HB

156

HOUSE COMMITTEE REPORT

(11)

Date referred: 3/23/87

FURTHER REFERRALS:

DATE: 4/29/87

The Finance Committee has considered HB 156

"An Act increasing the motor fuel tax."

RECOMMENDS:

[X] replace with CS HB 156(Fin) [ ] the same title

[ ] attached amendment(s) [ ] a new title

[X] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] additional referral to the _____ Committee

ADOPTS: [X] Fin. letter of intent

ATTACHES NEW FISCAL NOTE(s):

(3) [X] fiscal impact

[ ] zero fiscal note

[ ] zero with analysis

[ ] same as previous fiscal note published _____

[ ] same as previous zero fiscal note published _____

SIGNING DO PASS:

ADAMS Albert G. Adams

POURCHOT Fast Pourchot

LARSON Ronald D. Larson

GOLL Peter Goll

SWACK-HAMMER C. Swackhammer

BOYER Mark Boyer

BROWN Kay Brown

DAVIS Mike Davis

SIGNING OTHER RECOMMENDATIONS:

RIEGER Steve Rieger

FRANK J. Frank NO REC.

WALLIS Fay Wallis

Albert G. Adams

Chairman's signature

HOUSE FINANCE COMMITTEE
LETTER OF INTENT
FOR
CSHB 156 (Fin)

It is the intent of the legislature in passing HB 156 that $20.5 million of the revenue generated in FY 88 by its passage be appropriated to the Department of Transportation and Public Facilities. Of this amount, $14.9 million is to be used to restore funding to the highway and aviation component within each of the Department's five maintenance districts, $5.5 million is to be used to restore funding to the Marine Highway System, and $100,000 is to be used to establish a task force to review road maintenance responsibilities and an advisory group to review operations of the marine highway. These additional monies are not to be considered one-time add-ons to the DOT/PF budget, but are to be made available for maintenance and operation and the marine highway system in all future years.

The $14.9 million is to be used to build back each maintenance district's funding in the proportion in which it has been reduced from the FY 86 Authorized level, as follows:

Central Region	$5,722,300
Interior District	$4,715,800
Western District	$ 716,500
Southcentral District	$1,791,500
Southeast Region	$1,953,900

This restoration of funds will allow the State to enhance its current level of maintenance on roads and at airports throughout the state in FY 88, and should obviate the need for transfer of road maintenance responsibilities to local governments. It is the intent of the legislature that no such transfer of maintenance responsibilities occur until the task force established to review these responsibilities has completed its work, or until mutually agreed to arrangements with individual communities are made.

The $5.5 million is to be used to reduce the times in which communities would be without marine highway service during the winter periods and to increase Southeast mainline service, and is to be allocated as follows:

Southeast System	$4,500,000
Southwest System	$ 500,000
Critical Service Losses	$ 500,000

The $100,000 is to be used to establish a task force to study road maintenance responsibilities and an advisory group to study

marine highway operations, and is to be allocated as follows:

Road Responsibility Task Force	$	81,500
Marine Highway Advisory Group	$	18,500

It is the intent of the legislature that the road responsibility task force be comprised of representatives of DOT/PF, local governments, unorganized areas, and user groups. The task force is to review the feasibility of transferring the responsibility of direct maintenance on certain routes from the state to local governments. it is the intent of the legislature that the task force examine reasonable and equitable funding sources for maintenance activities, including a review of the motor fuel tax and of the existing road service account in the state's revenue sharing program. The task force shall also study the issues of road ownership, liability, and the transfer of equipment and employees.

It is the intent of the legislature that the marine highway advisory group be comprised of representatives of DOT/PF and communities served by the marine highway system, and individuals having expertise in marine highway operations. The advisory group is to review the operation of the marine highway system, including schedules and tariffs, management, and planning and construction of facilities, for cost efficiencies and increased revenue generation capabilities.

It is the intent of the legislature that the road responsibility task force and the marine highway advisory group report their findings and recommendations to the legislature by the 10th day of the second session of the 15th Alaska State Legislature.

Al Adams

Al Adams, Chairman
House Finance Committee

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB 156 (Fin.)
Publish Date: 3/2/87

REQUEST:

Revision Date: 4/27/87
Title: An Act increasing the motor fuel tax
Sponsor: Governor
Requestor: House Finance

Agency Affected: DOT/PF
BRU: Various

Components: Various

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		8756.4	8756.4	8756.4	8756.4	8756.4
TRAVEL		167.2	137.7	137.7	137.7	137.7
CONTRACTUAL		6900.6	6831.1	6831.1	6831.1	6831.1
SUPPLIES		4167.5	4166.5	4166.5	4166.5	4166.5
EQUIPMENT		8.3	8.3	8.3	8.3	8.3
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS		500.0	500.0	500.0	500.0	500.0
TOTAL OPERATING		20500.0	20400.0	20400.0	20400.0	20400.0
CAPITAL						
REVENUE		2475.0	2475.0	2475.0	2475.0	2475.0

FUNDING: (Thousands of Dollars)

GENERAL FUND		20500.0	20400.0	20400.0	20400.0	20400.0
FEDERAL FUNDS						
OTHER						
TOTAL		20500.0	20400.0	20400.0	20400.0	20400.0

POSITIONS:

FULL-TIME		100	100	100	100	100
PART-TIME		(32)	(32)	(32)	(32)	(32)
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

See attached for detail. Except for the costs of developing the program for road maintenance it is assumed that future year costs will be equal to the FY 88 level.

Prepared by: Al Adams APA
Division: Chairman, House Finance Committee
Phone: 465-3706
Date: 4/27/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

04/24/87

House Bill 156
Analysis of Proposed Expenditure

The proposed motor fuel tax will generate $33.6 million of which approximately $20 million will result from fuel consumed on the highway system. Of the total, $20.5 million is proposed for use in the maintenance and operations of our transportation system as follows: (1) $5.5 million will be made available to the Alaska Marine Highway System (AMHS); (2) $14.9 million for the Highways and Aviation components; (3) eighty one thousand and five hundred dollars for a task force to review responsibilities and highway maintenance, and (4) eighteen thousand five hundred for an advisory group to review operation of the AMHS.

Highways and Aviation

The funding for the Highways and Aviation components would be used to bring the funding level for the five districts to approximately 85% of the FY86 general fund authorized levels, assuming acceptance of our current toll proposal for the Dalton Highway and excluding the 10% salary reduction in the Governor's Revised Budget. A review of recent funding for the Highway and Aviation Maintenance components reveals that the 1986 level was the only year in which funding approached the levels we feel are adequate for maintenance on a long-term basis. Therefore, we chose 1986 as the base year and allocated the increased funding so that each district's funding was an equal proration of the reduction from FY86 funding levels. It must be remembered that even after addition of $3.9 million available from conversion of the Dalton to toll funding and $14.9 million from the motor fuel tax, the general fund for FY88 for maintenance activities will still be approximately $9 million less than it was in 1986.

The specific additions to each Highways and Aviation component would be as follows:

Central Region	$5,722,300
Interior District	4,715,800
Western District	716,500
Southcentral District	1,791,500
Southeast Region	1,953,900
	$14,900,000

A chart detailing the line item break out of this funding for each maintenance district and marine highways is attached. This chart also shows the personnel increases in each component.

This funding would allow full reinstatement of all proposed service reductions (except elimination of the toll) in the FY88 Budget. It would also provide approximately $8.8 million toward improvement of the service being provided in the current year under the FY87 Revised Budget. Earlier this year the department estimated that an additional $5.4 million would be required above the FY87 Revised levels just to provide the normal snow and ice control services. Funds allocated to the Highways and Aviation components will continue to be available for contract maintenance with local governments.

Alaska Marine Highway System

The $5.5 million addition to the Alaska Marine Highway System would be used to reduce the times in which communities would not have service during the winter periods, as well as increase Southeast mainline service. These funds would be allocated as follows: (1) Southwest System $500,000; (2) Southeast System $4,500,000; and (3) $500,000 for other increases to address other critical service losses as they become known.

These increases, when combined with certain lay up scheduling changes, would provide for at least once a week service for Cordova throughout the year. This would be accomplished by delaying the overhaul for the M/V Tustumena until the March/April period, using the M/V Tustumena for winter service to Cordova, and bringing the M/V Bartlett back into service early, when the M/V Tustumena is in overhaul. This increase in service would generate approximately $75,000 in revenue.

In the Southeast System, these funds would be used to reduce the period when there would only be one mainliner in operation to the month of April. The use of the M/V Chilkat would be reduced and the increased operating time for the M/V Taku, (6 additional months) would be used for mainline service, as well as the provision of service to Hollis. There would be a need to install an additional dolphin in Hollis to allow the M/V Taku to serve that port. There would also be minor adjustments in service time and schedules on other vessels.

The utilization of the one mainline vessel currently in the Governor's budget on the Seattle instead of the Prince Rupert route would generate approximately $1.2 million in revenue. The additional authorization of $4,500,000 for increased vessel operation would also provide approximately $1.2 million in additional revenue. Until the specific use is identified for the $500,000 which is unspecified the revenue potentials from this expenditure cannot be identified.

Road Maintenance Responsibilities

It is expected that the review of maintenance responsibilities will include the use of a task force comprised of representatives of political subdivisions and unorganized areas. The purpose of this committee would be to examine highway maintenance responsibilities and would include an examination of funding sources for maintenance activities. This group would need to meet approximately 4 times during the project.

It is expected that the development of the base data, interaction with the locals, and preparation of a formal road maintenance program would require the full time efforts of a project position or professional services contractor, plus additional consultant assistance, for about 5.5 months.

The estimated cost for the preparation of this program is as follows:

Travel for task force (4 meetings, 8 members, 2 staff)	
Travel (4 meetings) X (10 attendees) X ($350 average per ticket)	$14,000
Per Diem (4 meetings) X (10 attendees) X (2 days each) X ($80 average per diem)	6,400
Project manager additional travel	4,000
Project manager/consultant assistance (5.5 months @ $7500 per month)	41,250
Legal assistance/special mapping and graphics services	12,850
Other contractual services - advertising, telephone, printing	2,000
Commodities	1,000
	$81,500

Alaska Marine Highway System - Citizen Advisory Committee

This group would provide advice and recommendations on all phases of the operations of the Alaska Marine Highway System. It is anticipated that the committee would be comprised of at least 5 members and would meet 5 times during FY 88.

Travel		$16,000
Transportation and per diem for five Board members	$13,500	
Transportation and per diem for AMHS staff to attend Board meetings (locations other than Juneau)	2,500	
Contractual Services		2,500
Public Notice Advertising		
		$18,500

Position Additions and Line Item Distribution of Funding From Proposed Motor Fuel Tax

Line Item	Central Hwys & Avtn	Interior Hwys & Avtn	Western Hwys & Avtn	Southcentral Hwys & Avtn	Southeast Hwys & Avtn	Southeast* Vessel Operations	Southwest* Vessel Operations	Maintenance Task Force	Marine Advisory Committee	TOTAL
Personal Svcs	2060.0	1660.3	300.0	780.0	706.1	2925.0	325.0	—	—	8756.4
Travel	—	55.5	16.5	11.5	—	50.0	4.2	24.4	16.0	167.2
Contractual	2632.3	1750.0	250.0	750.0	947.8	451.0	50.0	56.1	2.5	6900.6
Commodities	1030.0	1250.0	150.0	250.0	300.0	1067.8	118.7	1.0	—	4167.5
Equipment	—	—	—	—	—	6.2	2.1	—	—	8.3
TOTAL	$5722.3	$4715.8	$716.5	$1791.5	$1953.9	$4500.0	$500.0	$82.5	$18.5	$20000.0*
Positions										
PFT	39	25	4	9	23	—	—	—	—	100
PPT	—	<24>	2	8	<18>	—	—	—	—	<32>
Months	479	252	156	60	111	464	42.5	—	—	1564.5

*An additional $500.0 is also provided which is not yet identified to a particular component in the Alaska Marine Highway System. This would increase the total to $20,500.0.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB 156 (Fin)
Publish Date: HOUSE 3/2/87

REQUEST

Revision Date:
Title: An Act Increasing the Motor Fuel Tax
Sponsor: Rules/Governor
Requestor: Rules

Agency Affected: Revenue
BRU:
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	0	33586.7	32579.1	32253.4	31930.8	31930.8

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

See attached analysis.

Prepared By: Dave Tonkovich DT
Phone: 465-2173
Division: Research
Date: 2/10/87

Approved by Commissioner: Hugh Malone
Date: 2/16/87
Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

Continuation for Fiscal Note Analysis

Bill: _____

Analysis:

This legislation raises the tax on motor fuel (gasoline and diesel) from $.08/gallon to $.16/gallon. Taxes on marine and aviation fuel uses remain unchanged. The refund for off-highway use (43.40.030) remains at $.06/gallon which raises the rate for this use from $.02 to $.10/gallon. This analysis assumes an effective date of July 1, 1987 (FY88).

FY 86 is used as a starting point for this analysis as this is the last full year for which data on fuel distributions, refunds and credits is available. These assumptions are made:

1. The overall level of economic activity in Alaska will probably decline over the next several years. This note assumes these declines in fuel gallonage (taxable distributions) from the FY86 base year: FY87 (-2%), FY88 (-3%), FY89 (-3%), FY90 (-1%), FY91 (-1%) and FY92 (-0%).

2. Although fuel prices have fallen since the FY86 base period the recent increases in crude oil prices, if maintained, will increase future prices for gasoline and diesel. This analysis uses a price before additional tax of $1.20/gallon for diesel and $1.15/gallon for gasoline to estimate the effects of the tax-induced price increase. Price elasticities from national studies indicate that the price increase due to the additional tax will decrease the quantity of fuel consumed between 4 and 5 percent. This study uses the 5 percent figure to adjust gallonages under the proposed legislation.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB 156(Fin.) FO
Publish Date: HOUSE 3/2/87

REQUEST

Revision Date: 2/10/87
Title: Increasing motor fuel tax

Agency Affected: Revenue
BRU: Audit

Sponsor: Governor
Requestor: Rules Committee

Components: Audit

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	7.5	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	7.5	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	7.5	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached page.

Prepared By: Steven E. Kettel
Division: Audit
Phone: 465-2343
Date: 2/10/87

Approved by Commissioner: Hugh Malone for
Agency: Department of Revenue
Date: 2/18/87

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Fiscal Note

Contractual

A. Passage of the draft will require this BRU to revise and reprint all tax forms related to motor fuel tax. These forms include the Motor Fuel Tax Return, Motor Fuel Reseller Claim for Refund, Motor Fuel Adjustment Report and the Statute and Regulations Pamphlet. Costs to revise and print these forms is approximately $5.0.

B. The Department will be required to write regulations providng rules for the transition period. It is likely that without regulations large quantities of fuel may be taxed at the lower rate of eight cents. Public notice of the regulations and holding hearings will approximate $2.5.

Original sponsor: Rules/Governor

IN THE HOUSE BY THE FINANCE COMMITTEE

CS FOR HOUSE BILL NO. 156 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to the motor fuel tax."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 43.40.010(a) is amended to read:

(a) There is levied a tax of 16 [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 cents a gallon,

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

(3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

* Sec. 2. AS 43.40.010(b) is amended to read:

(b) There is levied a tax of 16 [EIGHT] cents a gallon on all motor fuel consumed by a user, except that

(1) the tax on aviation gasoline consumed is four cents a gallon,

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

(3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

* Sec. 3. AS 43.40.010(g) is amended to read:

(g) The proceeds of the revenue from the tax on all motor fuels, except as provided in (e), (f) and (j) of this section, shall be deposited in the general fund. The commissioner of administration shall separately account for one percent of the revenue deposited in

the general fund under this subsection; the legislature may use the amount in the account to make appropriations to the oil and hazardous substance release response fund established under AS 46.08.010. The commissioner of administration shall separately account for an additional one percent of the revenue deposited in the general fund under this subsection; the legislature may use the amount in the account to make appropriations to the Department of Environmental Conservation for implementation of the state's air quality control implementation plan under 42 U.S.C. 7401 - 7642 in nonattainment areas designated by the federal Environmental Protection Agency for carbon monoxide emissions. The balance of the revenue deposited in the general fund under this subsection shall be deposited in a special highway fuel tax account in the state general fund. The legislature may appropriate funds from the special highway fuel tax account [IT] for expenditure by the Department of Transportation and Public Facilities directly or as matched with available federal-aid highway money for maintenance of highways, construction of highway projects and ferries included in the program provided for in AS 19.10.150, including approaches, appurtenances, and related facilities and acquisition of rights-of-way or easements, and other highway costs including surveys, administration, and related matters. All departments of the state government authorized to spend funds collected from taxes imposed by this chapter, except for the funds appropriated to the oil and hazardous substance release response fund and to the Department of Environmental Conservation, shall perform, when feasible, all construction or reconstruction projects by contract after the projects have been advertised for competitive bids, except that, when feasible, arrangements shall be made with political subdivisions to carry out the construction or reconstruction projects. If it is not feasible for the construction

or reconstruction project [WORK] to be performed by state engineering forces, the commissioner of transportation and public facilities may contract on a professional basis with private engineering firms for road design, bridge design, and services in connection with surveys. If more than one private engineering firm is available for the construction or reconstruction project, [WORK] the contracts shall be entered into on a negotiated basis.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 156
Publish Date: HOUSE 3/2/87

REQUEST

Revision Date:
Title: An Act Increasing the Motor Fuel Tax
Sponsor: Rules/Governor
Requestor: Rules

Agency Affected: Revenue
BRU:

Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	0	33586.7	32579.1	32253.4	31930.8	31930.8

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

See attached analysis.

Prepared By: Dave Tonkovich DT
Division: Research
Phone: 465-2173
Date: 2/10/87

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue
Date: 2/16/87

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

Continuation for Fiscal Note Analysis

Bill: _____

Analysis:

This legislation raises the tax on motor fuel (gasoline and diesel) from $.08/gallon to $.16/gallon. Taxes on marine and aviation fuel uses remain unchanged. The refund for off-highway use (43.40.030) remains at $.06/gallon which raises the rate for this use from $.02 to $.10/gallon. This analysis assumes an effective date of July 1, 1987 (FY88).

FY 86 is used as a starting point for this analysis as this is the last full year for which data on fuel distributions, refunds and credits is available. These assumptions are made:

1. The overall level of economic activity in Alaska will probably decline over the next several years. This note assumes these declines in fuel gallonage (taxable distributions) from the FY86 base year: FY87 (-2%), FY88 (-3%), FY89 (-3%), FY90 (-1%), FY91 (-1%) and FY92 (-0%).

2. Although fuel prices have fallen since the FY86 base period the recent increases in crude oil prices,if maintained,will increase future prices for gasoline and diesel. This analysis uses a price before additional tax of $1.20/gallon for diesel and $1.15/gallon for gasoline to estimate the effects of the tax-induced price increase. Price elasticities from national studies indicate that the price increase due to the additional tax will decrease the quantity of fuel consumed between 4 and 5 percent. This study uses the 5 percent figure to adjust gallonages under the proposed legislation.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST

Bill Version: HB 156
Publish Date: 3/2/87

Revision Date:
Title: An Act Increasing the Motor Fuel Tax
Sponsor: Governor
Requestor: House Finance

Agency Affected: Dept Transp/Pub.Facilities
BRU: Various
Components: Various

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		8756.4	8756.4	8756.4	8756.4	8756.4
TRAVEL		167.2	137.7	137.7	137.7	137.7
CONTRACTUAL		6900.6	6831.1	6831.1	6831.1	6831.1
SUPPLIES		4167.5	4166.5	4166.5	4166.5	4166.5
EQUIPMENT		8.3	8.3	8.3	8.3	8.3
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	20000.0	19900.0	19900.0	19900.0	19900.0
CAPITAL	-0-					
REVENUE	-0-	2475.0	2475.0	2475.0	2475.0	2475.0

FUNDING: (Thousands of Dollars)

GENERAL FUND		20000.0	19900.0	19900.0	19900.0	19900.0
FEDERAL FUNDS						
OTHER (IARF)						
TOTAL	-0-	20000.0	19900.0	19900.0	19900.0	19900.0

POSITIONS:

FULL-TIME		100	100	100	100	100
PART-TIME		< 32 >	< 32 >	< 32 >	< 32 >	< 32 >
TEMPORARY						

ANALYSIS:

See attached for detail: (except for the costs of developing the program for road transfer it is assumed that future year costs will be equal to the 1988 level.)

Prepared by: Ron B. Lind
Phone: 465-4070
Division: Plans, Programs, and Budget
Date: 4/2/87

Approved by Commissioner: Mike S. Ho
Date: 4/2/87
Agency:

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

4/2/87

House Bill 156
Fiscal Note

The proposed motor fuel tax will generate $33.6 million of which approximately $20 million will result from fuel consumed on the highway system. Of this amount, the $20 million is proposed for use in the maintenance and operations of our transportation system as follows: (1) $5 million will be made available to the Alaska Marine Highway System; (2) $14.9 million for the Highways and Aviation components; and (3) one hundred thousand for the development of a transition program. This program will aid in the transfer of maintenance responsibilities for routes, predominately of local interest, to local governments or local maintenance service areas.

Highways and Aviation

The funding for the Highways and Aviation components would be used to bring the funding level for the five districts to approximately 85% of the FY86 general fund authorized levels, assuming acceptance of our current toll proposal for the Dalton Highway and excluding the 10% salary reduction in the Governor's Revised Budget. A review of recent funding for the Highway and Aviation Maintenance components reveals that the 1986 level was the only year in which funding approached the levels we feel are adequate for maintenance on a long-term basis. Therefore, we chose 1986 as the base year and allocated the increased funding so that each district's funding was an equal proration of the reduction from FY86 funding levels. It must be remembered that even after addition of $3.9 million available from conversion of the Dalton to toll funding and $14.9 million from the motor fuel tax, the general fund for FY88 for maintenance activities will still be approximately $9 million less than it was in 1986.

The specific additions to each Highways and Aviation component would be as follows:

Central Region	$5,722,300
Interior District	4,715,800
Western District	716,500
Southcentral District	1,791,500
Southeast Region	1,953,900
	$14,900,000

A chart detailing the line item break out of this funding for each maintenance district and marine highways is attached. This chart also shows the personnel increases in each component.

This funding would allow full reinstatement of all proposed service reductions (except elimination of the toll) in the FY88 Budget. It would also provide approximately $8.8 million toward improvement of the service being provided in the current year under the FY87 Revised Budget. Earlier this year we estimated that an additional $5.4 million would be required above the FY87 Revised levels just to provide the normal snow and ice control services. Funds allocated to the Highways and Aviation components will continue to be available for contract maintenance with local governments.

Alaska Marine Highway System

The $5.0 million addition to the Alaska Marine Highway System would be used to reduce the times in which communities would not have service during the winter periods, as well as increase Southeast mainline service. These funds would be allocated as follows: (1) Southwest System $500,000; and (2) Southeast System $4,500,000.

These increases, when combined with certain lay up scheduling changes, would provide for at least once a week service for Cordova throughout the year. This would be accomplished by delaying the overhaul for the M/V Tustumena until the March/April period, using the M/V Tustumena for most winter service to Cordova, and bringing the M/V Bartlett back into service early, when the M/V Tustumena is in overhaul. This increase in service would generate approximately $75,000 in revenue.

In the Southeast System, these funds would be used to reduce the period when there would only be one mainliner in operation to the month of April. The use of the M/V Chilkat would be reduced and the increased operating time for the M/V Taku, (6 additional months) would be used for mainline service, as well as the provision of service to Hollis. There would be a need to install an additional dolphin in Hollis to allow the M/V Taku to serve that port. There would also be minor adjustments in service time and schedules on other vessels.

The utilization of the one mainline vessel currently in the Governor's budget on the Seattle instead of the Prince Rupert route would generate approximately $1.2 million in revenue. The additional authorization of $4,500,000 for increased vessel operation would also provide approximately $1.2 million in additional revenue.

Phased Road Transfer Program

It is expected that the review of transfer of maintenance responsibilities will include the use of a task force comprised of representatives of political subdivisions and unorganized areas. The purpose of this committee would be to establish a way for the needs and concerns of the local governments, unorganized areas, and the DOT&PF to be understood by all parties. This understanding should allow the establishment of a program for divesting the State of direct maintenance responsibilities on certain types of routes in the most workable manner. This group would need to meet approximately 5 times during the project.

It is expected that the development of the base data, interaction with the locals, and preparation of a formal road transfer program would require the full time efforts of a project position or professional services contractor, plus additional consultant assistance, for about 7 months.

The estimated additional costs for the preparation of this program is as follows:

Travel for task force (5 meetings, 8 members, 2 staff)	
Travel (5 meetings) X (10 attendees) X ($350 average per ticket)	$17,500
Per Diem (5 meetings) X (10 attendees) X (2 days each) X ($80 average per diem)	8,000
Project manager additional travel	4,000
Project manager/consultant assistance (7 months @ $7500 per month)	52,500
Legal assistance/special mapping and graphics services	15,000
Other contractual services - advertising, telephone, printing	2,000
Commodities	1,000
	$100,000

HB 156

April 2, 1987

Position Additions and Line Item Distribution of Funding From Proposed Motor Fuel Tax

Line Item	Central Hwys & Avtn	Interior Hwys & Avtn	Western Hwys & Avtn	Southcentral Hwys & Avtn	Southeast Hwys & Avtn	Southeast Vessel Operations	Southwest Vessel Operations	Transfer Task Force	TOTAL:
Personal Services	2060.0	1660.3	300.0	780.0	706.1	2925.0	325.0	---	8756.4
Travel	---	55.5	16.5	11.5	--	50.0	4.2	29.5	167.2
Contractual	2632.3	1750.0	250.0	750.0	947.8	451.0	50.0	69.5	6900.6
Commodities	1030.0	1250.0	150.0	250.0	300.0	1067.8	118.7	1.0	4167.5
Equipment	---	---	--	--	--	6.2	2.1	---	8.3
TOTAL	$ 5722.3	4715.8	$ 716.5	$ 1791.5	$ 1953.9	$ 4500.0	$ 500.0	100.0	$20000.0
Positions									
PFT	39	25	4	9	23	---	----	---	100
PPT	--	<24>	2	8	<18>	---	----	---	<32>
Months	479	252	15[illegible]	60	111	464	42.5	---	1564.5

wo0787ha
Bannister

A M E N D M E N T

Offered in the HOUSE By Rieger

TO: HB 156

Page 1, line 6:

Delete "increasing"

Insert "relating to"

Page 1, following line 24:

Insert a new bill section to read:

"* Sec. 3. AS 43.40 is amended by adding a new section to read:

Sec. 43.40.055. MUNICIPAL EXEMPTION. With regard to a sale or other transfer of motor fuel in a municipality that levies a tax on the sale or other transfer of motor fuel, the tax levied on the transfer by this chapter is reduced by the amount of the municipal tax levied on the transfer. The reduction allowed by this section may not exceed eight cents a gallon. In this section, "motor fuel" does not include aviation fuel, fuel used in watercraft and boats, or fuel covered by AS 43.40.010(j)."

Information from Rep. Pourchot for discussion of HB 156.

DRAFT LETTER OF INTENT
HB 156 - MOTOR FUEL TAX

4/27/87

It is the intent of the legislature in passing HB 156 that $20.5 million of the revenue generated in FY 88 by its passage be appropriated to the Department of Transportation and Public Facilities. Of this amount, $14.9 million is to be used to restore funding to the highway and aviation component within each of the Department's five maintenance districts, $5.5 million is to be used to restore funding to the Marine Highway System, and $100,000 is to be used to establish a task force to review road maintenance responsibilities and an advisory group to review operations of the marine highway. These additional monies are not to be considered one-time add-ons to the DOT/PF budget, but are to be made available for maintenance and operation and the marine highway system in all future years.

The $14.9 million is to be used to build back each maintenance district's funding in the proportion in which it has been reduced from the FY 86 Authorized level, as follows:

Central Region	$5,722,300
Interior District	$4,715,800
Western District	$ 716,500
Southcentral District	$1,791,500
Southeast Region	$1,953,900

This restoration of funds will allow the State to enhance its current level of maintenance on roads and at airports throughout the state in FY 88, and should obviate the need for transfer of road maintenance responsibilities to local governments. It is the intent of the legislature that no such transfer of maintenance responsibilities occur until the task force established to review these responsibilities has completed its work, or until mutually agreed to arrangements with individual communities are made.

The $5.5 million is to be used to reduce the times in which communities would be without marine highway service during the winter periods and to increase Southeast mainline service, and is to be allocated as follows:

Southeast System	$4,500,000
Southwest System	$ 500,000
Critical Service Losses	$ 500,000

The $100,000 is to be used to establish a task force to study road maintenance responsibilities and an advisory group to study marine highway operations, and is to be allocated as follows:

Road Responsibility Task Force	$ 81,500
Marine Highway Advisory Group	$ 18,500

It is the intent of the legislature that the road responsibility task force be comprised of representatives of DOT/PF, local governments, unorganized areas, and user groups. The task force is to review the feasibility of transferring the responsibility of direct maintenance on certain routes from the state to local governments. It is the intent of the legislature that the task force examine reasonable and equitable funding sources for maintenance activities, including a review of the motor fuel tax and of the existing road service account in the state's revenue sharing program. The task force shall also study the issues of road ownership, liability, and the transfer of equipment and employees.

It is the intent of the legislature that the marine highway advisory group be comprised of representatives of DOT/PF and communities served by the marine highway system, and individuals having expertise in marine highway operations. The advisory group is to review the operation of the marine highway system, including schedules and tariffs, management, and planning and construction of facilities, for cost efficiencies and increased revenue generation capabilities.

It is the intent of the legislature that the road responsibility task force and the marine highway advisory group report their findings and recommendations to the legislature by the 10th day of the second session of the 15th Alaska State Legislature.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 156
Publish Date: HOUSE 3/2/87

REQUEST

Revision Date:
Agency Affected: Revenue
Title: An Act Increasing the Motor Fuel Tax
BRU:
Sponsor: Rules/Governor
Components:
Requestor: Rules

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	0	33586.7	32579.1	32253.4	31930.8	31930.8

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: Attach a separate page if necessary

See attached analysis.

Prepared By: Dave Tonkovich
Phone: 465-2173
Division: Research
Date: 2/10/87

Approved by Commissioner: Hugh Malone
Date: 2/16/87
Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

Continuation for Fiscal Note Analysis

Bill: _____

Analysis:

This legislation raises the tax on motor fuel (gasoline and diesel) from $.08/gallon to $.16/gallon. Taxes on marine and aviation fuel uses remain unchanged. The refund for off-highway use (43.40.030) remains at $.06/gallon which raises the rate for this use from $.02 to $.10/gallon. This analysis assumes an effective date of July 1, 1987 (FY88).

FY 86 is used as a starting point for this analysis as this is the last full year for which data on fuel distributions, refunds and credits is available. These assumptions are made:

1. The overall level of economic activity in Alaska will probably decline over the next several years. This note assumes these declines in fuel gallonage (taxable distributions) from the FY86 base year: FY87 (-2%), FY88 (-3%), FY89 (-3%), FY90 (-1%), FY91 (-1%) and FY92 (-0%).

2. Although fuel prices have fallen since the FY86 base period the recent increases in crude oil prices, if maintained, will increase future prices for gasoline and diesel. This analysis uses a price before additional tax of $1.20/gallon for diesel and $1.15/gallon for gasoline to estimate the effects of the tax-induced price increase. Price elasticities from national studies indicate that the price increase due to the additional tax will decrease the quantity of fuel consumed between 4 and 5 percent. This study uses the 5 percent figure to adjust gallonages under the proposed legislation.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

#6

Bill Version: HB 156
Publish Date: HOUSE 3/2/87

REQUEST

Revision Date: 2/10/87
Title: Increasing motor fuel tax

Agency Affectod: Revenue
BRU: Audit

Sponsor: Governor
Requestor: Rules Committee

Components: Audit

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	7.5	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	7.5	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	7.5	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-

ANALYSIS: See attached page.

Prepared By: Steven E. Kettel
Division: Audit

Phone: 465-2343
Date: 2/10/87

Approved by Commissioner: Hugh Malone for
Agency: Department of Revenue

Date: 2/18/87

Distribution (by Agency preparing fiscal note):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

HB 136
3/2/87

Fiscal Note

Contractual

A. Passage of the draft will require this BRU to revise and reprint all tax forms related to motor fuel tax. These forms include the Motor Fuel Tax Return, Motor Fuel Reseller Claim for Refund, Motor Fuel Adjustment Report and the Statute and Regulations Pamphlet. Costs to revise and print these forms is approximately $5.0.

B. The Department will be required to write regulations providng rules for the transition period. It is likely that without regulations large quantities of fuel may be taxed at the lower rate of eight cents. Public notice of the regulations and holding hearings will approximate $2.5.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: CSHB 156 (Fin)
Publish Date: 3/2/87

REQUEST:

Revision Date: 4/27/87
Title: An Act increasing the motor fuel tax
Sponsor: Governor
Requestor: House Finance

Agency Affected: DOT/PF
BRU: Various

Components: Various

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		8756.4	8756.4	8756.4	8756.4	8756.4
TRAVEL		167.2	137.7	137.7	137.7	137.7
CONTRACTUAL		6900.6	6831.1	6831.1	6831.1	6831.1
SUPPLIES		4167.5	4166.5	4166.5	4166.5	4166.5
EQUIPMENT		8.3	8.3	8.3	8.3	8.3
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS		500.0	500.0	500.0	500.0	500.0
TOTAL OPERATING		20500.0	20400.0	20400.0	20400.0	20400.0
CAPITAL						
REVENUE		2475.0	2475.0	2475.0	2475.0	2475.0

FUNDING: (Thousands of Dollars)

GENERAL FUND		20500.0	20400.0	20400.0	20400.0	20400.0
FEDERAL FUNDS						
OTHER						
TOTAL		20500.0	20400.0	20400.0	20400.0	20400.0

POSITIONS:

FULL-TIME		100	100	100	100	100
PART-TIME		(32)	(32)	(32)	(32)	(32)
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached for detail. Except for the costs of developing the program for road maintenance it is assumed that future year costs will be equal to the FY 88 level.

APA

Prepared by: Al Adams
Division: Chairman, House Finance Committee
Phone: 465-3706
Date: 4/27/87

Approved by Commissioner: _____ Date: _____
Agency: _____

Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

Rep Pouchot

Alaska State Legislature

WHILE IN SESSION:
PO BOX V
JUNEAU, ALASKA 99811
(907) 465-3779
CHAIR, RULES COMMITTEE

HOME ADDRESS
PO BOX 199
[illegible]
(907) 592-3059

Representative Mike Navarre

April 8, 1987

M E M O R A N D U M

TO: All House Finance Committee members

FROM: Representative Mike Navarre

SUBJECT: proposed amendment to House Bill 156

Attached is a copy of an amendment I would like to propose to HB 156, "An Act increasing the motor fuel tax." Also atatched is some backup material.

The amendment would would require that 1% of the highway motor fuel tax be accounted for separately, so that this amount could be appropriated by the legislature to the Oil and Hazardous Substances Release Response Fund. This would supplement the fund balance by approximately $ 500,000.

As you can see from the attached reports published by the Department of Environmental Conservation, there is a problem around the state from benzene contamination, due mostly to leaking underground storage tanks.

In some cases, the problems have been identified and work is in progress to clean it up. In other cases, the problems have been merely identified, but no work has been accomplished to date. The DEC expects to recover some of the costs involved from the parties responsible, but the time involved in litigating these matters can cause a serious depletion in the fund balance, further slowing the process of identifying benzene and other hazardous substance contamination, and the subsequent clean up.

Since much of this particular problem stems from the storage and use of highway motor fuels, I believe it is reasonable to use a portion of the tax collected to help mitigate this problem.

I respectfully ask your favorable consideration of this amendment. Thank you.

LEAKING UNDERGROUND TANK

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION

November 14, 1986

BILL SHEFFIELD, GOVERNOR

(907)452-1714

Northern Regional Office
P. O. Box 1601
Fairbanks, Alaska 99707

Representative Mike Davis
P. O. Box 81435
College, Alaska 99706

Dear Representative Davis:

Re: Contaminated Drinking Water Wells

Attached is the list of contaminated drinking water wells in our region. There has been some DEC action on each of these cases, and we continue to monitor the more serious ones.

There are other areas contaminated by spilled fuel which could potentially affect drinking water supplies. For these areas, please contact John Janssen of this office.

Let us know if we can be of further assistance.

Sincerely,

William S. McRae

Stan Justice
Environmental Engineer

SJ/deb
Enclosure
cc: B. Martin, ADEC/Fairbanks
J. Janssen, ADEC/Fairbanks
Reading File

HISTORY OF FUEL CONTAMINATED DRINKING WATER WELLS IN NRO
by Stan Justice May 15, 1986
Updated November 3, 1986

High Level of Contamination (Benzene greater than 67.0 ug/l)

Harolds Air, Galena
USAF spilled 9,202 gallons of "Mogas" and only recovered 976 gallons in December 1980. 1983 sample from Harolds Air Terminal (100 yds S. from Spill) showed over 1 ppm benzene. Two wells abandoned and water holding tanks installed.

Stage Stop, North Pole
Gas station fuel spill washed into ground by Fire Department. Sample of 1/20/84 showed 8.8 mg/l. Well abandoned and facility connected to North Pole Utilities. One sample collected from well downgradient was clean. This spill was above an area with many shallow wells and could show up eventually.

Minto School, Minto
School fuel tank leaked considerable fuel right next to well in winter of 84. Water samples ranged from 30 to 100 percent fuel. Well abandoned and holding tank installed. Now connected to city system. City well has been checked six times and nothing has shown up yet. Line to city froze December 1985, leaving school without water. Repaired in summer of 1986.

POL Tank Farm well, Fort Wainwright
Contamination caused by spills from tank farm. New well drilled summer of 85, and apparently is free of fuel. We are trying to get current data from Army.

Building 1168 well, Fort Wainwright
Well was also contaminated by nearby tank farm. Well was abandoned and building connected to Fairbanks MUS water.

North Pole Refinery, North Pole
To date we have seen no data to indicate the potable water well has been contaminated with fuel, but due to close proximity to high volume spills, well contamination seems probable. We have asked for VOC analysis of the well water. There are no other drinking water wells in the immediate vicinity.

USCG, Loran Station, Tok
Fuel deliveryman filled up well casing. Old Army Haines-Fairbanks fuel line is also in area. 1985 sample showed 1.8 mg/l diesel and 9.0 mg/l gasoline. New well drilled summer of 1985 and initial samples show no fuel. Campground well two miles E. has been tested several times, and shows no contamination.

Tanana PHS Hospital, Tanana
Fuel spill occurred at pumphouse in Fall of 1984. Initial sample showed 280 ug/l weathered gasoline. Check samples showed no contamination.

Fort Yukon School District water system
Fuel spill contaminated infiltration gallery many years ago. New wells drilled upstream and remain uncontaminated

Air North Terminal, Fairbanks
After discovery of fuel spill in vicinity, water was tested and found to have 230 ug/l Benzene. Water is only connected to employee restroom, and it was signed non-potable. Other wells in area were not tested.

Eielson AFB Ski Lodge
Base wide testing of water supplies found 145 ug/l Benzene in the well serving ski lodge. Check samples confirmed contamination. Well shut down. Source unknown, but probably lodge fuel tank

Medium Level (Benzene greater than 6.7 ug/l, less than 67.0 ug/l)

University of Alaska, Fairbanks
February 1983 samples found from 60 to 150 ug/l benzene in raw well water. Treated water samples show below detection levels due to aeration treatment. All other wells in area sampled by graduate student and showed no purgeables. DEC requested monitoring well has not been installed.

Sourdough Roadhouse, Richardson Highway
Samples in 1983-84 found from 8.1 to 11.2 ug/l Benzene. Case closed since traveling public should not be effected by low levels and owners were made aware of risk to themselves.

Blair Lakes, Eielson Air Force Base
Temporary problem due to small fuel spill. Check samples were O.K.

Doyon Construction Camp, Taylor Highway
Contamination found by sanitary survey. Temporary camp has been closed. No other wells in area.

White Mountain Washeteria, White Mountain
1983 fuel spill near well due to over topping of day tank caused contamination. Subsequent sampling failed to find contamination. Suspect rainy periods may cause increased levels.

Low Level or contamination (Benzene less than 6.7 ug/l)

Fairbanks MUS, Fairbanks
1981 EPA sample found 3 ug/l. Subsequent samples found 8 to 10 ug/l Benzene in well #2. Well #1 samples showed 0.3 to 2.1 ug/l Benzene and well #3 shows no contamination. Distribution samples have ranged from 8.2 ug/l to less than detection with Fall of 85 samples showing 1.7 and 2.4 ug/l benzene. MUS agreed to limit use of well #2, but it is their best well so they do use it. DEC requested monitoring well, but it has not been drilled. Past MUS fuel spill is suspected source. 1986 samples showed increases of well #1 to 4.4 ug/l and well #2 to 13.0 ug/l. Use of well #2 curtailed. Contract let by MUS to study problem.

66 Mile Lodge, Steese Highway
1983 sanitary survey showed 1.3 ug/l Benzene, 3.5 ug/l E. Benzene, 1.6 ug/l Toluene, and 13.4 ug/l xylenes. Check sample showed no contamination.

Boon Dox Bar, Richardson Highway
1984 sanitary survey sample showed 1.7 ug/l Benzene. Check sample showed no contamination.

Chicken Cafe, Chicken
1983 sanitary survey showed 1.5 ug/l Benzene. check sample showed no contamination.

Badger Mobile Home Park, Badger Road, FNSB
Contamination levels of Benzene = 6.3 ug/l, E. Benzene = 2.9 ug/l and xylenes = 0.9 ug/l found during sanitary survey of April 1985. Case closed due to low levels. Required annual purgeable analysis and monitor fuel storage. Nearby wells have not been checked.

Kotzebue City water, Kotzebue
Samples in response to complaint found very low levels of purgeables. Subsequent samples have been less than detection limit. There is concern that fuel from reknowned Kotzebue spill could leach through plastic pipe.

Old Eagle School
Very low levels found during sanitary survey (E. Benzene 0.4 ug/l, xylene 0.5 ug/l) New school built and wells abandoned.

Shaktoolik Water system, Shaktoolik
December 84 samples showed 6.8 ug/l toluene, 1.6 ug/l E. benzene, 2.3 ug/l xylenes. Suspect that gas powered water pump caused trace contamination. Case closed due to low levels.

SJ/deb

MEMORANDUM

TO: House Finance Committee Members

FROM: Representative Pat Pourchot

RE: Proposed Amendment to HB 156

DATE: April 28, 1987

Attached is an amendment to HB 156 which would "earmark" 1% of the highway motor fuel tax for appropriation to the Department of Environmental Conservation for air quality improvement projects.

The amendment provides for the Department of Administration to separately account for 1% of the revenue deposited in the general fund from the fuel tax. It specifies that the legislature may use these funds to make appropriations to DEC for implementation of the State Air Quality Control Plan in non-attainment areas for carbon monoxide emissions as designated by the federal Environmental Protection Agency.

The amendment has been proposed by the Anchorage Air Quality Policy Committee, and would apply to any locality identified by EPA as a non-attainment area because of problems with auto emissions. At the present time, Anchorage and Fairbanks are the only Alaskan communities that fall under this designation.

Although the funds would be in a separate account in the general fund, they would not flow automatically to DEC. It is anticipated that DEC, in conjunction with the affected communities, would annually present a detailed request for funding to the legislature outlining the proposed expenditure of any appropriation. Likely requests would include air quality monitoring and planning functions, enhanced inspection and maintenance, expanded transit and shared ridership programs, traffic flow improvements, roadway improvements, and fleet vehicle management improvements.

Since the air quality problem in carbon monoxide non-attainment areas stems primarily from the use of highway motor fuels, I feel it is appropriate to use a portion of the motor fuel tax to mitigate the problem. I would therefore urge your support of this amendment.

#1

wo0787hb
Bannister

A M E N D M E N T

Offered in the HOUSE By Navarre

TO: HB 156

Page 1, line 6:

Delete "increasing"

Insert "relating to"

Page 1, following line 24:

Insert a new bill section to read:

"* Sec. 3. AS 43.40.010(g) is amended to read:

(g) The proceeds of the revenue from the tax on all motor fuels, except as provided in (e), (f) and (j) of this section, shall be deposited in the general fund. The commissioner of administration shall separately account for one percent of the revenue deposited in the general fund under this subsection; the legislature may use the amount in the account to make appropriations to the oil and hazardous substance release response fund established under AS 46.08.010. The balance of the revenue deposited in the general fund under this subsection shall be deposited in a special highway fuel tax account in the state general fund. The legislature may appropriate funds from the special highway fuel tax account [IT] for expenditure by the Department of Transportation and Public Facilities directly or as matched with available federal-aid highway money for maintenance of highways, construction of highway projects and ferries included in the

program provided for in AS 19.10.150, including approaches, appurtenances, and related facilities and acquisition of rights-of-way or easements, and other highway costs including surveys, administration, and related matters. All departments of the state government authorized to spend funds collected from taxes imposed by this chapter, except for the funds appropriated to the oil and hazardous substance release response fund, shall perform, when feasible, all construction or reconstruction projects by contract after the projects have been advertised for competitive bids, except that, when feasible, arrangements shall be made with political subdivisions to carry out the construction or reconstruction projects. If it is not feasible for the construction or reconstruction project [WORK] to be performed by state engineering forces, the commissioner of transportation and public facilities may contract on a professional basis with private engineering firms for road design, bridge design, and services in connection with surveys. If more than one private engineering firm is available for the construction or reconstruction project, [WORK] the contracts shall be entered into on a negotiated basis."

AMENDMENT #2 AIR QUALITY ENHANCEMENT

AS 43.40.010(g) is amended to read:

(g) The proceeds of the revenue from the tax on all motor fuels, except as provided in (e), (f) and (j) of this section, shall be deposited in the general fund. The commissioner of administration shall separately account for one percent of the revenue deposited in the general fund under this subsection; the legislature may use the amount in the account to make appropriations to the department of environmental conservation for implementation of the State Air Quality Control Plan (State Implementation Plan) in non-attainment areas for carbon monoxide emissions as designated by the federal Environmental Protection Agency. The balance of the revenue deposited in the general fund under this subsection shall be deposited in a special highway tax account in the state general fund. The legislature may appropriate funds from the special highway fuel tax account [IT] for expenditure by the Department of Transportation and Public Facilities directly or as matched with available federal-aid highway money for maintenance of highways, construction of highway projects and ferries included in the program provided for in AS 19.10.150, including approaches, appurtenances, and related facilities and acquisition of rights-of-way or

easements, and other highway costs including surveys, administration and related matters. All departments of the state government authorized to spend funds collected from taxes imposed by this chapter, except for the funds appropriated to the department of environmental conservation, shall perform, when feasible, all construction or reconstruction projects by contract after the projects have been advertised for competitive bids, except that, when feasible, arrangements shall be made with political subdivisions to carry out the construction or reconstruction projects. If it is not feasible for the construction or reconstruction project [WORK] to be performed by state engineering forces, the commissioner of transportation and public facilities may contract on a professional basis with private engineering firms for road design, bridge design, and services in connection with surveys. If more than one private engineering firm is available for the construction or reconstruction project [WORK] the contracts shall be entered into on a negotiated basis.

Pourchot 4/27/87

HB 156 INCREASING THE MOTOR FUEL TAX

SUMMARY

Increases the motor fuel tax from 8¢ per gallon to 16¢. The existing 6¢ rebate for off-road use (AS 43.40.030) remains, resulting in a tax increase for off-road use from 2¢ to 10¢. The fiscal note accompanying the bill calls for appropriation of a portion of the increased revenues to DOT/PF for statewide road/highway M&O and marine highway operations.

CURRENT COSTS AND REVENUES

FY 86 cost of statewide road/highway M&O	$69,844,300
FY 86 cost of marine highway operation	$57,211,800
FY 86 revenue from motor fuel tax	$26,151,550
Proposed revenue with fuel tax increase	$58,446,700

FUEL TAX IN OTHER STATES

lowest 7¢	(Missouri)
7.5 - 9¢	(7 states, including Alaska)
9.7 - 11¢	(8 states)
12 - 13.5¢	(12 states)
14 - 15.75¢	(11 states)
16 - 18¢	(11 states)

NOTE: Nationwide average is 13¢. Alaska's tax hasn't been increased since 1961.

USE OF REVENUE GENERATED FROM INCREASED TAX

Approximately $18.8 million would be generated from on-highway use and $14.8 million from off-highway use. The fiscal note accompanying the bill calls for $20.5 million to be appropriated to DOT/PF for highway/ aviation M&O and for marine highway operations.

1. IF REVENUES ARE BEING GENERATED ONLY FROM HIGHWAY USE, WHY ARE THEY BEING PROPOSED FOR APPROPRIATION TO THE MARINE HIGHWAY?

The marine highway is an integral part of the state's transportation system, and is treated as such by the federal government in their allocation of capital funds. The Governor's FY 88 budget as adopted by the House Finance Committee provides a base level of funding for both the marine highway and road/aviation M&O. The

increased revenues from the motor fuel tax would supplement both these components comparably. It should be noted that the marine highway system generates revenues in excess of $30 million annually.

2. SHOULDN'T THE OFF-ROAD REBATE BE INCREASED SINCE NO REVENUES ARE PROPOSED FOR APPROPRIATION FOR OFF-ROAD USES?

The 2¢ tax currently being paid on off-road sale and consumption is minimal. Increasing both the off-road and on-road tax by the same amount provides consistency, and will result in increased revenues to the general fund. The revenues generated by off-road use are not proposed for appropriation to DOT/PF, but will simply accrue to the general fund to be appropriated for general purposes.

3. WHY ARE OTHER FUEL TAXES, SUCH AS THE AVIATION FUEL TAX AND THE MARINE FUEL TAX, NOT PROPOSED FOR INCREASE?

From a perspective of matching revenues to services, the highway mode is distinct in that most travel and accompanying motor fuel consumption takes place on state provided and state operated facilities. By contrast, fuel consumption for travel by either aircraft or marine vessel takes place without relation to the services provided by the state. Air and water travelers' use of state services is generally associated with use of airstrips or docking facilities. Therefore, site-specific charges, such as landing fees or moorage fees, are more appropriate methods of recovering revenues from air and water travelers. DOT/PF is reviewing its current system of landing and moorage fees to ensure that fees do contribute significantly to the M&O costs of these facilities.

4. WILL PERSONS RESIDING IN AREAS OFF THE PRIMARY ROAD SYSTEM BENEFIT FROM THE INCREASED FUEL TAX?

At least 27 of the state's 96 transportation maintenance stations are located in areas off the primary road system. FY 86 expenditures at these stations for road and airstrip maintenance exceeded $10 million.

Pourchot 4/28/87

HB 156 INCREASING THE MOTOR FUEL TAX

FY 86, with motor fuel tax at 8c per gallon and the off-road rebate at 6c per gallon:

FY 86 net revenue from highway tax $ 26,151,550

NOTE: $114,422 from off-highway gasoline sale and consumption; $4,047,128 from off-highway diesel; $17,070,000 from highway gasoline; $4,920,000 from highway diesel. (The department assumes that gasoline sale is generally to the general public and diesel sale generally to businesses and the trucking industry.

FY 86 total off-road refunds and credits $ 12,472,746

NOTE: 85% of the refunds and credits went to oil companies ($10,656,134). Balance to other off-road users categorized as follows: construction, lumber, mining, fish processing, shipping, airlines, and miscellaneous.

Passage of HB 156, with motor fuel tax at 16c per gallon and the off-road rebate at 6c per gallon:

Increase in net revenue from highway tax $ 33,586,700

NOTE: It is projected that $400,000 will come from off-highway gasoline sale and consumption; $14,420,000 from off-highway diesel; $14,600,000 from highway gasoline; $4,170,000 from highway diesel.

Increase in off-road refunds and credits $ 0

Total revenue expected for FY 88 $ 58,446,700

from DOT/PF

STATE MOTOR FUEL TAX RATES

(cents per gallon)

STATE	GASOLINE	DIESEL	GASOHOL	ADDED TAX (2)	LOCAL OPTION
ALABAMA	13	14	10		L
ALASKA	8	8	0		
ARIZONA	16	16	16		
ARKANSAS	13.5	12.5	13.5		
CALIFORNIA	9	9	9	6	L
COLORADO	18	20.5	18		
CONNECTICUT	17	17	16	2	
DELAWARE	13	13	13		
D.C.	15.5	15.5	15.5		
*FLORIDA	9.7	9.7	7.7		L
GEORGIA	7.5	7.5	7.5	3	
HAWAII	11	11	11	4	L
IDAHO	14.5	14.5	10.5		
ILLINOIS	13	15.5	13	6	L
INDIANA	14	15	14	5	
/IOWA	16	18.5	15		
*KANSAS	11	13	8		
*KENTUCKY	15	12	15		
LOUISIANA	16	16	16	1	
/MAINE	14	14	11		
*MARYLAND	13.5	19.5	13.5		
*MASSACHUSETTS	11	11	11		
*MICHIGAN	15	15	15	4	
MINNESOTA	17	17	14.5		
MISSISSIPPI	9	10	9	6	L
MISSOURI	7	7	7		
MONTANA	17	17	17		
/*NEBRASKA	18.2	18.2	15.1		
NEVADA	13	13	12		L
NEW HAMPSHIRE	14	14	14		
NEW JERSEY	8	11	0		
NEW MEXICO	11	11	0		L
NEW YORK	8	10	8	6.75	L
*NORTH CAROLINA	15.75	15.75	15.75		
NORTH DAKOTA	13	13	5		
OHIO	12	12	12		
OKLAHOMA	10	10	10		
/OREGON	12	12	12		L
PENNSYLVANIA	12	12	12	6	
*RHODE ISLAND	15	15	15		
SOUTH CAROLINA	13	13	7		
SOUTH DAKOTA	13	13	11		L
TENNESSEE	17	15	13		L
/TEXAS	15	15	11		
UTAH	14	14	14		
VERMONT	13	14	13		
/VIRGINIA	17.5	16	17.5		L
WASHINGTON	18	18	16.2		
*WEST VIRGINIA	15.35	15.35	15.35		
*WISCONSIN	17.5	17.5	17.5		
WYOMING	8	8	8		

* Variable tax expressed in cents per gallon.
See notes on reverse side for additional information.

/Updated since last chart
Highway Users Federation
January 1, 1987 rev.

NOTE: See p.2 for discussion of increasing the marine fuel tax and aviation fuel tax.

STEVE COWPER, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

POUCH Z
JUNEAU, ALASKA 99811
PHONE: (907) 465-3900

OFFICE OF THE COMMISSIONER

Representative Pat Pourchot, Chairman
House Finance Subcommittee - DOT&PF
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Representative PAT Pourchot:

This letter is written in response to your March 12, 1987 memorandum addressing the Southeast Region of DOT&PF presentation to the Joint Finance Subcommittee.

1) Explanation of current costs of Operation and Maintenance on the Klondike Highway; comparison of costs in previous years; economic benefits of keeping the highway open year round.

The opening of the Klondike Highway for year round operation has provided approximately fifteen full and part-time jobs at the ore-terminal facility and created a budding winter recreation industry. The winter opening of the highway has enabled a local hotel to market weekend cross country ski packages this winter. Supported by the skier response received from Juneau, Whitehorse and British Columbia, the community intends to market ski packages next year. White Pass has just recently initiated freight service between Whitehorse and Vancouver through Skagway. The local hotel and restaurant industry has benefited from a steady weekend visitation of Yukoners. Winter traffic figures from U.S. Customs broken down by number of ore carriers, occupants, public vehicles and occupants entering Skagway follow:

	Number			
Month	Ore Trucks	Occupants	Other Vehicles	Occupants
October 1986	1,786	1,812	1,082	2,259
November	1,674	1,687	614	1,199
December	1,809	1,823	553	1,226
January 1987	1,861	1,872	589	1,229
*February	1,264	1,275	600	1,284
Current Av.	37/day		20/day	

*Note: The drop in number of ore trucks entering Skagway occurred in February when trucks were permitted to carry four ore pots per trip instead of two pots.

25A-FILH

A comparison of expenditures between FY85 through FY88 (estimated) follows in "Attachment A".

2) Thoughts on the advisability of increasing the Marine Fuel Tax and the Aviation Fuel Tax.

I am reluctant to endorse an increase in the tax on either marine or aviation fuels at this time as a way to help make up for DOT&PF budget shortfalls. Taxation of any motor fuel is certainly an appropriate way for state government to tax economic activity within its boundaries. From a transportation perspective, however, we attempt to match taxes paid by the different user groups to the financing of transportation services and facilities provided by the state to each user group. This approach, known in the highway field as cost allocation, aims to recover from user groups the costs they occasion through their use of transportation facilities. One result of this approach is that taxes on highway users are frequently referred to as "user fees".

From a perspective of matching revenues to services, the highways mode is distinct in that most travel and accompanying motor fuel consumption takes place on state-provided and state-operated facilities. By comparison, travel by either aircraft or marine vessels occasions costs to the state only when they interrupt their travel to make use of state facilities, or when their motorcraft is at rest and using a state-funded facility. For these modes most fuel consumption takes place without relation to the services provided by the state transportation department. Usually an airplane or marine vessel must complete its journey, and consume most of its fuel, before it makes use of a state-funded facility for landing or tieing up, as appropriate. At that point fuel consumption generally ceases, ironically at the same time that the traveler begins his or her use of the state-funded facility. We believe that site-specific charges, such as landing fees or moorage fees, are more appropriate methods of recovering revenues from these uses of transportation facilities.

State-funded expenditures in Alaska for highway purposes, including maintenance and operations, exceed by several times state revenues from the motor fuel tax and registration fees. For ports and harbors, on the other hand, the only current expenditure of any magnitude is debt service on State General Obligation Bonds. Debt service costs exceed $15 million per year, partially due to voter approval of an extremely large issue ($50 million +) in 1980. After accounting for refunds, the State receives less than $5 million per year from the Marine Fuel Tax.

The Alaska Association of Harbormasters and Port Administrators passed a resolution last fall supporting appropriation of marine fuel tax revenues for major repair and upgrading of harbor facilities. There are no such appropriations in the governor's capital budget for FY88; marine fuel tax receipts are simply appropriated for capital purposes. If one wishes to endorse the use of marine fuel tax revenues for debt service, we believe the same equity conflict occurs as outlined above between fuel increases versus site specific charges. As an alternative, increases in the Marine Fuel Tax can be considered in the context of broader revenue-raising measures.

In the aviation area our department clearly has significant expenditures, but on the revenue side the major source of revenue is the tax on the sale of jet fuel at Anchorage International Airport. We do not pay the operations and capital expenses at the Anchorage and Fairbanks airports from aviation fuel taxes; however, expenditures are paid from specific rates and fees levied only at the two airports. Certainly some fuel is purchased to refuel planes serving outlying Alaskan points from Anchorage, and should go to paying the costs of operating the state airport system. Other taxable sales are to planes destined for lower 48 airports, and these users may be paying taxes that pay for expenditures at airports their aircraft will never use.

Because of the major differences in the use of fuels on various routes and the variation in the cost of operating airports, it may be more appropriate to have some portion of the cost recovery tied to landing fees. These can reflect the costs at a particular location, or group of similar locations, and alleviate some of the disproportionate costs and benefits created by only relying on a fuel tax.

3) A discussion of efforts made over the last few years to "flatten" the department's organizational chart.

Relating specifically to Southeast Region, the following line item positions have been deleted since 1982:

Southeast Design and Construction
- Deputy Director, Design and Construction
- Assistant Right-of-Way Chief

Southeast State Equipment Fleet
- Equipment Manager
- Juneau Equipment Foreman

Southeast Maintenance and Operations

Highways and Aviation
- Maintenance Superintendents for Northern and Southern S.E.

Facilities
- Building Maintenance Superintendent (2)
- Building Maintenance Foreman

Southeast Planning
Director of Planning

Southeast Administrative Services
Director of Administration

In addition there has been a reduction of one on one reporting relationships among lower level employees during the last four years.

"Attachment B" shows specific changes between Southeast Region Design and Construction organizational charts since 1981. Those positions and/or reporting relationships which have been eliminated are marked with yellow highlighter. Most of the flattening effect occurred in Design and Construction although other functional areas also experienced the elimination of reporting levels.

Sincerely,

Mark S. Hickey
Commissioner

Attachments

cc: Ron Lind, Director, Plans, Programs and Budget
Robert G. Poe, Jr., Deputy Commissioner, Budget and Finance
Jon Scribner, Acting Deputy Commissioner, Operations
Susan Fleischhauer, Legislative Liaison, Office of the Commissioner

GOVERNOR'S TASK FORCE ON LOCAL GOVERNMENT
Dorothy Jones, Chairperson
P.O. Box 1608
Palmer, Alaska 99645

April 15, 1987

The Honorable Steve Cowper
Alaska State Legislators

We, the Mayors of Alaskan Municipalities after many meetings and considerable investigation and work, have agreed upon the following points:

1. The legislature should act as quickly as possible to allow municipalities to refinance their existing school bond indebtedness. HB 204 represents the best approach. To avoid large impacts to local property taxes in most boroughs, the bill must be passed by May 1, 1987. Over 80% of the annual savings would accrue to the State.

2. SB 119, changes to the Education Foundation Formula should be passed as originally introduced, without amendments.

3. The state must continue adequate maintenance of state roads. The $.08 increase in the motor fuel tax should be enacted and the funds targeted for operations and maintenance. Recent layoffs of maintenance personnel throughout the system indicate that FY '87 revised levels of appropriation are inadequate, even in a year when weather was not severe.

4. The senior citizens property tax exemption should be funded at $3.0 million. Even if the legislature enacts HB 159, making the exemption a local option, this will not aid municipalities this year. Most municipalities have already granted the state mandated exemption for 1987.

5. Reductions to Municipal Assistance and Revenue Sharing should be the same as reduction to the overall state general programs--approximately 8.4%, not 20%. At least $7.5 million, $5.5 million and $23 million respectively should be added to the current proposal levels of appropriations to meet this "fairness test."

school Debt

Mayor, Anchorage

Mayor, Mat-Su

Mayor, Fairbanks North Star

Mayor - Kenai Boro

Mayor - City of Kenai

470 FUND - EXPECTED USES

DRAFT

Projected Response Activities and Estimated Costs
for Balance of FY 87 and FY 88
Revised and Update List - April 10, 1987

I. Southeast Region - no known projects at this time where state funds would be spent.

II. Southcentral Region - Anchorage

A. Peters Creek - a contaminated drinking water aquifer. The cleanup work is being completed with an additional $20,000 for contractual services; completion expected by May 15, 1987. Additional funds may be needed for litigation costs.

B. Anchor Point - contaminated drinking water wells.

A contract has been signed for exploratory work to locate the spill source. Estimated costs for investigative work is now estimated at $24,000. Additional funds will be needed for cleanup and potential litigation costs, an approximate estimate is $75,000.

C. Iron's Subdivision - contaminated drinking water wells.

The responsible party is now paying for investigative work and has spent approximately $75,000. Should responsible party stop work, the state may have costs estimated at $50,000 plus litigation costs.

D. Industrial Site - Kenai - a dump site that is contaminated with oil that may reach the water aquifer. It is unlikely that the owner will clean up the site. State costs are estimated at approximately $75,000 plus litigation costs.

E. Swanson River Oilfield - an oilwell blowout that pressurized the water aquifer and contaminated drinking water. Investigative work is needed to determine the extent of contamination. It is estimated that $20,000 will be neded for this phase of work.

F. Poppy Lane and Alyeska - Two other continuing projects will need funds for monitoring and sample testing. These are the Union Oil Poppy Lane gravel pit and the Alyeska ballast water treatment project. It is estimated that $35,000 will be needed.

III. Northern Regional Office - Fairbanks

A. Kotzebue Oil Spill - an underground fuel oil spill. Recovery of free product from the groundwater is occurring. Estimates of costs total $130,000 per year if phased over several years.

B. Potential Underground Oil Spill Cleanups - Locations are Lucky Sourdough in Fairbanks, Stage Stop in North Pole, and Air North in Fairbanks. Estimated investigative costs are about $35,0000 per site for a total of $105,000.

C. Additional Underground Contamination Problems - Fairbanks

A contract is being written for an expert arctic hydrogeologist to assist staff in investigating problems at Mapco, Eielson Air Force Base, the Fairbanks Industrial area, and the Municipal Utility System. Cost for contract is $5,000. Cleanup costs for these sites would be considerable. The State intends to work with responsible parties to address these problems. If cleanups are needed, costs will exceed those available.

D. Potential Underground Oil Spill Cleanups - Remote Locations. Four potential problem sites that will require cleanup funds; Minto School, Harold's Air Servide in Galena, Wales City Building, and Manley Hot Springs. Estimated costs are $70,000 per site for a total of $210,000.

E. Hazardous Waste Site - Nome contaminated soil.

Funds have been allocated to hire an Environmental Field Officer III, Non-Permanent position to act as On-Scene Coordinator to oversee the Compliance Order for cleanup at the Alaska Gold Co. and Steadman Field, Costs are $22,000. Additional monitoring will likely cost $25,000.

III. Potential Superfund Sites

Additional costs would be incurred to address sites identified through the Superfund site investigation process. These will likely include the Alaska Husky Battery site in Anchorage, another potentially contaminated site in Anchorage, a potentially contaminated site in Juneau, and two potentially contaminated sites in the Kenai Peninsula. Investigatory costs are estimated at up to $30,000 per site for a total of $150,000.

A REPORT TO THE 15th ALASKA LEGISLATURE

ON THE OIL AND HAZARDOUS SUBSTANCE RELEASE RESPONSE FUND

by the

ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Dennis Kelso - Commissioner

January 30, 1987

STATE OF ALASKA

STEVE COWPER - GOVERNOR

TABLE OF CONTENTS

Section 1 - Introduction..... Page 1

Section 2 - Executive Summary..... Page 2

Section 3 - Fund Expenditures for FY 87..... Page 3

Section 4 - Revenues and Sources of Funds Recovered in FY 87..... Page 4

Section 5 - Major Department Response Activities in FY 87..... Page 5

Section 6 - Projected Response Activities for the Balance of FY 87 and FY 88..... Page 8

Section 7 - Municipal Participation in the Fund..... Page 10

Section 8 - Hazardous Waste Sites..... Page 11

Attachment A..... Page 12

Attachment B..... Page 13

Section 1. INTRODUCTION

The 1986 Legislature passed HB 470, a bill relating to the release of oil and hazardous substances. This legislation, in part, established an Oil and Hazardous Substance Release Response Fund. The legislation incorporated the previously existing oil spill reserve account into the Oil and Hazardous Substances Release Re sponse Fund. The department uses money from the Response Fund for the response and cleanup of oil and hazardous substance spills. Section 46.08.060 of the bill requires the department to submit to the Legislature an annual report summarizing information on: spill response activities during the preceding fiscal year; projected costs of cleanup for the next year; expenditures from the fund; and monies recovered from spillers. Since FY 87 is the first year of the fund's existence, this report covers the six month period from July 1, 1986 - January 1, 1987.

Section 2. EXECUTIVE SUMMARY

The Legislature appropriated $680,666 to the Response Fund for FY 87. However, monies in the Fund were subject to a 35 percent restriction on spending that was placed on all capital budget appropriations in July 1986. As a result, $451,327 was released to the department to spend for oil and hazardous spill responses in FY 87. On January 1, 1987, OMB released the remaining balance of the Oil Spill Mitigation Account ($79,338) to the department for additional spill expenditures. As of January 1, 1987, our records show FY 87 expenditures of $206,670 and encumbrances and other obligations of $196,081 (Attachment A), leaving $127,914 remaining in the unrestricted portion of the Fund.

During FY 87, the department reached settlement agreements for damages from three oil spills. These settlements are deposited to the Oil and Hazardous Substance Release Mitigation Account. When final payments are made to the state, total revenue recovered Mitigation Account from these three spill settlements will be $307,299. This total may increase as the department proceeds with enforcement actions on other spills in FY 87. As provided in HB 470, these funds are available for appropriation to the Response Fund.

The department has allocated monies from the Fund for several significant oil and hazardous substance spill investigations during the first six months of FY 87. These include the Kotzebue underground spill ($62,538), Nome underground spill ($12,745), West Poppy Lane gravel pit ($15,464), Iron's Subdivision groundwater contamination ($9,041), Peters Creek groundwater contamination ($208,415), Anchor Point groundwater contamination ($10,407), and Crown Point chemical release ($20,000).

The department projects that at least $612,000 will be needed to respond to and clean up existing known oil and hazardous substance spills. These are costs associated with continuing projects. In addition, we estimate that at least $350,000 will be required for new cleanup activities to be initiated during FY 88.

No funds were provided to municipalities for their involvement in oil and hazardous substance spill response activities during FY 87.

Section 3. FUND EXPENDITURES FOR FY 87

The Legislature established the Response Fund on July 1, 1986, with appropriations from three different sources as follows:

FY 86 Oil Spill Mitigation Account balance	$158,677
FY 86 Oil Spill Expense Reserve balance	221,989
FY 87 Capital Budget appropriation	300,000
Total	$680,666

In August, 1986, the Office of Management and Budget (OMB) restricted this appropriation by 35 percent. This reduction was applied to all capital appropriations.

The department responded to a rash of oil and hazardous substances spills during the summer of 1986. By the end of August we had either spent or encumbered a total of $226,669 for oil and hazardous substances spill response and cleanup activities. As a result, the department asked OMB that an exception to the spending restriction be granted.

On September 15, 1986, we were advised by OMB that they would release monies from the following Fund appropriations as follows:

50% of the Oil Spill Mitigation Account balance	$ 79,338
100% of FY 86 Oil Spill Expense Reserve balance	221,989
50% of FY 87 Capital budget appropriation	150,000
Total revised appropriation	$451,327

OMB released the remaining balance of the Oil Spill Mitigation Account ($79,338) on January 1, 1987 for additional spill expenditures. As of January 1, 1987, our records show total spill expenditures, encumbrances and other obligations of $402,751. The balance of the Fund on January 1, 1987, was:

	$530,665 ($451,327 + $79,338)
	402,751
Total	$127,914

Section 4 ENUES AND SOURCES OF FUNDS RECOVERED in FY 87

To date, Department has recovered monies from three oil spills in FY 87. These spills described in more detail in Section 5 of this report. All funds recovered from spillers are credited to the oil and hazardous substance release mitigation account.

I. Motor Vessel VASHON

A settlement agreement was reached with the owner of the M/V VASHON on September 8, 1986 whereby the owner agreed to reimburse the state in the amount of $3,300 for Department's expenses in responding to an oil spill. The vessel owner agreed to pay this amount over a 15-month period; $1,300 has been received to date.

II. Chevron Peters Creek Underground Oil Spill

The state's investigation of the contamination of groundwater in the Peters Creek area north of Anchorage led to testing on the site of Peters Creek Chevron gasoline station to determine if an unreported 1984 fuel spill at the station was a source for the groundwater contamination. The Peters Creek Chevron Station was determined not to be a contributor to the groundwater contamination. The state did proceed to recover investigative costs and damages associated with the 1984 spill in the amount of $15,000. Chevron assumed the costs with the contractor for drilling test holes for soil sampling. The total settlement costs to Chevron are $28,693 with $14,999 payable to the mitigation account. Approximately $653 has been received, and the balance of $14,346 is due by February 13, 1987.

III. Nome Gasoline Spill

On November 28, 1986, a settlement agreement was announced for state expenses involved in investigating and cleaning up a major spill of gasoline from the Q-Trucking facility in Nome. The settlement is for $363,300; $75,000 will go to the federal government and $288,800 will be paid to the state. The spill of more than 50,000 gallons was first discovered in 1983, and DEC subsequently recovered more than 35,000 gallons from the ground.

Based on these settlements, total revenues to the oil and hazardous substance release mitigation account for FY 87 has amounted to $307,300 as follows:

M/V Vashon	$ 3,300
Peters Creek Chevron	14,999
Nome Gasoline Spill	288,800
Total	$307,299 †

Other funds may be recovered to the mitigation account as additional settlements are reached with spillers.

Section 5. Major Department Spill Response Activities for FY 87

I. Kotzebue Underground Oil Spill

In 1980, the department became aware of a problem with oil seeping into the elementary school basement in Kotzebue. After our investigation, we determined that 100,000 to 200,000 gallons of #1 fuel oil (diesel) was contaminating an underground area that was estimated at that time to be 10 acres. The fuel has been in the ground for 25 to 30 years. Possible causes of the spill include fuel storage or handling problems from a nearby oil facility in the 1950s.

In more recent years, oil has been observed leaching into Kotzebue Sound from time to time, posing a potential threat to local fisheries. The department has been involved in the recovery of the oil with the objective of mitigating potential environmental and safety problems. Problems experienced in the collection of the fuel included a seasonally frozen groundwater aquifer above the permafrost and inconsistent monitoring of the primary collection sump in the school basement. By the fall of 1984, about 40,000 gallons of fuel had been recovered using a variety of methods. While a large quantity of oil remains underground, recovery has been severely reduced because of recent funding constraints and sporadic collection conditions associated with the cold climate and permafrost.

During August 1986, a comprehensive study was conducted to identify the scope of the underground contamination problem and to determine that fuel loss is no longer continuing. Work included pressure testing existing fuel lines in the area, installing in-line flow meters within the perimeter of the spill site area, consultation with an expert hydrogeologist to identify the areal extent of the spill, installation of monitoring wells, and initiating a sampling program.

A report of this work has been completed. The cost of contracting this investigation was $49,633. Other costs total $6,682.

II. Nome Gasoline Spill

A major gasoline spill in Nome occurred on July 12, 1983. Unleaded gasoline surfaced with groundwater along the marshy grasses of Dry Creek near Nome. Results of ditching, drilling, surveying groundwater elevations, and product sampling ultimately led DEC to a suspect spill source. Because some of the gas product entered navigable waterways, the U.S. Coast Guard (USCG) intervened and assisted to keep the gasoline from entering Norton Sound. Once the USCG stopped cleanup, ADEC contracted for cleanup work and was later reimbursed with $597,396 of federal funds for the major part of this cleanup effort.

DEC continued efforts in 1984 and 1985 to identify the spiller and initiated litigation to recover the amounts of state funds expended that were not part of the federal reimbursement.

Expenditures this year have totalled $1,908. A contract remains active for an expert witness in the field of hydrogeology. The encumbered balance for the contract is $10,837, and it is expected to be closed out in the near future.

The Department of Law announced on November 28, 1986, that they had reached a settlement with the spiller over state expenses involved in DEC's investigation and cleanup of the Nome gasoline spill. This settlement is detailed in the revenue section of this report.

III. West Poppy Lane Gravel Pit

The West Poppy Lane gravel pit, located near Soldotna, is approximately 40 acres in size. Department investigation has revealed contaminated soils and groundwater. In FY 87, DEC has spent $15,464 on travel and per diem, sample analysis, and site excavation work. This is a continuing project for which additional expenses are likely.

IV. Iron's Subdivision

Another apparent underground spill has affected drinking water in Iron's Subdivision in Soldotna. A contract has been written to have test wells drilled for sampling to determine the source of contamination. Work is continuing on this spill. Expenditures this fiscal year have totalled $9,041.31.

V. Peters Creek

Contamination of drinking water in several private wells in the Peters Creek area in Chugiak was identified by DEC in April 1986. The department believes that the benzene contamination originated from a leak from an underground storage tank(s) and/or underground lines connecting the tanks at the Peters Creek Tesoro gasoline station. The spill created an emergency situation. Several contracts were written during the investigative phase to determine the source and extent of the contamination.

An emergency water supply was provided by the Municipality of Anchorage for 36 homes with contaminated wells. Due to the contamination, all of the wells will be abandoned.

Expenditures are $77,396 this fiscal year; an additional $52,019 has been encumbered. This was spent for contractual services for testing of water samples to define the contaminated area, testing of tanks and lines, and other investigatory work. A contract for $79,000 has been approved for the first phase of the cleanup since the property owner/spiller has declared that he does not have the financial resources for this work. Phase I work will involve the initial recovery and disposal of free product from the affected groundwater in the Peters Creek area. Litigation against the spiller has been intitiated. An additional $75,000 may be needed for further cleanup work which could continue for at least another year. Moreover, additional expenses will likely be incurred in conjunction with the litigation.

VI. Anchor Point

Benzene contamination of several wells in the Anchor Point Area has been identified. Investigative work has included drilling of test wells and sampling of water to determine the scope and source of the contamination. Like the

Peters Creek spill, this spill may involve considerable expenditures by the state before it is resolved. Expenditures and encumbrances for this fiscal year thus far are $10,407.

VII. Motor Vessel VASHON

The vessel VASHON grounded near Ketchikan in June 1986. The department and the Coast Guard worked with the vessel owner to keep the fuel oil from the vessel contained and recovered. The vessel was sold for salvage. Expenditures for this fiscal year amounted to $2,067. As noted earlier in this report, DEC and the Department of Law worked out a settlement agreement to recover DEC's expenses from the vessel's owner.

VIII. Moose Pass/Crown Point

In March 1986, toxic fumes were emitted from a tank car on the Alaska Railroad in the vicinity of Crown Point. This spill resulted in declaration of a state emergency. Funds were made available by the Department of Military and Veteran Affairs for assistance to affected people in the spill area. The department is managing $180,000 in funds provided by the Division of Emergency Services to contract with Dames & Moore to assess whether any environmental effects of the spill remain in the area. DEC has added $20,000 from the fund to analyze additional environmental samples. A report from the contractor is to be released in March 1987.

IX. Buckingham Well

This spill involved a drinking water well in Soldotna that was allegedly damaged by a fuel delivery truck's hitting the well casing. The contents of the fuel tank spilled on the ground around the well casing with some of the fuel's discharging into the well. The department cleaned the well and eliminated the residual hydrocarbon levels remaining in the drinking water. Expenditures are $1,381 for FY 87.

Section 6. Projected Response Activities for Balance of FY 87 and FY 88

I. Southeast Region - no known projects at this time.

II. Southcentral Region - Anchorage

A. Peters Creek

The Peters Creek spill is described in the previous section. Cleanup is now scheduled for the spill.
Cleaning groundwater is a difficult undertaking; the feasibility of a cleanup can be better assessed after experience is gained with the initial cleanup. If a second phase proves to be appropriate, it is estimated to cost about $75,000. The specific details of further actions needed under this second phase of cleanup will not be known until Phase One has been completed and additional information is gathered on the spill. Another $12,000 may be necessary to properly close out 20 monitoring wells in the area. Costs will also be associated with the litigation underway in this case.

B. Anchor Point

More exploratory and investigative work on this groundwater spill will be needed. Contracts are being prepared for drilling test wells in an attempt to locate the spill source. The estimates of costs for the investigative work is $14,000. Additional funds will be needed in the future for cleanup and potential litigation costs.

C. Iron's Subdivision

More investigative work requiring sampling and possibly some well drilling will be necessary at this spill site - estimated costs are $6,000. Additional funds may be needed for litigation and cleanup if the suspected spiller can not or will not clean up the contamination.

D. Industrial Site - Kenai

The estimated amount for the cleanup is expected to be about $60,000. At this point, it is uncertain whether it will be necessary for the state to initiate the cleanup. If so, cleanup activities as well as litigation costs would likely be needed.

E. Moose Pass/Crown Point

It is unknown at this time what funds may be needed on this project. The current cleanup contractor has not completed his work and reports. Additional funds may be required.

III. Northern Regional Office - Fairbanks

A. Kotzebue Oil Spill

Phase One consisted of determining the scope of the underground contamination and ensuring that other oil was not leaking from other sources. Phase Two cleanup activities in FY 88 would entail recovering free product from the groundwater and disposing of it. Cost estimates are based on an assumption that there is approximately 40,000 gallons of oil remaining in the ground and that 90 per cent of it can be recovered. Permafrost and frozen ground limit recovery work each year. As a result, complete product recovery may take one to three years. Following are provides annual cost estimates on Phase Two work.

Consulting and administrative costs	$ 10,000
Equipment costs (wells, pumps, etc.)	20,000
Contracted labor (4-6 weeks per yr.)	100,000
Total	$130,000

B. Potential Underground Oil Spill Cleanups - Fairbanks

Underground spills have occurred at several sites near Fairbanks and have contaminated the groundwater to some degree. These are Lucky Sourdough in Fairbanks, Stage Stop in North Pole, and Air North in Fairbanks. It is estimated that investigative costs will be about $35,000 per site for a total of $105,000. Additional spills in the Fairbanks area may also need to be addressed.

C. Potential Underground Oil Spill Cleanups - Remote Locations

There are four potential problem sites that may require cleanup funds. These are Minto School, Harold's Air Service in Galena, Wales City Building, and Manley Hot Springs. The estimated costs for cleanup are $70,000 per site for a total of $210,000. Cleanup work at remote sites are at least double the cost of local sites.

Conclusion

Total estimated costs of known required cleanup actions are $612,000. Based on past records and experience, we estimate that investigations for new spills discovered in FY 88 will require additional funds of at least $350,000.

Section 7. Municipal Participation in the Fund

No municipalities requested reimbursement for any expenses they incurred in the cleanup of oil and hazardous substance spills during the first half of FY 87.

Section 8. Hazardous Waste Sites

The state and the Environmental Protection Agency are in the process of investigating about fifty potential hazardous waste disposal sites in Alaska. The results of these investigations may reveal sites of past spills. The state will make every attempt to use federal funds for any remedial action that proves necessary at these sites. However, it is likely that some sites will require a response but not be eligible for federal dollars. This could add significantly to the need for response funds in the future.

Attachment B to this report is a list of known hazardous waste sites included on a list generated under the federal Comprehensive Environmental Response Compensation and Liability Act (CERCLA). and a schedule of task accomplishments for each site. Six site investigative reports have been completed. These reports generally describe the scope of the problem and investigative work completed at each site, and rank the relative importance of site. These reports are used by DEC and the Environmental Protection Agency in the evaluation process of determining what future course of action needs to be taken at each site.

Attachment A

Major Fund Expenditures and Encumbrances by Spill Project as of January 1, 1987:

Spill Project	Encumbered Balance	Expenditures	Total
Kotzebue	$ 6,322.50	$ 56,315.03	$ 62,637.53
Nome	10,837.00	1,908.48	12,745.48
Union Oil/Poppy Lane	0.00	15,464.43	15,464.43
Buckingham	0.00	1,380.86	1,880.86
Iron's Subdivision	0.00	9,041.31	9,041.31
Peter's Creek	131,018.90	77,395.79	208,414.69
Anchor Point	4,064.00	6,343.08	10,407.08
M/V Vashon	0.00	2,067.26	2,067.26
Moose Pass	20,000.00	0.00	20,000.00
Misc. spill expenditures	23,838.48	36,254.25	60,092.73
Total	$196,080.88	$206,670.49	$402,751.37

Attachment B

Revised Schedule of Accomplishments

ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION
CERCLA ACTIVITIES UNDER EPA COOPERATIVE AGREEMENT

Table 1

Site	Submitted to EPA for State Lead	Proposed State Action	Workplan Ordered	Workplan Approved	Fieldwork Complete	Report Draft	Final
AKD980975106 Perseverance Mill-Juneau	3/85	SIF	7/86	10/86	11/86	3/87	5/87
AKD980495568 Juneau Landfill-Juneau	3/85	SI	7/86	2/87	11/86	3/87	4/87
AKD083354209 White Pass Yukon RR-Skagway	3/85	SI	7/86	10/86	11/86	3/87	5/87
AKD980664866 Old Kenai Dump-Kenai	3/85	SI	10/85	12/85	3/86	5/86	1/87
AKD092876390 Union Chemical-Kenai	3/85	SI	10/85	12/85	3/86	3/87	5/87
AK09806642924 Kenai Landfill-Kenai	3/85	SI	10/85	12/85	3/86	9/86	1/87
AKD009276619 Frontier Tanning-Anchorage	3/85	SI	8/85	10/85	11/85	1/86	3/86
AKD061673430 Alaska Pollution Control-Anchorage	3/85	SI	10/85	12/85	3/86	5/86	1/87
AKD018542969 Rogers & Babler-Anchorage	3/85	SI	10/85[1]				
AKD009246497 Alaska Husky Battery-Anch.	3/85	SIF	10/85	12/85	3/86	5/86	1/87
AKD980495618 Red Devil Mines-Bethel	3/85	SI	7/86	10/86	11/86	3/87	5/87

Table 1 (cont'd)

Site	Submitted to EPA for State Lead	Proposed State Action	Workplan Ordered	Workplan Approved	Fieldwork Complete	Report Draft	Final
AKD038526620 Alaska Gold - Nome	3/85	SI	8/85	10/85	11/86	1/86	3/86
AKD045771235 Fairbanks Borough Landfill - Fairbanks	3/85	SI	7/86	10/86	11/86	3/87	5/87
AKD046879567 University of Alaska - Fairbanks	3/85	SI	7/86	10/86	9/86	3/87	5/87
AK9 0049 0421 Alaska Battery Enterprises		SI-					
AKD980639751 Fort Yukon City Dump - Fort Yukon	3/85	SI[1]					
AK980978902 Alaska Auto Carriers - Anchorage	4/86	PA[2]					
AKD980975932 Bendles Road Oiling Facility - Anchorage	4/86	PA[2]					
AKD097246739 Red Samm Const. - Juneau	4/86	PA[2]					
AKD009252230 Louisiana Pacific - Ketchikan	4/86	SI[2]					
AKD009252487 Alaska Pulp Corporation - Sitka	4/86	SIF[2]					
AKD980980701 Union Oil Gravel Pit - Kenai	4/86	RI/FS[2] (PA)					
AKD980976203 Soldotna Landfill - Kenai	4/86	SI	7/86	10/86	4/87	6/87	7/87

Table 1 (cont'd)

Site	Submitted to EPA for State Lead	Proposed State Action	Workplan Ordered	Workplan Approved	Fieldwork Complete	Report Draft	Final
AKD037995404 Alaska Electro-plating-Anchorage	4/86	SI	7/86	10/86	11/87	3/87	5/87
AKD083350389 North Pole Refinery-North Pole	4/86	SI	7/86	2/87[3]			
AKD098866498 M&M Enterprises-Anchorage	4/86	SI	7/86	10/86	11/86	3/87	5/87
AKD980981930 Arness Property-Kenai	4/86	PA[2]					

1 CERCLA staff will make an on-site inspection to determine if further action is necessary.

2 Work on hold to prevent project cost overrun.

3 Revisions requested in workplan.

DEC NEWS

PRESS RELEASE FROM THE PUBLIC INFORMATION OFFICE
ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION
P.O. BOX 0 JUNEAU, ALASKA 99811 (907) 465-2606

Steve Cowper, Governor Dennis D. Kelso, Commissioner
Joe Ferguson, Information Officer

FOR IMMEDIATE RELEASE APRIL 7, 1987

SUBJECT: FIRST DEC ANNUAL REPORT ON OIL AND HAZARDOUS SUBSTANCE RESPONSE FUND

The Department of Environmental Conservation today issued its first annual report on the implementation of the Oil and Hazardous Substances Release Response Fund. The report shows that DEC used the fund to respond to nine oil or hazardous substance releases in the first six months of fiscal year 87, and identifies over twenty additional incidents that may require responses in the near future. The report also indicates that DEC recovered over $300,000 for damages from past spills. DEC recently submitted the report to the 15th Alaska Legislature, as required by HB 470. In releasing the report, DEC Commissioner Dennis D. Kelso pointed out the fund's essential role in dealing with environmental emergencies and stressed that much more needs to be done.

"Passage of HB 470 last year made it possible for DEC to respond to spills of hazardous substances in addition to oil, such as the Crown Point tanker car chemical release last March or contaminants discovered in the Poppy Lane gravel pit near Soldotna," said the Commissioner. "The fund provides DEC with revenues needed to investigate contamination and determine what the environmental effects are and who is responsible. This work is essential to seeing that environmental problems are addressed."

The Commissioner explained that before the new legislation was passed, the department was able to use the fund only to respond to oil spills. HB 470, sponsored by Representative Mike Davis, incorporated the previously existing oil spill reserve account into the response fund and broadened its application to include hazardous substances.

The fund provides resources for investigation and initiation of immediate cleanup when a responsible party cannot be found or when a responsible party fails to act. Once responsible parties are identified, the department takes legal action to recover costs. Historically, the department has recovered costs at the same rate that expenditures are made, though recovery often takes several years. Recovered funds are deposited into a "mitigation account," which is then available for appropriation by the Legislature into the response fund.

In fiscal year 87, the Legislature made $680,000 available for the fund. During the first six months of the fiscal year, from July to December 1986, the department expended or obligated $420,751 in response to several major contamination incidents.

DEC's greatest use of the fund last year came in response to benzene contamination in numerous drinking water wells at Peters Creek in Anchorage. Commissioner Kelso commented, "The response fund was absolutely essential to our ability to define quickly the scope of the emergency, to undertake the cleanup needed to minimize the spread of the contamination, and to find the party we believe responsible."

The department discovered the Peters Creek contamination in April 1986, when DEC responded to a complaint by a resident. Testing of wells was conducted on an emergency basis to identify the contaminants and determine the extent of pollution. Residents were advised which wells were affected, and a health emergency was declared due to the hazards associated with exposure to or ingestion of benzene. This is a hydrocarbon usually found in association with petroleum products. Area groundwater was mapped to determine the direction of underground water movement and to determine a safe alternate water source. The department assisted the Municipality of Anchorage with installation of a temporary water system during the summer and a permanent alternate system by the fall of 1986.

DEC also installed monitoring wells to isolate the source of the contamination. The department has initiated litigation to recover costs and penalties from the party believed to be responsible. DEC is currently monitoring the continuing spread of the contamination, and is working with a contractor to reduce the spread by recovering as much petroleum product as possible from the groundwater.

At Peter's Creek, expenditures for collection and testing of samples, testing of fuel storage tanks and lines, and other investigatory work amounted to $77,396 by December 1986 . An additional $52,019 has been encumbered to cover anticipated costs. The first phase of the cleanup is expected to cost up to $79,000. The department is paying for the cleanup directly because the party believed to be responsible has declared that it does not have financial resources for the work.

DEC also acted on several other spills during the period of the report. In Kotzebue, a comprehensive study of a major and long existing underground fuel oil spill resulted in a multi-phase plan for cleanup. Oil has periodically been observed leaching into Kotzebue Sound. Costs to date total about $50,000. At the West Poppy Lane gravel pit near Soldotna, use of the fund allowed the department to perform conductivity and magnetometer tests at the site and to excavate for collection of samples needed to define the extent and sources of contamination. Resources from the fund are essential for work necessary to resolve the problems at this site.

The department has used resources from the fund to address drinking water contamination by benzene in two areas on the Kenai Peninsula, Anchor Point and Irons Subdivision in Soldotna. Testing of wells and investigation of potential contamination sources have been conducted using the fund in both locations.

Commenting on recovery of costs, Commissioner Kelso said, "It is essential for the funds recovered from past responses to be appropriated back into the response fund, so that penalties from past spills can be used to respond to present and future problems. This allows the response program to be as self-sustaining as possible." The department recovered costs and penalties from several past spills during the first half of the fiscal year. Settlements to date include $298,300 for investigation and cleanup of a 1983 gasoline spill by Q-Trucking in Nome and other smaller recoveries, for a total of $307,299.

For the remainder of fiscal year 1987 and into 1988, the department expects an increasing need for responses to contamination problems. Commissioner Kelso said, "We are continually being alerted to significant environmental pollution problems. Benzene in drinking water is probably the most widespread. We have found it in Juneau, Anchorage, Fairbanks, Kenai and elsewhere. The same is true for other forms of contamination. Alaskans tend to think of our state as being far removed from the problems found in other parts of the country. In reality, though, Alaska has many of the same serious prob' ms facing other states. In urban areas, we have contamination from leaking fuel tanks and from improper handling of hazardous materials. On the Kenai Peninsula, we need to address problems associated with industrial activities. In rural areas, we have problems resulting from past military actions. I have been surprised by the number and severity of problems that have been discovered, and I believe Alaska must now face the urgent need to resolve these issues."

The report identified several sites where investigations or cleanups are likely to be needed. The department estimates that nearly one million dollars would be needed to address known sites. Moreover, DEC is conducting a systematic investigation of other suspected hazardous waste disposal sites, in cooperation with the Environmental Protection Agency. Kelso said, "We are finding real environmental problems at some of these sites. The Steadman Field playground site in Nome is a good example. We have found extremely high levels of arsenic and mercury in the midst of a residential area. It is imperative that the State ensure that sites such as this are properly addressed." Kelso said that fourteen other site

investigations will be completed this year. "We expect that as many as a third of these will reveal serious environmental problems."

"The response fund has proven to be an effective tool and has made it possible to accomplish a great deal. It is important to keep it fully funded, to meet the emergencies that will surely arise and to continue essential work that is underway," Kelso said.

For further information, contact Joe Ferguson, Information Officer, 907/465-2606.

# # #

FUEL TAXES IN CENTS-PER-GALLON
GASOLINE
DIESEL
LPG
LETTERS: EXCEPTIONS

Federal diesel fuel tax of 15¢ a gallon remained unchanged in 1985. Twelve states' gasoline taxes were increased by: Ark., 4.5¢; Ariz., 4¢; Ia., 3¢; Ind., 2.9¢; Neb., 2.3¢; Tenn. and Wash., 2¢; Conn., Nev., Okla. and Ore., 1¢; Wisc., .5¢. Wyo. enacted an 8¢ tax on diesel fuel. And diesel fuel taxes in 13 other states were increased by: Ariz., 4¢; Ind., 3.9¢; Ark., 3.5¢; Ia. and N.J., 3¢; Neb., 2.3¢; Wash., 2¢; Conn., Ill., Nev., Okla. and Ore., 1¢; Wisc., .5¢. Wyo. also established an 8¢ LPG tax. In 11 states, LPG fuel taxes were increased by: Ark., 4.5¢; Ariz. and Ia., 4¢; Ind., 3.9¢; Neb., 2.3¢; Conn., Ill., Nev., Okla. and Ore., 1¢; Wisc., .5¢. No federal fuel tax increases in 1986 are anticipated. However, according to Highway Users Federation, 26 states are expected to raise motor fuel taxes in 1986.

In the Key to Exceptions listed on this page, note that variable taxes (R) are recomputed at least annually, based on an indicator such as the consumer price index or a percentage of the wholesale price of fuel.

Since the taxes noted are subject to revision, contact the appropriate state office for the most current information.

Key To Exceptions

A—city/county taxes additional
B—reporting form required if fuel not purchased in state
C—sales tax additional
D—diesel fuel sales tax additional
E—except for 100+ passenger, regularly scheduled, in-state route buses
F—surtax on any vehicle with 3 or more axles (2% in Ky., 2¢ per gallon in Va.)
G—LPG fueled vehicles may pay an annual flat rate
H—some refunds for taxicabs and buses
I—city transit buses refunded 11¢ per gallon
J—annual license fee based on vehicle tonnage imposed in lieu of LPG tax
K—vehicles (except gasoline) subject to mileage tax are exempt from fuel tax
L—decal fee if under 18,000-lb GVW for Missouri-based vehicles
M—2% excise tax on distributors of motor fuels
N—non-diesel fuel license
O—gross receipts tax
P—decal fee
R—variable tax
S—$10 per vehicle with 3 axles or more
T—diesel fuel sales tax additional 6% of total selling price
X—decal fee covers local option and motor fuel tax

Copy of memo misplaced.
SK.

STATE OF ALASKA
DEPARTMENT OF REVENUE
Audit Division

Memorandum

To: Eloise Herrick
Supervisor, Excise Claims/Tax Unit

From: Brad Whistler
Tax Examiner, Excise Claims/Tax Unit

Date: January 27, 1987

Subject: Highway motor fuel tax revenues and an analysis of 6¢ nonhighway use refunds

	FY 1985-86	
	Highway Gasoline	Highway Diesel
1. Total gal. sold	238,042,714	663,699,517
Total taxable gal.	219,418,752	280,457,607
Gross Tax	$17,553,500	$22,436,608
2. Net tax after exempt distributions and use conversions	$17,184,422	$8,967,128

3. Net revenue from highway tax: $26,151,550

4. Break down of 6¢ refunds and credits

Total 6¢ refunds and credits by fuel type:	$335,156	$12,137,590

Total 6¢ refunds and credits: $12,472,746

Total 6¢ refunds taken as credits: $10,667,737

Total 6¢ refunds issued to oil companies:	$ 59,868
Total 6¢ refunds taken as credits by oil companies:	10,596.266
Total 6¢ refunds and credits by oil companies:	$10,656,134

-This represents 85% of the 6¢ refunds and credits

5. Under the proposed change to the highway motor fuel tax the rate would be increased from 8¢ to 16¢ per gallon. The aviation and marine rates would remain unchanged. Under this rate structure fuel purchased as highway fuel and used as marine fuel would be eligible for an 11¢ per gallon refund. Highway fuel used off-highway would be eligible for a 14¢ per gallon refund.

There is no way to accurately predict the increase in refund claims under this new rate structure. With the rapid increase we have seen in marine fuel claims since the Department's compliance project, we can expect a substantial increase in claims. I would expect an increase in refunds for all claims dealing with highway fuel used in an exempt manner or in a manner taxable at a lower rate. I would expect the largest portion of the increase to come from individuals filing claims for off-highway and marine usage.

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1. Figures are from State's motor fuel tax reports.
2 & 3. Figures are from Research. The net revenue from the Excise Claims/Tax Unit's ledgers was $24,739,345.
4. Figures are from Excise Claims/Tax Unit's refund ledger. I have included the gallons refunded to those businesses which were readily identifiable as oil & gas companies. A large portion of the remaining off-highway refunds were to oilfield service companies.

STATE OF ALASKA
DEPARTMENT OF REVENUE
DIVISION OF AUDIT

M E M O R A N D U M

TO: Hugh Malone
Commissioner of Revenue

FROM: Steven E. Kettel
Acting Director of Audit

DATE: February 17, 1987

SUBJECT: Motor Fuel Tax Refunds and Credits by Usage for Fiscal Year 1985-1986

Fuel Type	Usage	Refund rate	Gallonage	$ Amount
Gasoline	Government	8¢	233,213	$ 18,657
"	Heating	"	154	12
"	Other	"	133,199	10,656
"	Off-Highway	6¢	5,585,944	**335,157
"	Government	5¢	342	17
"	Other*	"	2,152	108
Avgas	Government	4¢	4,022	161
"	Other	"	55,449	2,218
Gasoline	Marine to Off-Hwy.	3¢	14,665	440
"	Highway to Marine	3¢	153,214	4,596
Avgas	Avgas to Off-Hwy.	2¢	-0-	-0-
Diesel	Government	8¢	51,049	4,084
"	Heating	"	13,349,268	1,067,941
"	Public Utilities	"	1,640,849	131,268
"	Downhole Diesel	"	233,274	18,662
"	Other	"	962,762	77,022
"	Off-Highway	6¢	202,293,161	**12,117,590
"	Government	5¢	3,173	159
"	Other*	"	27,865,713	1,393,286
"	Marine to Off-Hwy.	3¢	557,307	16,719
"	Highway to Marine	"	922,237	27,667
Jet Fuel	Foreign Flights	2 1/2¢	109,038,228	2,725,956
" "	Jet Fuel to Off-Hwy.	1/2¢	45,404	227
" "	Highway to Jet Fuel	5 1/2¢	95,410	5,248

*Marine motor fuel tax refunds for use outside Alaska's territorial waters
**These totals include $10,656,134 in refunds and credits to oil companies operating on the North Slope (See attached copy of January 27, 1987 memo)

from DOT/PF

Technical Memorandum #HY-86-3
Plans, Programs, and Budget

POTENTIAL APPROACHES TO A FUEL TAX INCREASE

Introduction

Alaska has not increased its tax on motor fuels used for highway purposes since 1961. Still taxed at 8¢ per gallon, this rate has gone from being among the highest in the nation to being one of the five lowest. There are many reasons for increasing what is generally considered to be a highway user fee; perhaps the most important being to increase the amount of revenues available to support DOT&PF expenditures on operations, maintenance and capital improvements for the state highway system.

Need

Although Alaska does not dedicate revenues from transportation user fees to transportation-related expenditures, it is still possible to compare revenues to these expenditures. The following figures (taken from Alaskan entries in a federal publication entitled Highway Statistics, 1985) tend to understate all potential uses of highway-related revenues, but they clearly point out the large shortfall between existing revenues and expenditures.

	(Dollars in millions)	
Revenues		
Motor Fuel Tax	22.6[A]	
Registration Fees/Driver Licenses	15.1	
Subtotal Revenues	37.7	
Collection Costs		
Motor Fuel Tax	0[B]	
Registration Fees/Driver Licenses	5.5	
TOTAL REVENUES MINUS COLLECTION COSTS	32.2	
Highway Related Expenditures - DOT&PF		
Maintenance & Operations		59.3[C]
Physical Maintenance		(24.6)[C]
Snow removal and sanding		(31.1)[C]
Traffic Control (signals)		(3.6)[C]
Obligation of Federal-Aid Apportionments		16.4[D]
State-funded capital projects		1.0[E]
Subtotal Expenditures- DOT&PF		75.7

Bond interest	13.4
Bond principal repayment	25.9
Traffic Law Enforcement (Troopers)	3.8
Weigh Station Operation	1.2
Municipal Revenue Sharing ($2375 per mile)	8.8
ROUGH TOTAL - 1985 HIGHWAY-RELATED EXPENDITURES	128.8
NET REVENUES (For comparison purposes)	32.2

Notes: [A] The slowdown in Alaska's economy has reduced both fuel consumption and fuel tax revenues- revenues are now at the $20 million level.
[B] $34,000 rounds to zero.
[C] Inflated by 30 percent to reflect overhead, administrative and materials costs not allocated to these categories.
[D] FY 88 Capital Budget
[E] Capital appropriations will occasionally be required to meet emergency and maintenance needs not qualifying for federal funding.

THE TOTAL EXPENDITURE FIGURE FOR 1985 IS FOUR TIMES THE AMOUNT OF REVENUES COLLECTED! Furthermore, the expenditure figure does not include any of the following:

(1) Other highway-related general fund expenditures of DOT&PF;
(2) General fund expenditures by other state agencies (for example, Division of Motor Vehicles estimates that state lease and data processing costs would add an <u>additional</u> $1.5 million to their budget);
(3) Increases in revenue sharing costs as municipalities proceed to maintain more miles of local roads.

<u>Justification</u>

One of the simplest methods of justifying a motor fuel tax increase is to compare Alaska's tax rate to that of other states. The following distribution of state gasoline tax rates indicates that an increase of 66% would be required to put Alaska on par with the average of tax rates in the other 49 states. A doubling of the current rate would put Alaska in the top twelve currently, although some states have already legislated increases that are yet to go into effect.

Lowest	7 ¢	Missouri
	7.5 - 9 ¢	Seven states (including Alaska, New Jersey, New York and Wyoming @ 8 ¢)
	9.7 - 12 ¢	Nine states
	13 - 13.5 ¢	Ten states

	14 - 15.75 ¢	Eleven states and the District of Columbia
	16 ¢	Arizona, Iowa and Louisiana
	17 ¢	Connecticut, Minnesota, Montana and Tennessee
	17.5 ¢	Virginia and Wisconsin
	18 ¢	Colorado and Washington
Highest	18.2 ¢	Nebraska

Sample of 50 states and the District of Columbia

Mean - 13.3 ¢
Median - 13.5 ¢
Mode - 13 ¢ (8 states)
Range - 11.2 ¢

Alternative Approaches to Raising the State Motor Fuel Tax

(A) Justify the increase based on the shortfall between revenues and expenditures. Increase the fuel tax to raise enough revenue to meet a politically identified level of funding support.

(B) Increase the fuel tax based on any of a number of objective considerations, such as increase in the Consumer Price Index, parity with other states , etc.

(C) Work with other agencies which could potentially spend highway-related revenues (Department of Public Safety, Department of Commerce and Economic Development, etc.) to develop a statewide plan for matching highway-related revenues with expenditures.

(D) Research and develop an Alaskan methodology for allocating highway costs to an Alaskan structure of existing and potential highway user fees.

(E) Pursue a fuel tax increase as part of a broader revenue-raising effort. Consider increases in the aviation and marine motor fuel taxes at the same time.

Additional Information

Two-page summaries of successful efforts to raise the gas tax in Oregon and Washington are attached. More backup information is available upon request.

DJH 1/22/87

CITY OF PALMER

231 W. EVERGREEN AVE.
PALMER, ALASKA 99645

Phone (907) 745-3271

A HOME RULE CITY

March 23, 1987

The Honorable Ron Larson
Representative
State of Alaska
Box V
Juneau, Alaska 99811

RE: HB 156, An Act Increasing the Motor Fuel Tax

Dear Representative Larson,

I have reviewed the proposed legislation in HB 156, An Act Increasing the Motor Fuel Tax.

The City of Palmer is unalterably opposed to this piece of legislation since all the funds generated by the increased motor fuel tax will be earmarked for the State of Alaska's General Fund as outlined in 43.40.010 of the Alaska State Statutes.

With the present Department of Transportation and Public Facilities proposal to have all municipalities and boroughs maintain state highways within their jurisdiction, there is no indication of any of the newly generated funds being allocated to the municipalities.

In the past, local political entities received Local Service Roads and Trails funds to assist in street and trails improvements. Since 1985, these funds have been curtailed.

There has been no justification as to why the motor fuel tax has to be increased. The need for upgrading as well as maintenance of the road system is needed, we will agree. However, the allocation of the funds to a single department for overall spending on a variety of functions rather than the intended use of highway construction and maintenance leaves a lot to be desired. The Department of Transportation and Public Facilities functions are not limited to only highways, but also various public works projects, such as buildings, which also causes concern for the expenditure of motor fuel tax funds.

We ask that this hastily drafted bill be tabled until further accountability of the Department of Transportation and Public Facilities is available with regard to the expenditures of funds, namely the Motor Fuel Tax monies.

Further, we feel that a permanent equitable entitlement be made to the political subdivisions who have road powers and exercise them, if this legislation is to be enacted.

Should you have any questions, please contact me.

Yours truly,

David L. Soulak
City Manager
City of Palmer

DLS/cac

cc: Scott Burgess, AML
Mayor Carte'
House Transportation Committee: Bette Cato, Chair
Heinrich Springer, Vice Chair
H.A. "Red" Boucher
Mike Miller
Bill Hudson
Ben Grussendorf
Drue Pearce
House Finance Committee: Albert Adams, Chair
Pat Pourchot, Vice Chair
Ron Larson
Mike Davis
Peter Goll
Kay Wallis
C.E. Swackhammer
Kay Brown
Mark Boyer
Steve Frank
Steven Rieger

from DOT/PF

STATE MOTOR FUEL TAX RATES

(cents per gallon)

STATE	GASOLINE	DIESEL	GASOHOL	ADDED TAX (2)	LOCAL OPTION
ALABAMA	13	14	10		L
ALASKA	8	8	0		
ARIZONA	16	16	16		
ARKANSAS	13.5	12.5	13.5		
CALIFORNIA	9	9	9	6	L
COLORADO	18	20.5	18		
CONNECTICUT	17	17	16	2	
DELAWARE	13	13	13		
D.C.	15.5	15.5	15.5		
*FLORIDA	9.7	9.7	7.7		L
GEORGIA	7.5	7.5	7.5	3	
HAWAII	11	11	11	4	L
IDAHO	14.5	14.5	10.5		
ILLINOIS	13	15.5	13	6	L
INDIANA	14	15	14	5	
/IOWA	16	18.5	15		
*KANSAS	11	13	8		
*KENTUCKY	15	12	15		
LOUISIANA	16	16	16	1	
/MAINE	14	14	11		
*MARYLAND	13.5	13.5	13.5		
*MASSACHUSETTS	11	11	11		
*MICHIGAN	15	15	15	4	
MINNESOTA	17	17	14.5		
MISSISSIPPI	9	10	9	6	L
MISSOURI	7	7	7		
MONTANA	17	17	17		
/*NEBRASKA	18.2	18.2	15.1		
NEVADA	13	13	12		L
NEW HAMPSHIRE	14	14	14		
NEW JERSEY	8	11	0		
NEW MEXICO	11	11	0		L
NEW YORK	8	10	8	6.75	L
*NORTH CAROLINA	15.75	15.75	15.75		
NORTH DAKOTA	13	13	5		
OHIO	12	12	12		
OKLAHOMA	10	10	10		
/OREGON	12	12	12		L
PENNSYLVANIA	12	12	12	6	
*RHODE ISLAND	15	15	15		
SOUTH CAROLINA	13	13	7		
SOUTH DAKOTA	13	13	11		L
TENNESSEE	17	15	13		L
/TEXAS	15	15	11		
UTAH	14	14	14		
VERMONT	13	14	13		
/VIRGINIA	17.5	16	17.5		L
WASHINGTON	18	18	16.2		
*WEST VIRGINIA	15.35	15.35	15.35		
*WISCONSIN	17.5	17.5	17.5		
WYOMING	8	8	8		

* Variable tax expressed in cents per gallon.
See notes on reverse side for additional information.

/Updated since last chart
Highway Users Federation
January 1, 1987 rev.

HOUSE TRANSPORTATION COMMITTEE STAFF QUESTIONS

The following are several questions and answers the House Transportation Committee staff asked during meetings with the Department of Revenue, the Department of Transportation and the Governor' office when reviewing this HB 156.

1. What changes in the current law does HB 156 propose?

HB 156 proposes to increase the motor fuel tax from 8 cents to 16 cents a gallon. Only motor fuel tax would be increased under HB 156.

2. Does this apply to all users of motor fuel tax, are there any exemptions?

Currently, non profit agencies and government agencies are exempt from paying this tax. If the tax is paid they are eligible to submit for a rebate.

3. What is the current rebate?

The current statute requires all in state highway users to pay the tax - 8 cents per gallon (other than those specifically exempted). Those using motor fuel for "off highway" use are eligible for a rebate of 6 cents, therefore there actual tax after rebate is 2 cents per gallon.
HB 156 proposes to increase the motor fuel tax to 16 cents per gallon and provides for a 6 cent per gallon rebate.
Therefore, the "off highway" would pay a tax of 10 cents per gallon.

4. How is "off highway" use determined and how much is this rebate annually?

"Off Highway" use is usually determined by the following ways:

a. Is the vehicle being used on a road that is not maintained by the state, local government or any other government agency. In other words is it a private road, a logging road etc.

b. Is the main purpose of use for the vehicle "off highway"

c. Is the vehicle registered or not. Usually if a vehicle is not registered it is considered to have a primary purpose involving "off highway" use.

Currently the state gives rebates of approximately $12 million per year. Of this amount, almost $10 million is rebated to the oil and construction industry for "off highway" use on the North Slope?

5. How does an individual or company submit for a refund and what criteria or proof do they need to submit to show they are eligible for a rebate?

An individual must submit proof they paid the tax and, some kind of documentation or proof showing how and where they used the fuel.

6. Does the department enforce the payment of tax?

Not really, it is on the honor system. If you purchase fuel in state or consume fuel in state you are required to pay the motor fuel tax. (unless exempted or eligible for rebate)

7. What about a motor carrier who purchases 100 gallons of fuel in Tok, drives down through Canada therefore only consuming 30 gallons in Alaska, would this individual be eligible for a rebate because it was not consumed in state?

Yes, this individual could submit the necessary proof and would be eligible for a rebate?

8. Would a person who purchased fuel out of the state but consumed a majority of this fuel in state be required to pay tax on the fuel consumed in state?

Theoretically yes, this person would be required to pay tax on the fuel consumed in state. The department of revenue currently has no way of enforcing this requirement for individuals.
In other areas such as marine fuel tax, the cruise lines and the oil tankers usually submit a schedule showing the number of trips made, how many miles were travelled, how many ships sailed and how many total hours the ships sailed. It is a fairly simple process to calculate the fuel consumed in state in these situations. The companies may also be audited and are then required to pay any fuel tax not already paid.

9. Are many people filling up in Canada for use in Alaska and not paying the required tax?

There is not really any effective way of measuring this, the cost to enforce this would be significant. Many of the users would probably fill up in Alaska because motor fuel is less expensive in this state.

Sec. 43.35.140. Gambling not legalized. AS 43.35.100 — 43.35.150 do not legalize gambling. (§ 4 ch 116 SLA 1949; am § 1 ch 53 SLA 1951)

Cross references. — For limitations on authorized gaming activities, see AS 05.15.180.

Sec. 43.35.150. Violations and penalties. (a) It is unlawful for a person to (1) distribute in the state a punchboard for which the license tax provided in AS 43.35.100 — 43.35.150 is not paid; or (2) maintain for use, or permit the use of, in a place or premises occupied by the person a punchboard upon which the license stamp is not affixed.

(b) A person violating a provision of AS 43.35.100 — 43.35.150 is guilty of a misdemeanor, and upon conviction is punishable by a fine of not more than $500. (§ 5 ch 116 SLA 1949; am § 1 ch 53 SLA 1951)

Chapter 40. Motor Fuel Tax.

Section

10. Tax on transfers or consumption of motor fuel and expenditure of proceeds
30. Refund for nonhighway use
35. Other refunds and credits
50. Refund claim by affidavit
60. Separate invoices
70. Refund warrants
80. Examination of books and records
85. Preservation of books and records
100. Definitions

Collateral references. — 71 Am. Jur. 2d, State and Local Taxation, §§ 616 — 634; 53 Am. Jur. 2d, Licenses, §§ 30, 46 — 58.

State tax on or in respect of goods shipped in interstate commerce to consignee for sale on consignor's account without previous sale or order for purchase, 4 ALR2d 244.

Loading or unloading interstate freight in performance of obligation resting upon one other than interstate carrier as interstate commerce as regards local taxation, 10 ALR2d 651.

State taxation of motor carriers as affected by commerce clause, 17 ALR2d 421.

Power of legislature to remit, release, or compromise tax claim, 28 ALR2d 1425.

Financial hardship or inability to pay taxes as rendering inapplicable statutes denying remedy by injunction against assessment or collection of tax, 65 ALR2d 550.

Sec. 43.40.010. Tax on transfers or consumption of motor fuel and expenditure of proceeds. (a) There is levied a tax of 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 cents a gallon,

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

(3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

(b) There is levied a tax of eight cents a gallon on all motor fuel consumed by a user, except that

(1) the tax on aviation gasoline consumed is four cents a gallon,

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

(3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

(c) Every dealer who sells or otherwise transfers motor fuel in the state shall collect the tax at the time of sale, and remit the total tax collected during each calendar month of each year to the department by the last day of each succeeding month. Every user shall likewise remit the tax accrued on motor fuel actually used by the user during each month. If the monthly tax return is timely filed, one percent of the total monthly tax due, limited to a maximum of $100, may be deducted and retained to cover the expense of accounting and filing the monthly tax return. At the time the remittance is made, each dealer or user shall submit a statement to the department showing all fuel which the dealer or user has distributed or used during the month.

(d) *[Repealed, § 3 ch 166 SLA 1976.]*

(e) Sixty per cent of the proceeds of the revenue from the taxes on aviation fuel, excluding the amount determined to have been spent by the state in its collection, shall be refunded to a municipality owning and operating or leasing and operating an airport in the proportion that the revenue was collected at the municipal airport. All other proceeds of the taxes on aviation fuel shall be paid into a special aviation fuel tax account in the state general fund. The legislature may appropriate funds from this account for aviation facilities.

(f) The proceeds from the revenue from the tax on motor fuel used in boats and watercraft of all descriptions shall be deposited in a special watercraft fuel tax account in the general fund. The legislature may appropriate from this account for water and harbor facilities.

(g) The proceeds of the revenue from the tax on all motor fuels, except as provided in (e), (f) and (j) of this section, shall be deposited in a special highway fuel tax account in the state general fund. The legislature may appropriate funds from it for expenditure by the Department of Transportation and Public Facilities directly or as matched with available federal-aid highway money for maintenance of highways, construction of highway projects and ferries included in the program provided for in AS 19.10.150, including approaches, appurtenances and related facilities and acquisition of rights-of-way or easements, and other highway costs including surveys, administration, and related matters. All departments of the state government authorized to spend funds collected from taxes imposed by this chapter shall perform, when feasible, all construction or reconstruction projects by contract

STEVE COWPER
GOVERNOR

HB 156

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 27, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that increases the highway and off-highway motor fuel tax. The taxes on aviation and marine fuel are not changed.

Current law imposes a tax of eight cents a gallon for motor fuel used on highways. AS 43.40.010(a) and (b). This bill would increase that tax to 16 cents a gallon. Users of fuel for non-highway purposes currently are entitled to a refund of six cents a gallon. AS 43.40.030(a). The bill would not change the amount of this refund; thus, the actual tax on fuel used for non-highway purposes would be 10 cents a gallon.

It is my intent that the increased revenue from this change should be used to pay for highway maintenance, whether that maintenance is done by the state or by the municipalities.

Sincerely,

Steve Cowper
Governor

Introduced: 3/2/87
Referred: Transportation
and Finance

wo0787h

IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

HOUSE BILL NO. 156

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act increasing the motor fuel tax."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 43.40.010(a) is amended to read:

(a) There is levied a tax of 16 [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 cents a gallon,

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

(3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

* Sec. 2. AS 43.40.010(b) is amended to read:

(b) There is levied a tax of 16 [EIGHT] cents a gallon on all motor fuel consumed by a user, except that

(1) the tax on aviation gasoline consumed is four cents a gallon,

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

(3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.