

S B

3 3 4

WALTER J. HICKEL
GOVERNOR



P. O. Box 110001
Juneau, Alaska 99811-0001
(907) 455-3500

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 18, 1994

*The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182*

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill raising the tax rate on transfers or consumption of motor fuel. The bill would bring our tax rate more in line with that of other states and raise much-needed revenue for highway maintenance. Additionally, the bill would make certain changes regarding the proceeds from the tax.

Alaska is one of only three states with motor fuel tax rates of less than 10 cents per gallon (Georgia, seven and one-half cents; Alaska, eight cents; and Wyoming, nine cents). The mean national tax rate on motor fuel is 18.66 cents. The tax rates in other western states on motor fuel are: Washington, 23 cents; Oregon, 24 cents; Idaho, 21 cents; Colorado, 22 cents; California, 17 cents; and Nevada, 24 cents.

The bill would raise the motor fuel tax rate for most fuels to 25 cents per gallon. Aviation fuel and fuel used in and on watercraft would remain at their current rates as set by statute.

One cent of the 25-cent tax would go into a special "storage tank assistance" account in the general fund, added by sec. 4 of the bill. The legislature may appropriate from this account into the storage tank assistance fund established by AS 46.03.410. That fund provides grants, testing, and site analysis to owners and operators of underground petroleum storage tanks.

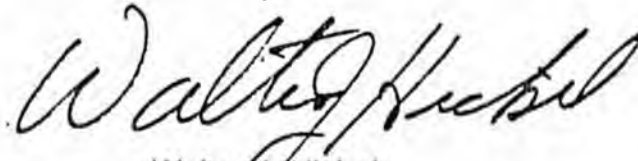
TRANSMITTAL LETTER

The Honorable Rick Halford
February 18, 1994
Page 2

Currently, anyone who uses motor fuel, other than aviation fuel or fuel for watercraft, in any engine other than a motor vehicle licensed for the public highways is entitled to a refund of six cents of the existing eight-cent tax. The refund would remain at the current statutory rate of six cents.

I urge your prompt consideration and passage of this important bill.

Sincerely,

A handwritten signature in cursive script, reading "Walter J. Hickel". The signature is written in black ink and is positioned above the printed name and title.

Walter J. Hickel
Governor

Alaska State Legislature

SENATOR
BERT SHARP
CHAIRMAN



FAIRBANKS

DENALI BANK BUILDING
119 N. CUSHMAN, SUITE 201
FAIRBANKS, ALASKA 99701
(907) 452-7885/7886

SESSION ADDRESS

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

Senate Transportation Committee

MEMORANDUM

DATE: February 28, 1994

TO: Senate Transportation Committee Members

FROM: Senator Bert Sharp, Chairman
Senate Transportation Committee

RE: Sectional Summary for draft CS for SB 334

Sections 1 & 2 of CSSB 334 grant authority to the municipalities to levy a motor fuel tax not to exceed two cents per gallon.

Sections 3 & 5 increase the statewide motor fuel tax from 8 cents to 24 cents a gallon, less up to 2 cents per gallon within municipalities levying a motor fuel tax.

Sections 4 & 6 increase the statewide fuel tax from 24 cents to 25 cents upon expiration of the 1 cent surcharge as triggered in section 15.

Sections 7, 8 & 11 make technical changes to accommodate other sections of the bill.

Section 9 sets forth that the revenue from the motor fuel tax shall be deposited in a special highway fuel tax account in the general fund. The legislature may appropriate funds from it for expenditure by DOT&PF for maintenance and construction of highway and ferry projects.

Section 10 requires DOT&PF to submit an annual budget covering anticipated revenues and expenditures for approval by the legislature.

Section 12 levies a 1 cent per gallon surcharge on the sale, transfer and consumption of motor fuel. The revenue collected under this section shall be available for appropriation to the Department of Environmental Conservation for the storage tank assistance fund.

Section 13, in conjunction with Section 15, repeals the 1 cent per gallon surcharge on July 1, 1996.

Section 14 provides a July 1, 1994 effective date for the increase in the motor fuel tax and imposition of 1 cent per gallon surcharge.

Section 15 establishes a July 1, 1996 effective date for an additional 1 cent per gallon increase in the motor fuel tax and the repeal of the 1 cent per gallon surcharge.



THE STORAGE TANK ASSISTANCE PROGRAM

The Storage Tank Assistance Fund -- What is it all about?

- AN ENVIRONMENTAL CLEANUP PROGRAM RESTORING ALASKA'S DRINKING WATER SUPPLIES.

- Providing grants and loans to Alaskan businesses to offset the high cost of environmental cleanups to keep Alaskan businesses in business.

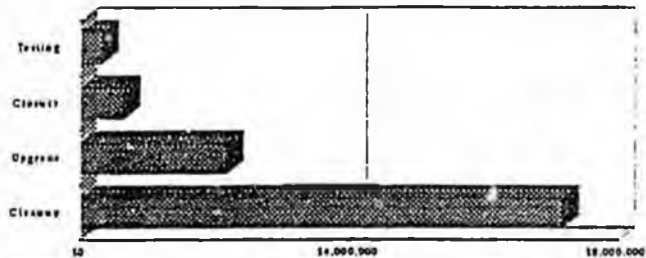
- A POLLUTION PREVENTION PROGRAM FOR UNDERGROUND PETROLEUM STORAGE TANKS.

- Providing incentives and grants to tank owners and operators to upgrade or close their tanks to prevent future leaks.

- AN ALASKAN BUSINESS ASSISTANCE PROGRAM.

- Providing relief to Alaskan businesses and private individuals faced with the high cost of environmental compliance.

Storage Tank Assistance Fund Expenditures Since 1991



Since Program Inception in 1991

- Over \$ 10.6 Million has been expended or encumbered for financial assistance grants and loans.

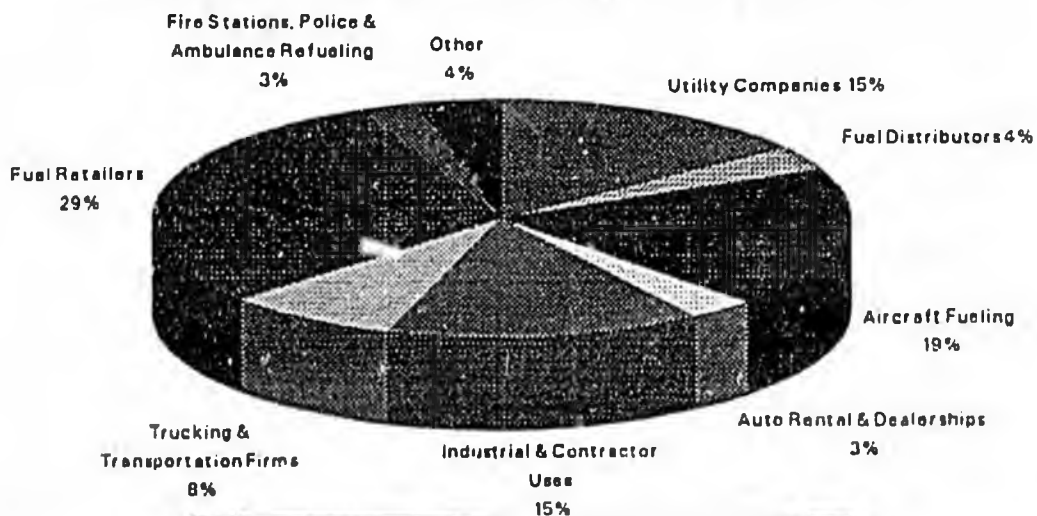
- A total of 386 financial assistance requests for tank tightness testing or site assessments have been funded.

- 75 financial assistance requests for soil or groundwater cleanup have been funded.

- 52 financial assistance requests to upgrade tanks to new EPA standards and prevent future leaks have been funded.

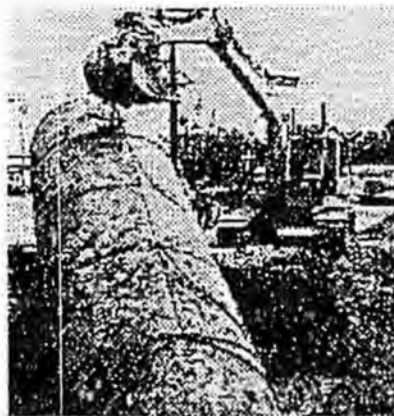
- 83 financial assistance requests to close out old or unused tanks have been funded.

Tank Uses for USTs Eligible for Financial Assistance



WHAT AGENCY ADMINISTERS THE STORAGE TANK ASSISTANCE FUND?

- * The Department of Environmental Conservation administers the Storage Tank Assistance Fund. The Department is responsible for advertising the application periods, receiving the applications, processing the requests, administering the grants and auditing project costs. The Division of Investments in the Department of Commerce and Economic Development works in partnership with the DEC to provide cleanup loans for eligible UST owners and operators.
- * The Department of Environmental Conservation has a staff of two Environmental Specialists in Anchorage to process the actual grant applications. A Grants Administrator, Environmental Technician and a Clerk Typist provide additional support for the program. A Project Manager supervises the activities and provides application and project guidance to UST owners and operators, contractors and consultants.
- * The 1990 Legislature established the seven-member Board of Storage Tank Assistance with two government members and five public members. Members are appointed by the Governor and serve without compensation other than per diem and expenses when traveling. They have an Executive Director, who is their sole employee. The first duty of the Board was to write regulations relating to financial assistance for UST owners and operators. The Board also jointly developed regulations with DEC pertaining to cleanup standards and allowable technologies to be used in the cleanup of contamination resulting from leaking tanks.
- * The Board is an Appeal Board to mediate disputes between the Department of Environmental Conservation and regulated underground petroleum storage tank owners and operators. In regard to disputes arising over priority rankings and eligible costs, the Board's decisions are binding upon the department and the owner or operator. For corrective action plan disputes, or denials for payment under the retroactive reimbursement program (sec. 7, ch.96, SLA 1990), the board may only issue recommendations.
- * Although the Board developed the financial assistance regulations, the Department of Environmental Conservation actually implements those regulations by physically processing each applicant's request for financial assistance. This enables the Board to remain objective and unbiased when a dispute arises. The Board is then tasked with resolving the matter in a prompt and conscientious manner.



For Further Information Contact the Board of Storage Tank Assistance at (907)465-5219 or the Department of Environmental Conservation, UST Program, at (907) 465-5200. The UST Financial Assistance Office Can Be Contacted at (907) 273-4342.

NFIB Alaska

National Federation of
Independent Business

POSITION PAPER

OF

NATIONAL FEDERATION OF INDEPENDENT BUSINESS
(NFIB/ALASKA)

OPPOSING

SB 334 INCREASING THE TAX ON MOTOR FUEL

9159 Skywood Lane
Juneau, AK 99801



The Guardian of
Small Business

CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS RESA JERREL, AND I AM THE STATE DIRECTOR FOR NATIONAL FEDERATION OF INDEPENDENT BUSINESS - NFIB/ALASKA. I AM HERE TODAY IN OPPOSITION TO SB 334.

NFIB/ALASKA IS COMPRISED OF 4,400 SMALL AND INDEPENDENT BUSINESS OWNERS. THE LEGISLATIVE AGENDA OF NFIB/ALASKA IS DETERMINED BY OUR BALLOT. THE BALLOT IS OUR ANNUAL POLL OF OUR MEMBERS ON A SERIES OF ISSUES DEEMED CRITICAL TO SMALL BUSINESS. A MAJORITY VOTE, OF THE MEMBERS IN RESPONSE TO THE POLL, SETS OUR POLICY AND POSITION ON LEGISLATIVE ISSUES. WE THEN SHARE THE RESULTS OF OUR POLL WITH THE LEGISLATURE AND ADMINISTRATION. THERE IS NOT ENOUGH SPACE ON THE ANNUAL POLL TO PLACE EVERY POSSIBLE ISSUE BEFORE OUR MEMBERS. THEREFORE, WE ALSO USE THE PREVIOUS YEARS BALLOT RESULTS AS GUIDANCE ON ISSUES.

THE 1993 SURVEY OF NFIB/ALASKA MEMBERS FOUND OVERWHELMING SUPPORT - 92 PERCENT - TO REDUCE STATE GOVERNMENT SPENDING BEFORE INCREASING PRESENT TAXES. NFIB/ALASKA OPPOSES SB 334 BECAUSE THE LACK OF REVENUE IS NOT THE REAL ISSUE, EXPENDITURES ARE THE ISSUE. THE STATE OF ALASKA IS SPENDING BEYOND ITS MEANS. THERE IS NO WAY TO BALANCE THE BUDGET WITHOUT REDUCING GOVERNMENT SPENDING.

I OFFER THE FOLLOWING SUGGESTION FOR HELPING TO REDUCE THE OPERATING BUDGET - PROHIBIT OR REDUCE THE COMMERCIAL ACTIVITIES OPERATED BY STATE AND LOCAL AGENCIES. SMALL BUSINESSES, IN ALASKA, FACE COMPETITION FROM STATE AND LOCAL GOVERNMENT IN A WIDE VARIETY OF COMMERCIAL AREAS. THE MANY SMALL BUSINESSES FACING GOVERNMENT COMPETITION ARE:

- PRINTING FIRMS
- GIFT SHOPS
- VIDEOTAPE OUTLETS

- DAY-CARE CENTERS
- SERVICE STATIONS
- LANDSCAPING
- ROAD REPAIR AND MAINTENANCE
- LABORATORIES
- MEDICAL CARE PROVIDERS
- PHARMACIES
- ARCHITECTURE AND ENGINEERING FIRMS
- OFFICE FURNITURE
- AUTO BODY REPAIR

GETTING GOVERNMENT OUT OF BUSINESS WOULD GO A LONG WAY TO BRING THE SIZE AND COST OF STATE AND LOCAL GOVERNMENT DOWN TO REASONABLE AND AFFORDABLE LEVELS - WITHOUT RAISING TAXES.

NFIB/ALASKA THANKS YOU FOR THE OPPORTUNITY TO COMMENT ON THIS LEGISLATION. IF YOU HAVE ANY QUESTIONS, I WILL TRY TO ANSWER THEM.

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BII

Bill Version: SB 334
(S) Publish Date: 2-22-94

Revision Date: _____ Dept. Affected: Revenue
 Title: Increase motor fuel tax rate BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: () Rules by Request of the Governor
 Requestor: _____ COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE: General	82,246.0	82,246.0	82,246.0	82,246.0	82,246.0	82,246.0
------------------------------	----------	----------	----------	----------	----------	----------

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
04 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

ANALYSIS: (Attach a separate page if necessary.)

(See Attached)

Prepared by: Larry E. Meyers Phone: 465-2320
 Division: Income and Excise Audit Division Date: February 14, 1994
 Approved by Commissioner: Darrel J. Rexwinkel Date: February 14, 1994
 Agency: Department of Revenue

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information call the Governor's Legislative Office

Bill Analysis

Sections 1 and 2 of this bill increases the motor fuel tax on highway fuel by 17 cents per gallon from the existing 8 cents to 25 cents. Aviation fuel and fuel used in watercraft would remain at their current rates.

One cent of the 25-cent tax would be deposited into a special "storage tank assistance" account in the general fund under section 4 of the bill.

This bill takes effect July 1, 1994.

Operating Costs

Department of Revenue does not anticipate any additional costs for implementing this bill. The Department would update existing forms to reflect the increased tax rate.

Revenue

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

Department of Revenue estimates that each cent increase in the highway motor fuel tax rate yields \$4,838,000 in additional revenues. Accordingly, a 17-cent increase would yield \$82,246,000. Of this amount, \$4,838,000 would be deposited into a special "storage tank assistance" account in the general fund as provided under section 4 of the bill.

FISCAL NOTE

No. 2

Bill Version: SB 334

(S) Publish Date: 2-22-94

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL

Revision Date: _____
Title: Fuel Tax Increase
Sponsor: _____
Requestor: Governor's Office

Department Affected: Environmental Conservation
BRU: Spill Prevention and Response
Component: Underground Storage Tank

COMPONENT SERIAL NO. 1207

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND&STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
3F	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipt	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY94) cost: \$ _____

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary.)

See attached

Prepared by: Bob Poe, Director
Division: Information & Administrative Services

Phone: 465-5010
Date: 2/14/94

Approved by Commissioner: [Signature]
Agency: Department of Environmental Conservation

Date: 2/14/94

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

Revision Date:
Title: Fuel Tax Increase

Department Affected: DOT&PF
BRU:

Sponsor: Governor
Requestor:

Component:
Component Serial Number:

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	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:	0	0	0	0	0	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	0	0	0	0	0	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:	0	0	0	0	0	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: \$ _____

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Roger Allington, Director

Phone: 465-4070

Division: Planning

Date: February 15, 1994

Approved by Commissioner: *B.A. Campbell*

Phone: 465-3901

Agency: Department of Transportation and Public Facilities

Date: February 16, 1994

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
For further distribution information call the Governor's Legislative Office

**SENATE BILL 334
MOTOR FUEL TAX INCREASE
INFORMATION SHEET**

This Administration believes that it is desirable to have users pay, at least in part, for highway construction and maintenance. The purpose of SB 334 is to generate a motor fuel tax sufficient to balance transportation maintenance and operating costs and revenues.

This strategy is partially based on public opinion polls that showed support for a motor fuel tax increase only if the motor fuel tax was to be used for transportation maintenance and operations.

The declining crude oil prices now make it imperative that additional sources of revenue be developed immediately.

In 1993, total appropriations for highways from the general fund approximated \$114 million distributed as follows:

Direct DOT&PF maintenance and operations (M&O)	\$56,200,000
Deferred maintenance and non-federal projects	8,600,000
Administration and construction oversight	10,800,000
Revenue Sharing for Roads	<u>6,500,000</u>
SUB-TOTAL	\$82,100,000
State Match for Federal Aid Highway Funds	<u>32,000,000</u>
TOTAL GENERAL FUND FOR HIGHWAYS	\$114,100,000

At present, the major revenue source that comes into the general fund to support these activities is the state tax on motor fuel. Currently, our eight cents per gallon motor fuel tax yields \$28 million per annum; leaving an \$85 million imbalance between general fund costs of maintaining, operating and constructing the highways and the revenues derived from users through the motor fuel tax program.

The average state gas tax nationwide is 20 cents (\$0.20), varying from eight cents (\$0.08) in Alaska and Georgia to 28 cents (\$0.28) in Connecticut. There are seven states at the 20 cent (\$0.20) average; four at 21 cents (\$0.21); four at 22 cents (\$0.22); two at 23 cents (\$0.23); and three at 24 cents (\$0.24). Nebraska is at 25 cents (\$0.25); Rhode Island is at 26 cents (\$0.26) and Connecticut is at 28 cents (\$0.28).

House Bill 509 proposes to increase the motor fuel tax in Alaska from eight cents (\$0.08) per gallon (set 33 years ago, in 1961) to 25 cents (\$0.25) per gallon. The proposal would allocate one cent (\$0.01) per gallon to be deposited in the special storage tank assistance account in the general fund. The remaining 24 cents (\$0.24) per gallon would be deposited in the motor fuel tax account of the general fund, yielding an estimated \$109 million per annum for maintenance, operations and state matching funds for highways. This proposed 24 cent (\$0.24) tax nearly closes the gap between revenues and expenditures (\$114 million in costs vs \$109 million in revenues.)

► It should be noted the actual dollar amount spent for highway maintenance and operations in FY 1993 was almost the same as was spent in FY 1983; \$56 million vs \$56 million. However, based upon the Consumer Price Index, it would require \$76 million in 1993 dollars to equal the value of \$56 million in 1983. (CPI 1983 to 1993 = 135.7%)

8-GS2029E
Chenoweth
2/25/94

CS FOR SENATE BILL NO. 334(TRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE TRANSPORTATION COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act increasing the motor fuel tax, imposing a motor fuel surcharge and
2 terminating its imposition, adding to the purposes for which revenues from the
3 motor fuel tax may be expended, and authorizing municipalities to levy and the
4 state to collect and remit a motor fuel tax not to exceed two cents per gallon;
5 and providing for an effective date."

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

7 * Section 1. AS 29.10.200 is amended by adding a new paragraph to read:

8 (53) AS 29.45.750 (municipal motor fuel tax)

9 * Sec. 2. AS 29.45 is amended by adding a new section to read:

10 ARTICLE 5A. MOTOR FUEL TAX.

11 Sec. 29.45.750. MUNICIPAL MOTOR FUEL TAX. (a) Subject to the
12 limitations of levy set by (b) of this section, a municipality may, by ordinance, levy,
13 on the same transactions and subject to the same restrictions and exemptions as set out

1 in AS 43.40, a tax on motor fuel.

2 (b) The tax authorized by this section that is levied

3 (1) by a unified municipality or by a city may not exceed two cents per
4 gallon;

5 (2) by a borough may not exceed

6 (A) two cents per gallon for a levy that is

7 (i) nonareawide; or

8 (ii) within a city that does not levy the tax; or

9 (B) within a city that levies the tax, a rate of two cents per
10 gallon minus the tax rate per gallon levied by the city.

11 (c) The tax authorized under this section does not apply to

12 (1) aviation gasoline;

13 (2) motor fuel used in and on watercraft of all descriptions; and

14 (3) aviation fuel other than gasoline.

15 (d) The levy authorized by this section is in addition to any other levy of a
16 municipal tax on the sale, transfer, or consumption of motor fuel. The governing body
17 of a municipality shall promptly inform the commissioner of revenue of its adoption
18 of an ordinance to levy, or to amend an ordinance that levies, the tax authorized by
19 this section.

20 (e) If a municipality enacts an ordinance to levy the tax authorized by this
21 section, the Department of Revenue shall

22 (1) collect the tax in the manner provided for collection of the tax
23 proposed by AS 43.40; and

24 (2) after retaining one percent of the amount collected under (1) of this
25 subsection to offset the expenses of administration, remit to the municipality the
26 balance of the proceeds of the tax.

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

28 (a) On sales or transfers of motor fuel in the state outside a municipality
29 that levies a tax under AS 29.45.750, there [THERE] is levied a tax of 24 [EIGHT]
30 cents a gallon. On sales or transfers of motor fuel within a municipality in the
31 state that levies a tax under AS 29.45.750, there is levied a per gallon tax of 24

1 cents less the rate per gallon, not to exceed two cents per gallon, that is imposed
2 by a levy of a motor fuel tax by the municipality or municipalities under
3 AS 29.45.750. The tax under this subsection is levied on all motor fuel sold or
4 otherwise transferred within the state, except that

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

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

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

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

11 (a) On sales or transfers of motor fuel in the state outside a municipality that
12 levies a tax under AS 29.45.750, there is levied a tax of 25 [24] cents a gallon. On
13 sales or transfers of motor fuel within a municipality in the state that levies a tax under
14 AS 29.45.750, there is levied a per gallon tax of 25 [24] cents less the rate per gallon,
15 not to exceed two cents per gallon, that is imposed by a levy of a motor fuel tax by
16 the municipality or municipalities under AS 29.45.750. The tax under this subsection
17 is levied on all motor fuel sold or otherwise transferred within the state, except that

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

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

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

23 * Sec. 5. AS 43.40.010(b) is amended to read:

24 (b) On consumption of motor fuel in the state outside a municipality that
25 levies a tax under AS 29.45.750, there [THERE] is levied a tax of 24 [EIGHT] cents
26 a gallon. On consumption of motor fuel within a municipality in the state that
27 levies a tax under AS 29.45.750, there is levied a per gallon tax of 24 cents less the
28 rate per gallon, not to exceed two cents per gallon, that is imposed by a levy of
29 a motor fuel tax by the municipality or municipalities under AS 29.45.750. The
30 tax under this subsection is levied on all motor fuel consumed by a user, except that

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

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

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

5 * Sec. 6. AS 43.40.010(b) is amended to read:

6 (b) On consumption of motor fuel in the state outside a municipality that levies
7 a tax under AS 29.45.750, there is levied a tax of 25 [24] cents a gallon. On
8 consumption of motor fuel within a municipality in the state that levies a tax under
9 AS 29.45.750, there is levied a per gallon tax of 25 [24] cents less the rate per gallon,
10 not to exceed two cents per gallon, that is imposed by a levy of a motor fuel tax by
11 the municipality or municipalities under AS 29.45.750. The tax under this subsection
12 is levied on all motor fuel consumed by a user, except that

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

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

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

18 * Sec. 7. AS 43.40.010(e) is amended to read:

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

26 * Sec. 8. AS 43.40.010(f) is amended to read:

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

31 * Sec. 9. AS 43.40.010(g) is amended to read:

1 (g) The proceeds of the revenue from the tax levied under this section on all
2 motor fuels, except as provided in (e), (f) and (j) of this section, shall be deposited in
3 a special highway fuel tax account in the state general fund. The legislature may
4 appropriate funds from it for expenditure by the Department of Transportation and
5 Public Facilities directly or as matched with available federal-aid highway money for
6 maintenance of highways, construction of highway projects and ferries included in the
7 program provided for in AS 19.10.150, including approaches, appurtenances and
8 related facilities and acquisition of rights-of-way or easements, [AND] other highway
9 costs including surveys, administration, and related matters, and pedestrian, air
10 quality, and transit improvements. All departments of the state government
11 authorized to spend funds collected from taxes imposed by this section [CHAPTER]
12 shall perform, when feasible, all construction or reconstruction projects by contract
13 after the projects have been advertised for competitive bids, except that, when feasible,
14 arrangements shall be made with political subdivisions to carry out the construction
15 or reconstruction projects. If it is not feasible for the work to be performed by state
16 engineering forces, the commissioner of transportation and public facilities may
17 contract on a professional basis with private engineering firms for road design, bridge
18 design, and services in connection with surveys. If more than one private engineering
19 firm is available for the work the contracts shall be entered into on a negotiated basis.

20 * Sec. 10. AS 43.40.010(i) is amended to read:

21 (i) Within 30 days after the legislature convenes the Department of
22 Transportation and Public Facilities shall submit an annual budget covering anticipated
23 revenues and their expenditure, for the consideration and approval by the legislature.
24 The budget shall cover all money collected or anticipated to be collected under this
25 section [CHAPTER] for the year following the adjournment of each regular session
26 of the legislature.

27 * Sec. 11. AS 43.40.010(j) is amended to read:

28 (j) The proceeds from the tax levied under this section on motor fuel used
29 in snow vehicles and, unless a tax refund is applied for under AS 43.40.050(a), other
30 internal combustion engines not used in or in conjunction with a motor vehicle
31 licensed to be operated on public ways shall be deposited in a special nonpublic

1 highway use account in the general fund. The legislature may appropriate from this
2 account to the Department of Transportation and Public Facilities for trail staking and
3 shelter construction and maintenance.

4 * Sec. 12. AS 43.40 is amended by adding a new section to read:

5 Sec. 43.40.012. SURCHARGE ON MOTOR FUEL. (a) In addition to the tax
6 levied by AS 43.40.010, there is levied a surcharge of one cent a gallon on all motor
7 fuel subject to tax under AS 43.40.010.

8 (b) The surcharge imposed by (a) of this section shall be collected and
9 remitted in the same manner as the tax levied and collected under AS 43.40.010.

10 (c) Notwithstanding any other provision of this chapter, the commissioner of
11 revenue shall deposit amounts received from the levy of the surcharge under this
12 section into the general fund.

13 (d) The legislature may appropriate the annual estimated balance of the
14 account maintained under AS 37.05.142 for deposits into the general fund to the
15 Department of Environmental Conservation for the storage tank assistance fund
16 established under AS 46.03.410.

17 * Sec. 13. AS 43.40.012 is repealed.

18 * Sec. 14. Sections 1 - 3, 5, and 7 - 12 of this Act take effect July 1, 1994.

19 * Sec. 15. Sections 4, 6, and 13 of this Act take effect July 1, 1996.