

**HB**

**122**

**DIVISION OF LEGAL SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA**

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

**MEMORANDUM**

March 9, 1995

**SUBJECT:** House Bill 122, sharing marine motor fuel tax proceeds with municipalities -- sectional analysis (Work Order No. 9-LS0515A)

**TO:** Representative Carl Moses  
ATTN: Cheryl Sutton

**FROM:** Jack Chenoweth   
Legislative Counsel

The measure adapts the municipal revenue sharing formula of the current fisheries business license program (AS 43.75) as a mechanism by which to distribute a portion of the proceeds of the tax on motor fuel used in boats and watercraft ("marine motor fuel tax," AS 43.40.010) to municipal governments.

**Bill section 1** amends AS 43.40.010(f) to authorize use of the proceeds of the marine motor fuel tax deposited and held in the special watercraft fuel tax account in the general fund for payment to municipalities. This proposed use of the tax proceeds would be in addition to their use for water and harbor facilities.

**Bill section 2**, adding a proposed new section, AS 43.30.150, sets out the distribution formula applicable to the sharing of motor fuel tax receipts with municipalities. Under proposed AS 43.40.150(a), up to 50 percent of receipts collected within a municipality from the motor fuel taxes levied on boats and watercraft would be subject to sharing under a formula that takes into account the municipality's status (city/borough/unified government) and location (within or outside an organized borough). Subsection (b) sets out an alternative, transitional sharing formula applicable to boroughs that are newly-incorporated out of the state's unorganized borough applicable to the five year-period immediately following the borough's incorporation.

**Bill section 3** gives the measure a July 1, 1995, effective date, tying the start of revenue sharing to the beginning of the next state fiscal year.

JBC:glc  
95-206.glc

### **Bill Analysis**

This bill amends motor fuel tax statutes to provide for sharing of motor fuel taxes levied on boats and watercraft (marine fuel). Under this bill, Department of Revenue would share 50% of marine fuel tax revenue with municipalities in which marine fuel taxes were collected.

This bill takes effect July 1, 1995.

### **Operating Costs**

This bill will add new reporting requirements for motor fuel taxpayers (qualified dealers) by requiring them to report marine fuel sales by location. Currently, qualified dealers report monthly their motor fuel activity on a statewide basis and do not report the location of their motor fuel sales. Location information will 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 will require that the Department monthly data capture the additional information reported by qualified dealers and resellers. Reports from resellers will cause additional work 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.

This bill will 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 will 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 will be a new filing requirement for distributors and resellers, additional funds will be needed in FY 96 to educate them and print forms. There will be a one-time cost in FY 96 for computer equipment and furniture for the new position.

Marine fuel tax collections for FY 94 were approximately \$8.2 million. Accordingly, up to \$4.1 million may be shared to municipalities under this bill.

### **Revenue**

Marine fuel tax collections will net to 50% of total collections after amounts are 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

RECEIVED BY

MAR 08 1995

Rep. Jeannette James

CHAIRMAN  
HOUSE RULES COMMITTEE

CHAIRMAN  
HOUSE SPECIAL COMMITTEE FISHERIES

MEMBER FINANCE SUBCOMMITTEES ON:  
DEPT. OF FISH AND GAME  
DEPT. OF PUBLIC SAFETY

SESSION  
CAPITAL BUILDING, ROOM 204  
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ANCHORAGE, AK 99501-2133  
PHONE: (907) 258-8167  
FAX: (907) 258-8468

## MEMORANDUM

TO: Representative Jeannette James, Chair  
House State Affairs Committee

FROM: Representative Carl E. Moses, Chairman *C E M*  
House Rules Committee

DATE: March 8, 1995

RE: Scheduling of House Bill 122

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I would like to request a scheduling of House Bill 122 for Thursday, March 16. I have attached a sponsor statement and will provide the fiscal note and other materials to you as the Department of Revenue completes their work.

Thank you for consideration of my request.

# Alaska State Legislature

## Representative Carl E. Moses

CHAIRMAN  
HOUSE RULES COMMITTEE

CHAIRMAN  
HOUSE SPECIAL COMMITTEE FISHERIES

MEMBER FINANCE SUBCOMMITTEES ON  
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### SPONSOR STATEMENT

#### House Bill 122

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

House Bill 122 would provide a mechanism for distributing back to municipalities a portion of the marine fuel taxes sold within the various municipalities for expenditures on water and harbor facilities. Fifty percent of the collected tax revenue will be distributed.

In many coastal communities the dependence on harbor facilities is the economic engine driving the economy. With dwindling general funds, the maintenance and development of public facilities is unheeded. The private sector seafood industry has developed many port facilities and has invested millions of dollars in coastal communities' infrastructure. HB 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.

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Marine Motor Fuel Tax BRU: Audit Operations/Shared Taxes  
 Component: Income and Excise Audit  
 Sponsor: Rep. Moses, Grussendorf, Mackie  
 Requestor: (H) STA 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	3.0	0.0	0.0	0.0	0.0	0.0
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	4,100.0	4,100.0	4,100.0	4,100.0	4,100.0	4,100.0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>4,149.6</b>	<b>4,143.0</b>	<b>4,144.5</b>	<b>4,146.0</b>	<b>4,147.6</b>	<b>4,149.2</b>

CAPITAL						
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REVENUE FUND SOURCE: GF	0.0	0.0	0.0	0.0	0.0	0.0
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	4,149.6	4,143.0	4,144.5	4,146.0	4,147.6	4,149.2
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>4,149.6</b>	<b>4,143.0</b>	<b>4,144.5</b>	<b>4,146.0</b>	<b>4,147.6</b>	<b>4,149.2</b>

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 *Robert N. Bartholomew* Phone: 465-2320  
 Division: Income and Excise Audit Date: 3/9/95  
 Approved by Commissioner: *[Signature]* Date: 3/9/95  
 Agency: Department of Revenue

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Post-It* Fax Note	7671	Date	3/17	# of pages	2
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Co./Dept.	( )	Co.	VALDEZ		
Phone #		Phone #			
Fax #		Fax #			

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  
March 17, 1995  
page 2

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

03/18/95

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

10:23:18

PARTICIPANT LIST (ALL PARTICIPANTS)

BY: BET

TCN: 50419

SCHEDULED FOR: 03/18/95 10:00 TO 12:00

FOR: BET

PUBLIC HEARING

HOUSE STATE AFFAIRS

LOCATION: BETHEL

HB 122

WILLIAM\_J.

HUNTER

CITY OF BETHEL

TESTIFY

*address - phone #*



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.

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 122

- 1 Page 1, line 1:
- 2 Delete "motor fuel tax on boats and"
- 3 Insert "tax on motor fuel used in and on"
  
- 4 Page 1, lines 5 - 6:
- 5 Delete "boats and"
- 6 Insert "or on" [BOATS AND]
  
- 7 Page 2, line 2:
- 8 Delete "boats and watercraft"
- 9 Insert "motor fuel used in and on watercraft of all descriptions"
  
- 10 Page 2, line 5:
- 11 Delete "boats and watercraft"
- 12 Insert "motor fuel used in and on watercraft of all descriptions"
  
- 13 Page 2, line 10:
- 14 Delete "boats and watercraft"
- 15 Insert "motor fuel used in and on watercraft of all descriptions"
  
- 16 Page 2, line 14:
- 17 Delete "boats and watercraft"
- 18 Insert "motor fuel used in and on watercraft of all descriptions"
  
- 19 Page 2, line 21:

- 1 Delete "boats and watercraft"
- 2 Insert "motor fuel used in and on watercraft of all descriptions"
- 3 Page 3, line 2:
  - 4 Delete "boats and watercraft"
  - 5 Insert "motor fuel used in and on watercraft of all descriptions"

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 122

1 Page 1, line 2, after "municipalities":

2       Insert ", and imposing a reporting requirement on certain sales or transfers of  
3 that motor fuel"

4 Page 3, after line 14:

5       Insert a new subsection to read:

6               "(d) If a person sells or transfers motor fuel used in or on a watercraft of any  
7 description within a municipality other than the municipality in which the motor fuel  
8 was purchased or stored, the person shall submit to the department a statement  
9 disclosing the motor fuel sales or transfers that the person made during the preceding  
10 calendar month outside the municipality in which the motor fuel was purchased or  
11 stored."

A M E N D M E N T

OFFERED IN THE HOUSE

TO: HB 122

1 Page 3, after line 14:

2 Insert a new subsection to read:

3 "(d) In this section, "tax revenue collected," as used with reference to a  
4 municipality, means the revenue derived from the tax levied on motor fuel used in and  
5 on watercraft of all descriptions under this chapter that is collected in the municipality  
6 in which the final sale or transfer occurred."