

**HB**

**122**

**HFIN**

**FILE**

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 20, 1995

FURTHER REFERRALS:

Date of Committee Action: 4/28/95

The FINANCE Committee considered:

HB 122

HOUSE BILL NO. 122

MARINE MOTOR FUEL TAX

"An Act authorizing payment of a portion of the motor fuel tax on boats and watercraft as refunds to municipalities; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 122 (Fin)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_  
 fiscal note(s) Rev  fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_  zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<u>Richard J. Foley</u> Foster	X			
<u>Mark Hanley</u> Hanley			X	
<u>Mark Mulder</u> Mulder		X		
<u>Ann Parnell</u> Parnell			X	
<u>Vic Kohring</u> Kohring			X	
<u>Ben Grussendorf</u> Grussendorf	X			
<u>Mike Navarre</u> Navarre		X		
<u>Larry Brown</u> Brown				✓
<u>Chris Theriault</u> Theriault			X	
<u>Mike Kelly</u> Kelly			X	

CHAIR'S SIGNATURE Richard J. Foley

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Marine Motor Fuel Tax PRU: Audit Operations/Shared Taxes  
 Component: Income and Excise Audit  
 Sponsor: Rep. Moses, Grussendorf, Mackie  
 Requestor: (H) FIN COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	40.6	42.0	43.5	45.0	46.6	48.2
TRAVEL						
CONTRACTUAL	4.0	3.0	3.0	3.0	3.0	3.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	5.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS	4,924.6	4,929.2	4,927.7	4,926.2	4,924.6	4,923.0
MISCELLANEOUS						
TOTAL OPERATING	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2

CAPITAL						
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REVENUE FUND SOURCE: GF	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF March						
1004 GF	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME						
TEMPORARY						

Estimate of current (FY95) impact \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Robert N. Bartholomew, Deputy Director *[Signature]* Phone: 465-2320  
 Division: Income and Excise Audit Date: 4/28/95  
 Approved by Commissioner: *[Signature]* Date: 4/28/95  
 Agency: Department of Revenue

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## DEPARTMENT OF REVENUE

CSHB 122 (FIN)  
9-LS0515\M  
April 28, 1995  
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### Bill Analysis

Sections 1 and 2 of this bill would amend motor fuel tax statutes (AS 43.40) by effectively increasing the motor fuel tax rate on marine fuel by 3¢ per gallon (from 5¢ to 8¢ per gallon) through repeal of subsections which authorize a separate tax rate for marine motor fuel at the lesser rate.

Section 3 would provide for sharing the 3¢ per gallon tax increase to municipalities. Under this section, Department of Revenue would share 37.5% (3¢ divided by 8¢) of marine fuel tax revenue with municipalities subject to appropriation by the legislature. The balance of marine fuel tax revenue not shared (5¢ portion) may be appropriated for water and harbor facilities.

Section 4 would require that revenue from the 3¢ portion of the tax less the amount required to be expended for collection of the tax be shared to municipalities in which marine fuel taxes were collected. Taxes would be shared with municipalities in which the final sale or transfer occurred. This section provides for a phase-in of shared amounts for boroughs which incorporate after the effective date of the bill. This section requires that marine fuel resellers report sales or transfers of marine fuel which is sold in or transferred to a location other than where the fuel was purchased or stored.

Section 5 provides for an effective date of July 1, 1995 for this bill.

### Operating Costs

This bill would add new reporting requirements for motor fuel taxpayers (qualified dealers) by requiring them to report marine fuel sales by location. Qualified dealers report each month their motor fuel activity on a statewide basis and do not report the locations of their motor fuel sales. Location information would be required for the Department to share taxes to municipalities.

This bill may cause new reporting requirements by persons other than qualified dealers, such as fuel resellers, if they resell fuel in a location different from where they purchased it. Resellers do not currently report to the Department because motor fuel taxes attributable to their fuel purchases are covered under their qualified dealer's motor fuel return.

This bill would require that the Department data capture the additional information reported on monthly returns filed by qualified dealers and resellers. Reports from resellers will cause additional workload because the Department will have to track movement of fuel to different locations and make accounting adjustments to records of each of the affected municipalities.

DEPARTMENT OF REVENUE

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This bill would require an additional position, Accounting Technician I, Range 12 located in Juneau, to process returns and account for marine fuel tax information by municipality. The position would be responsible for verifying that the tax was collected, compiling tax data by municipality, reconciling tax revenue and issuing warrants to municipalities at the end of each fiscal year. Since this would be a new filing requirement for distributors and resellers, additional funds would be needed in FY 96 to inform them and print forms. There would be a one-time cost in FY 96 for computer equipment and furniture for the new position.

The Department would share revenue collected from the 3¢ tax rate increase less the amount required to be expended for collection of the tax. This amount is reflected as an operating cost under "Grants, Claims".

Revenue

Based on FY 94 consumption data, the 3¢ per gallon marine fuel tax increase under this bill would generate \$4,975.2, calculated as follows.

FY 94 Taxable Gallons	CSHB 122 ( ) (8¢ per Gallon)	Current Rate (5¢ per Gallon)	Revenue Increase
165,840,000	\$13,267,200	\$8,292,000	\$4,975,200

Under this bill, the revenue increase less amounts required to be expended for collection of the tax would be shared to municipalities. The amount to be shared to municipalities is reflected as an operating cost under "Grants, Claims" in this fiscal note.

# Alaska State Legislature

## Representative Carl E. Moses

CHAIRMAN  
HOUSE RULES COMMITTEE

VICE-CHAIRMAN  
HOUSE SPECIAL COMMITTEE ON FISHERIES

MEMBER  
HOUSE SPECIAL COMMITTEE ON  
ECONOMIC DEVELOPMENT

COMMITTEE ON COMMITTEES

FINANCE SUBCOMMITTEES  
TRANSPORTATION AND PUBLIC FACILITIES  
FISH & GAME



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### SPONSOR STATEMENT

#### Committee Substitute House Bill 122

**An Act authorizing payment of a portion of the motor fuel tax on boats and watercraft as refunds to municipalities.**

Committee Substitute for House Bill 122 accomplishes the following:

1. Increases the marine fuel tax from \$.05 to \$.08 per gallon.
2. Shares \$.03 back to the municipalities where the marine fuel is sold.
3. Keeps the revenue generated from the \$.05 tax in the general fund.
4. Has a fiscal note of @ \$40,000 to add an Accounting Technician in Revenue.

The intent of Committee Substitute House Bill 122 is to increase the marine fuel tax and provide a distribution mechanism for \$.03 of the tax to be shared back to the communities where marine fuels are sold. This money is designated for "water and harbor facilities".

CSHB 122 would provide some assistance to local governments for additional development of docks and harbors and for the maintenance and development of existing public facilities.

Table 28

**Historical General Fund Unrestricted Revenues  
-Tax Portion-**

(\$ millions)	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83</u>	<u>FY 84</u>	<u>FY 85</u>	<u>FY 86</u>	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>	<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>
Corporate - General	24.8	17.9	34.8	34.8	30.3	39.5	36.0	11.2	20.5	23.4	38.0	45.3	37.9	33.7	37.6
Corporate - Petroleum	232.6	547.5	860.1	668.9	236.0	265.1	168.6	133.9	120.4	158.0	166.0	117.2	185.1	165.5	834.7
Fiduciary	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Individual	<u>117.2</u>	<u>100.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total Income</b>	<b>374.7</b>	<b>666.0</b>	<b>894.9</b>	<b>703.7</b>	<b>266.3</b>	<b>304.6</b>	<b>204.6</b>	<b>145.1</b>	<b>140.9</b>	<b>181.4</b>	<b>204.0</b>	<b>162.5</b>	<b>223.0</b>	<b>199.2</b>	<b>872.3</b>
Alaska Business License	28.2	4.2	5.4	5.5	6.9	19.9	38.8	2.1	1.5	1.4	1.0	0.1	0.0	0.0	0.1
Fish	11.9	14.6	20.7	22.8	20.5	19.0	18.7	21.1	26.5	22.5	26.7	25.1	31.1	30.1	42.2
Salmon Enhancement	0.0	0.0	0.0	2.4	2.6	2.2	2.6	4.3	4.4	5.8	9.5	6.5	6.2	4.2	6.8
Seafood Marketing	0.0	0.0	0.0	0.0	0.9	1.1	1.0	1.1	1.4	2.7	3.3	3.3	3.3	2.8	3.6
Insurance Companies	10.8	10.4	10.6	12.5	13.8	16.2	17.5	21.1	23.7	23.7	19.4	22.7	24.4	25.5	26.3
Other	<u>1.9</u>	<u>2.1</u>	<u>1.2</u>	<u>1.4</u>	<u>1.6</u>	<u>2.0</u>	<u>2.1</u>	<u>2.2</u>	<u>2.3</u>	<u>2.4</u>	<u>3.2</u>	<u>4.6</u>	<u>4.1</u>	<u>4.1</u>	<u>4.0</u>
<b>Total Gross Receipts</b>	<b>52.8</b>	<b>31.3</b>	<b>37.9</b>	<b>44.6</b>	<b>46.3</b>	<b>60.4</b>	<b>80.7</b>	<b>51.9</b>	<b>59.8</b>	<b>58.5</b>	<b>62.1</b>	<b>62.3</b>	<b>69.1</b>	<b>66.7</b>	<b>83.0</b>
Gravel, Timber, etc.	1.7	1.6	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil & Gas Production	173.6	506.2	1169.9	1381.1	1493.0	1392.4	1388.7	1107.4	647.3	816.4	696.4	972.3	1253.8	1022.2	989.4
Oil & Hazardous Release	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	26.9	28.0	28.7	26.1
Oil & Gas Conservation	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>	<u>0.6</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.5</u>	<u>1.2</u>	<u>1.3</u>	<u>2.4</u>	<u>2.4</u>	<u>2.3</u>	<u>2.3</u>	<u>2.1</u>
<b>Total Severance</b>	<b>175.5</b>	<b>508.1</b>	<b>1172.9</b>	<b>1581.7</b>	<b>1493.7</b>	<b>1393.1</b>	<b>1389.4</b>	<b>1107.9</b>	<b>648.5</b>	<b>817.7</b>	<b>698.8</b>	<b>1001.6</b>	<b>1284.1</b>	<b>1053.2</b>	<b>1017.6</b>
Oil & Gas Property	163.4	168.9	143.0	142.7	152.6	131.0	128.4	113.5	102.5	96.2	89.7	89.8	85.0	69.0	66.9
Vehicle Registration	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total Property</b>	<b>163.6</b>	<b>169.0</b>	<b>143.2</b>	<b>142.7</b>	<b>152.6</b>	<b>131.0</b>	<b>128.4</b>	<b>113.5</b>	<b>102.5</b>	<b>96.2</b>	<b>89.7</b>	<b>89.8</b>	<b>85.0</b>	<b>69.0</b>	<b>66.9</b>
Alcoholic Beverages	7.4	7.4	8.3	9.0	10.4	13.0	13.9	13.3	12.6	12.1	11.8	12.0	12.2	12.0	11.9
Fuel Taxes - Aviation	3.4	4.0	4.1	6.3	8.7	8.1	8.0	8.1	8.5	9.0	10.1	9.4	10.7	10.7	6.4
Fuel Taxes - Highway	16.3	18.9	15.6	20.3	23.7	20.2	23.7	22.7	18.3	19.3	20.0	22.9	19.1	23.2	25.6
Fuel Taxes - Marine	<u>2.6</u>	<u>3.2</u>	<u>3.5</u>	<u>3.7</u>	<u>4.3</u>	<u>3.9</u>	<u>4.3</u>	<u>5.3</u>	<u>5.4</u>	<u>5.3</u>	<u>7.2</u>	<u>9.2</u>	<u>10.0</u>	<u>7.4</u>	<u>8.8</u>
Tobacco Products	<u>1.7</u>	<u>1.6</u>	<u>1.7</u>	<u>1.9</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>4.9</u>	<u>6.6</u>	<u>6.1</u>	<u>6.4</u>	<u>11.0</u>	<u>14.0</u>	<u>14.3</u>	<u>14.0</u>
<b>Total Sale/Use</b>	<b>31.4</b>	<b>35.1</b>	<b>33.2</b>	<b>41.2</b>	<b>49.1</b>	<b>47.2</b>	<b>51.9</b>	<b>54.3</b>	<b>51.4</b>	<b>51.8</b>	<b>55.5</b>	<b>64.5</b>	<b>66.0</b>	<b>69.6</b>	<b>66.7</b>
Esate	0.1	0.2	0.5	0.3	0.7	0.7	0.5	0.7	1.1	0.3	0.7	1.1	3.3	1.0	0.9
School	<u>2.5</u>	<u>2.6</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total Other</b>	<b>2.6</b>	<b>2.8</b>	<b>0.5</b>	<b>0.3</b>	<b>0.7</b>	<b>0.7</b>	<b>0.5</b>	<b>0.7</b>	<b>1.1</b>	<b>0.3</b>	<b>0.7</b>	<b>1.1</b>	<b>3.3</b>	<b>1.0</b>	<b>0.9</b>
<b>Total Taxes</b>	<b>890.6</b>	<b>1412.3</b>	<b>2282.6</b>	<b>2514.2</b>	<b>2006.7</b>	<b>1937.0</b>	<b>1855.5</b>	<b>1473.4</b>	<b>1004.2</b>	<b>1206.9</b>	<b>1111.8</b>	<b>1381.8</b>	<b>1730.5</b>	<b>1458.7</b>	<b>2107.4</b>



MAR 17 1995

217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907)586-1325, Fax (907)463-5480

March 16, 1995

TO: Representative Carl Moses

FROM: Kevin C. Ritchie  
Executive Director

RE: House Bill 122 - Payment of a portion of the motor fuel tax on boats and watercraft as refunds to municipalities

The Alaska Municipal League is writing in support of HB 122, which would provide a portion of the motor fuel taxes collected by the state to be refunded to municipalities.

The statute now requires a substantial part of the state-collected aviation fuel taxes be refunded to any municipality operating an airport where the fuel taxes were collected. Similarly, the tax proceeds from marine fuels should be refunded to each municipality which bears the burden.

Under the Transportation Section of the Alaska Municipal League's 1995 Policy Statement, this issue is addressed as follows:

*"The League supports amendment of the statute on marine fuel taxes (AS 43.40) so that marine fuel taxes collected in any municipality which the state has required to take over responsibility for harbor and dock expenses, or where the municipality holds existing responsibilities for these expenses, must be refunded to that municipality."*

If you have any questions, please feel free to call me at 586-1325.



MAR 2 1995

March 17, 1995

Representative Carl E. Moses  
State Capital Building  
Juneau, Alaska 99801-1182

Attn: Cheryl Sutton

Sent via FAX: 465-3445  
Original Letter Mailed

RE: SUPPORT FOR HB 122

Dear Representative Moses:

Thank you for sponsoring HB 122, "An Act authorizing payment of a portion of the motor fuel tax on boats and watercraft as refunds to municipalities". The City of Valdez heartily supports passage of this legislation and wishes to work to see it enacted this year. Please insure that these comments are made part of the record for a hearing on this bill scheduled for March 18 before the State Affairs Committee.

As you mention in your "Sponsor Statement", harbor and port facilities represent vital infrastructure for Alaska's coastal communities. As the State of Alaska seeks to diversify and stabilize its economy the development, operation, and maintenance of harbor and port facilities will become even more important.

Most, if not all, of the State of Alaska harbors operated by municipalities are in disrepair due to lack of maintenance and the inability to generate enough revenues to stay on top of maintenance demands. I do not believe this maintenance deficit is for lack of trying. Most harbors do generate considerable income from slip rental fees and associated harbor services. But the costs of maintaining harbor facilities is enormous, particularly in Alaska. The brutal weather (wind and snow), the corrosive effects of a salt water environment, and the wear from larger boats and inexperienced boat handlers (increased sport boating/fishing) make Alaska's harbors voracious consumers of maintenance dollars. As a city manager seeking to meet too many needs with not enough money, I always shutter when I sit down with my Harbormaster to talk about harbor construction or maintenance projects. My "rule of thumb" has become to figure what I think a project should cost and then triple it. Even then, I am sometimes on the low side. Maintenance problems also open a municipality up for liability claims from falls and other accidental injury at the harbor.

Representative Carl Moses  
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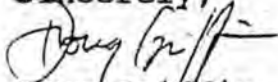
Ports and docks also suffer from the maintenance dilemma. These facilities provide jobs and support the fishing, tourism, and transportation industries. But damage due to weather, wear, accident, and age also presents a maintenance challenge for tight municipal budgets. Valdez has two docks and each has sustained accident damage this winter. The City Has recovered some reimbursement from one of the accidents. Damage cannot always be attributed to a particular vessel and recovery of full reimbursement for repairs is far from certain. It often comes down to a cost of doing business.

The reduction of State Revenue Sharing and Municipal Assistance by about 55% over the last ten years has taken its toll. The sharp decline in State spending on maintenance for harbors has been felt and can be seen all along the coast of Alaska. Ports and harbors are local government concerns that help build and sustain a large part of Alaska's economy, yet the funding for providing this important service is restricted. The only positive development in meeting port and harbor maintenance needs has been the Capital Matching Grant program.

HB 122 seeks to direct money to local governments so it can have another source of funding for the maintenance and operation of vital marine facilities. It is not clear to me that these shared taxes would need to be directed to harbor and port maintenance, however, it would be my intent to recommend to my City Council the commitment of these dollars for that purpose even if it is not required. I believe those that pay these taxes are a lot more understanding and supportive of paying if the taxes are directed back to develop or maintain critical marine infrastructure.

Thank you again for sponsoring this bill. I hope it is favorably considered and enacted. I will be happy to answer any questions you may have.

Sincerely,

  
Doug Griffin  
City Manager

cc: Valdez Mayor John Harris  
Valdez City Council Members  
Senator Georgianna Lincoln  
Representative Gene Kubina  
Representative Jeannette James, Chair of House State Affairs  
Pat Pourchot, Legislative Liaison, Governor's Office  
Kevin Ritchie, Executive Director, Alaska Municipal League  
Tim Lopez, Valdez Harbormaster/Port Director