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HFIN

FILE

(11)

Date Referred: May 3, 1994

HOUSE COMMITTEE REPORT
FURTHER REFERRALS:

Date of Committee Action: 5/5/94

The FINANCE Committee considered:

CSSB 256(TRA)

CS FOR SENATE BILL NO. 256(TRA)

INCREASE AVIATION FUEL TAX

"An Act relating to the tax on transfers and consumption of aviation fuel; and providing for an effective date."

RECOMMENDATIONS:

be replaced with _____ [] the same title

[] have attached amendments(s)

[] do pass

[] do not pass

~~[]~~ no recommendations

[x] individual recommendations

[] additional referral to _____ Committee

ADOPTS: _____ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____

[] fiscal impact _____

[] zero fiscal note _____

APPROVES PREVIOUS:

2 [x] fiscal note(s) DOT 4127/94
DOR, 1128/94

[] zero fiscal note(s) _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Donald J. Larson</i> LARSON	X				
<i>Terry Martin</i> MARTIN	X	<i>Mark Hanley</i> Hanley		X	
<i>Ben Grussendorf</i> Grussendorf	X	<i>Sean Hanley</i> Hanley		X	
<i>Richard Foster</i> FOSTER	*	<i>Tom Hoffmann</i> Hoffmann		✓	
		<i>Mike Havens</i> Havens		✓	
		<i>Jay Brown</i> Brown		✓	

Donald J. Larson
CHAIRMAN'S SIGNATURE

FISCAL NOTE

No. 1
 Bill Version: SB 256
 (S) Publish Date: 1-28-94

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL N

Revision Date: _____ Dept. Affected: Revenue
 Title: Increase aviation fuel tax BRU: Revenue Operations/Shared Taxes
 Component: Income and Excise Audit/Aviation Fuel
 Sponsor: Senate Transportation
 Requestor: Senate Transportation COMPONENT SERIAL NO. 113/104

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	20.4	20.4	20.4	20.4	20.4	20.4
MISCELLANEOUS						
TOTAL OPERATING	20.4	20.4	20.4	20.4	20.4	20.4

CAPITAL						
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REVENUE FUND SOURCE: General	1,725.7	1,725.7	1,725.7	1,725.7	1,725.7	1,725.7
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	20.4	20.4	20.4	20.4	20.4	20.4
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	20.4	20.4	20.4	20.4	20.4	20.4

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary.)

(See Attached)

Changes in CS SB 256 (TRA)
 reflect **NO FISCAL CHANGE** from the original
 fiscal note. This fiscal note is appropriate.

1/27/94 R.A.S.
and Compt. Aide (initial)

Prepared by: Larry E. Meyers Phone: 465-2320
 Division: Income and Excise Audit Date: January 20, 1994
 Approved by Commissioner: Darrel J. Rexwinkel Date: January 20, 1994
 Agency: Department of Revenue

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This bill increases motor fuel tax rates on aviation fuel by .7¢ per gallon as follows.

	<i>Current Tax Rate</i>	<i>Draft Bill Tax Rate</i>	<i>% Increase</i>
Aviation Gasoline	4¢ per gallon	4.7¢ per gallon	17.5%
Aviation (Jet) Fuel	2.5¢ per gallon	3.2¢ per gallon	28.0%

In determining the amount of additional revenues generated from this bill, the Department of Revenue used aviation fuel consumption data available from FY 93. The amounts below do not reflect impacts on consumption, if any, due to increased tax rates and other factors.

Under AS 43.40.010(e), 60% of aviation gasoline tax revenues derived from fuel sales at municipally owned airports are shared with those municipalities. The Department shared \$116,800 of aviation gasoline tax revenues to municipalities in FY 93. Under this bill, that amount will increase by 17.5% (the % increase identified above) or \$20,400.

The additional revenue generated from this bill is estimated to be \$1,705,300 calculated as follows.

	<i>FY93 Consumption</i>	<i>FY 93 Revenue</i>	<i>Draft Bill Revenue</i>	<i>Additional Revenue</i>
Aviation Gasoline	18,076,200 gallons	\$ 723,000	\$ 849,600	\$ 126,600
Aviation (Jet) Fuel	228,436,300 gallons	5,710,900	7,310,000	1,599,100
Total	246,512,500 gallons	6,433,900	8,159,600	1,725,700
Amount Shared		(116,800)	(137,200)	(20,400)
Total		\$6,317,100	\$8,022,400	\$1,705,300

STATE OF ALASKA
1994 LEGISLATIVE SESSION

No. 2

Bill Version: CSSB 256 (TRA)

(S) Publish Date: 4-27-94

FISCAL NOTE

Revision Date: 1/28/94 Department Affected: DOT&PF
 Title: An act relating to the tax on transfers and consumption of aviation fuel BRU: Statewide M&O
 Sponsor: Senate Transportation Committee Component: Highways & Aviation
 Requestor: Senate Transportation Component Serial Number: 1988

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY95	FY96	FY97	FY98	FY99	FY00
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	1,550.0	1,550.0	1,550.0	1,550.0	1,550.0	1,550.0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING:	1,550.0	1,550.0	1,550.0	1,550.0	1,550.0	1,550.0
CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

1002 FEDERAL RECEIPTS	0	0	0	0	0	0
1003 GF MATCH	0	0	0	0	0	0
1004 GF	1,550.0	1,550.0	1,550.0	1,550.0	1,550.0	1,550.0
1005 GF/PROGRAM RECEIPTS	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL FUNDING:	1,550.0	1,550.0	1,550.0	1,550.0	1,550.0	1,550.0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY94) impact: \$0

ANALYSIS: (Attach a separate page if necessary)

The FY95 Governor's budget directly used these revenues. The Senate version deleted this direct funding, necessitating the fiscal note to increase maintenance and operations funding if the revenue from the tax increase is to be used.

Prepared by: Ron B. Lind
 Division: Administrative Services
 Approved by Commissioner: B.A. Campbell
 Agency: Department of Transportation and Public Facilities

Phone: 465-3911
 Date: 4/27/94
 Phone: 465-3901
 Date:

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CSSB 256(TRA) Fiscal Note Analysis

As stated in the purpose of the bill, the increased tax on aviation gasoline would result in an amount substantially comparable to the amount that would be derived from the reimposition of landing fees at rural state-operated airports. The Department of Revenue fiscal note for this bill estimates revenue of \$1,705,300 (after municipal revenue sharing is deducted).

Landing fees were halted in FY93 and the Department of Transportation and Public Facilities had included a request in the FY95 Governor's budget to decrease program receipts authorization for collection from landing fees and increase general funds to offset this amount (\$1,550,000). The FY95 operating budget as passed by the Senate deleted this \$1,550,000 in general funds from the contractua line of the highways and aviation maintenance budget. Passing CSSB 256(TRA) would allow that funding to be reinstated to the department's budget to provide for adequate maintenance and operations at the rural airports.

Alaska State Legislature

SENATOR
BERT SHARP
CHAIRMAN



Senate Transportation Committee

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(907) 452-7885/7886

SESSION ADDRESS

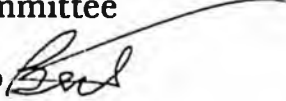
STATE CAPITOL, ROOM 514
JUNEAU, ALASKA 99801-1182
(907) 465-3004/4921

MEMORANDUM

DATE: May 3, 1994

TO: Representative Ron Larson, Co-Chair
House Finance Committee

Representative Eileen Maclean, Co-Chair
House Finance Committee

FROM: Senator Bert Sharp 

RE: **Request for hearing -- CS for SB 256**

I am requesting that CS for Senate Bill 256, "An Act relating to the tax on transfers and consumption of aviation fuel; and providing for an effective date," be heard before the House Finance Committee at your earliest convenience.

This bill was introduced by the Senate Transportation Committee at the request of the Department of Transportation and Public Facilities in response to legislative intent language in the FY 94 budget which discouraged the imposition of landing fees at rural airports. The \$.007 of an increase in the aviation fuel tax is an attempt to recover the revenue lost from this source. Language in the Senate Transportation Committee Substitute ties the increase in the fuel tax to the absence of rural airport landing fees. Therefore, if the administration decides to reinstate landing fees, the increase in the aviation fuel tax would be nullified.

Alaska State Legislature

SENATOR
BERT SHARP
CHAIRMAN



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(907) 465-3004/4921

Senate Transportation Committee

CS FOR SENATE BILL 256 (TRA)

This bill was introduced by the Senate Transportation Committee at the request of the Department of Transportation and Public Facilities in response to legislative intent language in the FY 94 budget which discouraged the imposition of landing fees at rural airports. The \$.007 of an increase in the aviation fuel tax is an attempt to recover the revenue lost from this source. Language in the Senate Transportation Committee Substitute ties the increase in the fuel tax to the absence of rural airport landing fees. Therefore, if the administration decides to reinstate landing fees, the increase in the aviation fuel tax would be nullified.



Department of Transportation
and Public Facilities

POSITION PAPER

BILL NO: SB 256

APPROVED: 

TITLE: Increase Aviation Fuel Tax

DATE: January 24, 1994

The Department of Transportation and Public Facilities supports the increase in the aviation fuel tax by \$0.007 (0.7 cents) per gallon.

This level of increase will offset the loss in state revenue resulting from not reinstating aircraft landing fees at rural airports operated by the state.

Last session, air carriers were contacted and asked if they would prefer reinstatement of the landing fees or collection of an equivalent amount of revenue through another means. While no firm commitment was made, the general feeling expressed was that an increase in the aviation fuel tax to collect an equivalent amount of revenue would be preferable.

The increased tax will be collected by the Department of Revenue in conjunction with the current tax level.

DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

3132 CHANNEL DRIVE
JUNEAU, AK 99801-7898
PHONE: (907) 465-3900
FAX: (907) 586-8365
TEXT: (907) 465-3652

December 13, 1993

Senator Bert M. Sharp
119 N. Cushman Street, Suite 201
Fairbanks, AK 99701-2879

Representative Richard Foster
P.O. Box 1630
Nome, AK 99762-1630

Dear Senator Sharp and Representative Foster:

Enclosed are three proposed pieces of legislation which I would appreciate being introduced through the Transportation Committees in the next session:

AS 43.40.010

The increase in aviation fuel tax in the amount of \$.007/gallon is the result of the Legislative request to not assess landing fees on rural airports.

See the Legislative intent language contained in the DOT&PF-FY94 operating budget.

AS 38.05.030

This amendment simply makes airport property disposal consistent with highway property disposal. This is a housekeeping measure which should have been handled when DOT&PF was created -- it wasn't.

All property and right-of-ways are handled in one DOT&PF section and this housekeeping measure makes the operations consistent.

AS 19.05.040

This minor addition to the statutes allows DOT&PF to enter property to determine if hazardous substances exist. This change is needed because DOT&PF has purchased property for right-of-way purposes only to find out that it is contaminated and the cost of cleanup exceeded the cost of moving the facility to avoid the contaminated area had that fact been known.

COMPONENT DETAIL - OPERATING BUDGET

nt: Interior District - Highways and Aviation
 Interior District Maintenance and Operations

Agency: Department of Transportation/Public Facilities

ctions - Line Items Type Total Pers Svc Travel Contract Supplies Equip Land/Bld Grant Misc PFI PPI Imp

***** Changes from FY94 Gov Amd to Conference Committee *****

Import electric contract Dec -20.0 0.0 0.0 -20.0 0.0 0.0 0.0 0.0 0.0 0 0 0

ive Intent: It is the intent of the legislature that Department of Transportation and Public Facilities should continue to provide adequate winter
 service of the Denali Highway between Cantwell and the Valdez Creek Mine access road, with at least 50 percent of the expected service to be paid by industry or
 contributions.

Legislative Intent: It is the intent of the legislature that the Department of Transportation and Public Facilities not reinstate the landing fees at the rural
 airports and that the department submit for legislative consideration a supplemental appropriation next session to fund the resulting shortfall in program receipts.

ation to the Department of Transportation and Public Facilities for Highways and Aviation shall lapse into the general fund on August 31, 1994.

***** Changes from FY94 Gov Amd to Senate *****

sted reduction Dec -39.1 -39.1 0.0 0.0 0.0 0.0 0.0 0.0 0.0 0 0 0
 Import electric contract Dec -20.0 0.0 0.0 -20.0 0.0 0.0 0.0 0.0 0.0 0 0 0
 trims PFI to PPI Dec -31.3 -31.3 0.0 0.0 0.0 0.0 0.0 0.0 0.0 -1 1 0

ctions - Funding Sources Type Total 1002 1004 1005 1007 1061

***** Changes from FY94 Gov Amd to Conference Committee *****

Import electric contract Dec -20.0 -20.0

***** Changes from FY94 Gov Amd to Senate *****

sted reduction Dec -39.1 -39.1
 Import electric contract Dec -20.0 -20.0
 trims PFI to PPI Dec -31.3 -31.3



Greater Fairbanks

Chamber of Commerce

709 Second Avenue

Fairbanks, Alaska 99701

(907) 452-1100

FAX (907) 456-6966

RESOLUTION 94-0502-1

**A RESOLUTION BY THE GREATER FAIRBANKS CHAMBER OF COMMERCE
SUPPORTING SENATE BILL 256, REGARDING TAX ON AVIATION FUEL TO
SUPPORT RURAL AIRPORTS**

WHEREAS, rural airports are a vital part of Alaska's highway system providing the only transportation quarter for many communities throughout Alaska, and

WHEREAS, rural airports in Alaska constitute an important feeder system to major carriers, and

WHEREAS, legislation to support rural airport maintenance with landing fees was opposed by large and small air carriers alike and was not reinstated, and

WHEREAS, the Alaska Air Carriers Association supports Senate Bill 256 as a means of providing for maintenance of rural airports, and

WHEREAS, the Alaska Department of Revenue Income and Excise Audit Division, Operations Annual Report, Table 5 concerning Statistic Motor Fuel Tax states that in fiscal year ending June 30, 1993, 744,157,849 gallons of jet fuel was sold. Of that, 387,915,859 gallons were tax exempt for government and foreign flight sales. In addition, there were full tax refund claims on 127, 805, 650 gallons used for heating fuel and foreign flight sales. Thus, the total taxable gallons amounted only to 228,436,340 gallons; less than 1/3 of the fuel actually sold is taxed, and

WHEREAS, the Greater Fairbanks Chamber of Commerce Transportation Committee understands the importance of rural airports to economic development in the State of Alaska and has been a long time supporter of maintaining our rural airports, and

WHEREAS, the Greater Fairbanks Chamber of Commerce Transportation Committee has duly considered the potential benefits and hardships to petroleum refiners in Alaska and the hardships and benefits to Alaska's economic future that the tax or lack of tax may bring.

NOW, THEREFORE, BE IT RESOLVED that the Greater Fairbanks Chamber of Commerce hereby supports the Senate Bill 256, providing the tax is used as intended in support of rural airport maintenance programs.

Dated this 2nd Day of May, 1994.

By Kei D. Burke

Kei D. Burke
Chairman of the Board

Senator Bert Sharp
April 18, 1994
page two

In our discussions with Senators in support of SB 256, if necessary to fund airports, we have encountered a general resistance to tax increases this session. AACA generally agrees with this position, but in this case, failure to either fund the airport budget or to pass SB 256, will most likely result in the reimposition of landing fees: a tax which is expensive to collect and difficult to allocate fairly among air carriers.

Time is getting short to solve this dilemma. We strongly urge you to take quick action on either of the two solutions which will prevent a significant impediment to statewide aviation.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Richard E. Harding". The signature is stylized and somewhat cursive, with a long horizontal stroke at the end.

Richard E. Harding
President

ALASKA AIR CARRIERS ASSOCIATION
1994 Board of Directors

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*Denotes Executive Committee

**ALASKA AIR CARRIERS ASSOCIATION
ACTIVE MEMBERS - 4/18/94**

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ALASKA AIR ADVENTURES
ALASKA AIRLINES
ALASKA CARGO SERVICE
ALASKA ISLAND AIR
ALASKA WILDERNESS AIR
ALPINE AVIATION
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RAM AVIATION
RIEMERS AIR
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TAQUAN AIR SERVICE
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TUCKER AVIATION
UMIAT ENTERPRISES
WARBELOW'S AIR VENTURES
WILDERNESS AIR
WRANGELL MOUNTAIN AIR
YUKON AIR SERVICE
YUTE AIR ALASKA

AIR SERVICES ALASKA
ALASKA AIR TOURS
ALASKA BUSH CARRIER
ALASKA HELICOPTERS
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ARCO AVIATION
BALD MOUNTAIN AVIATION
BERING AIR
BRANCH RIVER AIR SERVICE
C/AIR
CAPE SMYTHE AIR
CRAIG AIR
ELLIS AIR TAXI
F.S. AIR SERVICE
4 W' AIR
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HAGELAND AVIATION SERVICE
ILIAMNA AIR TAXI
K.O. AIR
KENAI LAKE AIR SERVICE
KODIAK AIR SERVICE
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N SLOPE BOROUGH SEARCH/RESC.
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SOUTHCENTRAL AIR
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TATONDUK FLYING SERVICE
TRAIL RIDGE AIR
TUNDRA AIR
UYAK AIR SERVICE
WARD AIR
WINGS
WREN AIR
YUKON HELICOPTERS



May 2, 1994

The Honorable Bert Sharp
Alaska State Senate
State Capital (MS 3100)
Juneau, Alaska 99801-1182

subject: SB-256

Dear Senator Sharp:

The DOT/PF wishes to maintain rural airports at a level that will not reduce the air carriers ability to serve those airports. The DOT/PF's rural airport operation and maintenance budget has been reduced this year and unless that budget shortfall is replaced in some manner, it will result in reduced service levels at Alaska's rural airports.

The airports are the only transportation link between rural communities and the rest of the world. It would not be in anyone's best interest, especially that of rural Alaskan's, to have the operational capability of rural airports reduced. No one, including the DOT/PF, wants the rural airports availability for operation to be compromised. For that reason DOT/PF has stated that if the fuel tax increase falls, they will then reimpose landing fees at rural airports.

When rural airport landing fees were in effect they proved to be unfair and inefficient. The fees applied to only 10-12 Alaskan carriers and the cost of administering the program and collecting the fees used up most of the revenue taken in. In the case of fuel tax however, the increase in the cost of collection and administration would be zero since the only thing to change would be the size of the checks. The fuel tax would also be the most fair since it would apply to all users proportionally from the weekend pilot and one person air taxi operators to the large Alaskan carriers such as Markair and Northern Air Cargo and to the largest international carriers.

Those opposed to this tax increase believe that allowing the fuel tax increase to become law will force them to resort to using foreign source bonded fuel. Such a move would not forgive them their obligation to pay applicable state and local taxes. In the event that they are able to avoid state aviation fuel taxes by the use of foreign source fuel, then they will do so whether the tax increase is passed or not.

The Alaskan air carriers are willing to step up and chip in our fair share towards keeping rural airports operational. Please allow us to do so in the fairest, least painful and most efficient manner possible. I urge your support of SB-256 and ask that you urge your colleagues to do so also.

Sincerely,

A handwritten signature in black ink that reads "R. J. Hallford". The signature is written in a cursive style with a large, sweeping "R" and "H".

Robert J. Hallford
Vice President,
Northern Air Cargo.