone operating a car that runs on motor fuel.

[2:05:40 PM](#)

SENATOR MICCICHE objected. He stated that he could only support part of Amendment 1 at this time.

[2:06:21 PM](#)

CHAIR MYERS noted that the trucking industry supports Amendment 1, but his constituents do not. He tended to agree that it would be unusual to pass a tax "holiday" bill and subsequently pass a tax increase.

SENATOR KIEHL indicated he would be receptive to a conceptual amendment to reinstate the motor fuel tax at the current rate of \$.08 in 2023 and begin the gradual increase in 2024.

[2:07:19 PM](#)

SENATOR MICCICHE responded that he supported Sections 1 and 2 of Amendment 1. He was unsure of the effect of the language on page 2, lines 22-24.

[2:07:55 PM](#)

CHAIR MYERS related his understanding that the language on page 2, lines 22-24 was renumbering.

SENATOR KIEHL agreed.

[2:08:09 PM](#)

SENATOR MICCICHE offered his belief that the legislature will need to increase the motor fuel tax, but this is not the right time to do so.

[2:08:32 PM](#)

SENATOR MICCICHE moved to adopt Conceptual Amendment 1 to Amendment 1 to eliminate the language in the bill after page 2, line 25.

[2:08:43 PM](#)

CHAIR MYERS objected for discussion purposes.

[2:08:59 PM](#)

SENATOR KIEHL asked for the effective date of those provisions.

SENATOR MICCICHE stated he assumed it would match the bill's effective date.

SENATOR KIEHL clarified that it has an immediate effective date for some provisions and January 1, 2023, for others.

SENATOR KIEHL indicated it was jarring to him that there would be a motor fuel tax holiday but an increase in the registration fees for non-motor fuel vehicles.

[2:10:02 PM](#)

CHAIR MYERS stated that it might depend on the region since some regions rely more on fossil fuels for their electricity. He noted that other parts of the state rely more on hydroelectric or renewable resources.

[2:11:10 PM](#)

SENATOR MICCICHE stated his willingness to have the biennial fee become effective in June 2023 when the motor fuel holiday is lifted.

SENATOR KIEHL stated that it made sense to him.

[2:11:46 PM](#)

CHAIR MYERS summarized Conceptual Amendment 1 to Amendment 1 to remove the language from page 2, line 26 to the end of the bill. The effective date of the new Sections 1 and 2 would be June 30, 2023.

SENATOR MICCICHE agreed that was the intent of Conceptual Amendment 1 to Amendment 1.

CHAIR MYERS withdrew his objection to Conceptual Amendment 1 to Amendment 1; he found no further objection, and Conceptual Amendment 1 to Amendment 1 was adopted.

[2:12:28 PM](#)

CHAIR MYERS stated that Amendment 1, as amended, was before the committee.

[2:12:34 PM](#)

SENATOR KIEHL stated that he operates an electric vehicle on the roadways. He noted the importance of having infrastructure such as guardrails in good shape.

[2:12:56 PM](#)

CHAIR MYERS withdrew his objection to Amendment 1, as amended.

SENATOR MICCICHE noted he had also objected to Amendment 1. He withdrew his objection.

2:13:11

CHAIR MYERS found no further objection, and Amendment 1, as amended, was adopted.

[2:13:31 PM](#)

SENATOR MICCICHE moved to adopt Amendment 2, work order 32-LS0444\I.A.2.

32-LS0444\I.A.2  
Nauman  
5/10/22

AMENDMENT 2

OFFERED IN THE SENATE  
TO: CSHB 104 (FIN)

Page 1, lines 4 - 6:

Delete all material and insert:

"\* **Section 1.** AS 43.40.005 is amended to read:

**Sec. 43.40.005. Refined fuel surcharge levied.**

(a) Every dealer or user of refined fuels shall pay a surcharge of \$.015 [\$.0095] a gallon on refined fuel sold, transferred, or used in the state.

(b) The following refined fuels are exempt from the surcharge imposed under this section:

(1) fuel sold to a federal or state government agency for official use;

(2) fuel consigned to a foreign country [REFINED AND USED OUTSIDE THE UNITED STATES];

(3) liquefied petroleum gas;

(4) aviation fuel;

(5) fuel sold or transferred between qualified dealers."

[2:13:35 PM](#)

CHAIR MYERS objected for discussion purposes.

[2:13:39 PM](#)

SENATOR MICCICHE explained Amendment 2. He stated that the bill worked against Alaskan and US-owned companies in favor of Canadian-owned companies. He characterized it as a fairness issue.

SENATOR MICCICHE explained that Amendment 2 would eliminate the refined fuel tax surcharge on fuel consigned to a foreign company, resulting in a fiscal note of approximately 4 to 5 percent of the annual surcharge collections. He noted that the bill would bring in \$10 million, and SPAR needs between \$8 million and \$8.5 million. He offered his belief that it would result in a surplus of \$1 million. He stated his intent to have Alaskan and US companies have a level playing field against Canada or other foreign companies.

[2:15:04 PM](#)

CHAIR MYERS indicated he held some conversations about Amendment 2. He stated that he had previously hauled fuel from North Pole to Whitehorse, Canada. He acknowledged that the fuel market had changed, so little has happened recently, but if so, that fuel would be exempt since it represents sales outside the US.

[2:15:42 PM](#)

SENATOR KIEHL asked for clarity on the revenue estimate. He asked for the amount of the added income for the first full year of implementing the surcharge.

[2:16:05 PM](#)

SENATOR MICCICHE stated that his figure included the revenue for the entire program.

[2:16:23 PM](#)

SENATOR KIEHL agreed with the need for parity and that the state's tax policy should not create competitive disadvantages. He stated that he did not object to Amendment 2.

[2:16:45 PM](#)

CHAIR MYERS removed his objection; he found no further objection, and Amendment 2 was adopted.

[2:17:08 PM](#)

SENATOR MICCICHE moved to report the committee substitute (CS) for HB 104 (FIN)am, work order 32-LS0444\I.A, as amended, from committee, with individual recommendations, attached fiscal note(s), and forthcoming revised fiscal notes.

CHAIR MYERS found no objection, and SCS CSHB 104(TRA) was reported from the Senate Transportation Standing Committee.

[2:17:45 PM](#)

At ease

[2:18:52 PM](#)

CHAIR MYERS reconvened the meeting.

[2:19:02 PM](#)

There being no further business to come before the committee, Chair Myers adjourned the Senate Transportation Standing Committee meeting at 2:19 p.m.