

**HB**

**278**

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Marine Motor Fuel Tax BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: Rep. Moses  
 Requestor: (H) TRA COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	42.0	43.0	44.0	45.0	46.0	47.0
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	0.0	4,380.5	4,380.5	4,380.5	4,380.5	4,380.5
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>52.0</b>	<b>4,427.5</b>	<b>4,428.5</b>	<b>4,429.5</b>	<b>4,430.5</b>	<b>4,431.5</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES (GF)	4,380.5	4,380.5	4,380.5	4,380.5	4,380.5	4,380.5
-------------------------	---------	---------	---------	---------	---------	---------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	52.0	4,427.5	4,428.5	4,429.5	4,430.5	4,431.5
1001 CBRF						
1048 University of AK receipts						
Other						
<b>TOTAL</b>	<b>52.0</b>	<b>4,427.5</b>	<b>4,428.5</b>	<b>4,429.5</b>	<b>4,430.5</b>	<b>4,431.5</b>

Estimate of any current year cost \$ 0.0

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

See Attached

Prepared by: Paul E. Dick  
 Division: Income and Excise Audit  
 Approved by Commissioner: Wilson L. Condon  
 Agency: Revenue

Phone: 465-4773  
 Date: March 30, 1998  
 Date: March 30, 1998

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

DEPARTMENT OF REVENUE  
Income and Excise Audit Division

HB 278  
Marine Motor Fuel Tax  
March 30, 1998  
Page 3 of 3

OPERATING EXPENDITURES

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

This bill may cause new reporting requirements for persons other than qualified dealers, such as fuel resellers, if they sell 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 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.

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 dealers and resellers, additional funds would be needed in FY 99 to inform them of new requirements and print new forms. There would be a one-time cost in FY 99 for computer equipment and office furniture for the new position.

The department would share revenue collected from the 3¢ tax rate increase. This amount is reflected as an operating cost under "Grants, Claims". The initial sharing would take place in FY 00 for revenues collected in FY 99.

REVENUE

Based on FY 97 marine fuel consumption data (146,017,300 taxable gallons), the 3¢ per g<sup>2</sup>'lon increase would generate \$4,380.5 (146,017,300 x .03).

DEPARTMENT OF REVENUE  
Income and Excise Audit Division

HB 278  
Marine Motor Fuel Tax  
March 30, 1998  
Page 2 of 3

**BILL ANALYSIS**

**Sections 1 and 3** amend motor fuel statutes (AS 43.40) to increase the motor fuel tax rate on marine fuel from 5¢ to 8¢ per gallon.

**Sections 2 and 4** amend provisions in ch. 127, SLA 1994, which provides for conditional amendment of motor fuel tax rates, by increasing the motor fuel tax rate on marine fuel to 8¢ per gallon consistent with sections 1 and 2.

**Section 5** amends AS 43.40.010(c) to make technical changes relating to filing motor fuel tax returns.

**Section 6** amends AS 43.40.010(f) to provide that the 3¢ per gallon increase (37.5%) may be appropriated to municipalities which own and operated water and harbor facilities. The balance of proceeds (from the 3¢ per gallon increase) not appropriated to municipalities may be appropriated for water and harbor facilities in the state.

**Section 7** amends AS 43.40 by adding a new section which provides for detail that would be required on motor fuel tax returns.

**Section 8** amends AS 43.40 by adding a new section to specify how revenue from the 3¢ increase would be refunded to municipalities. Municipalities in the unorganized borough or boroughs that do not exercise responsibility for water and harbor facilities will get all of the 3¢ increase from revenue collected in the municipality. For municipalities in a borough that exercises responsibility for water and harbor facilities, the 3¢ increase collected in the municipality would be split 50/50 with the borough. This section provides for a phase-in of the 50/50 split for boroughs which incorporate after the effective date of this bill.

**Sections 9 and 10** provide for conditional effect of section 2 and 4 of this bill.

**Section 11** provides for an effective date of July 31, 1997.

Alaska State Legislature  
Representative Carl E. Moses

Member  
House Finance Committee



SESSION:  
State Capitol Building  
Juneau, Alaska 99801-1182  
Phone: (907) 465-4451  
1-800-898-4451  
Fax: (907) 465-3445

INTERIM:  
P.O. Box 730  
Unalaska, AK 99685  
Phone: (907) 581-2275  
Fax: (907) 581-4949

## Sponsor Statement

### HB 278

Representative Carl Moses

"An act imposing a reporting requirement on certain sales, transfers, and consumption or uses of motor fuel, increasing the motor fuel tax on motor fuel used in and on watercraft, and authorizing payment of a portion of that tax as refunds to municipalities; and providing for and effective date."

Similar to the version vetoed by the Governor two years ago, HB 278 would increase the motor fuel tax from 5 to 8 cents a gallon; and in the process, would provide much-needed revenue for local governments to use towards port and harbor facility needs.

HB 278 contains language to providing legislative intent to share tax revenues with municipalities whom acquire title to state-owned port and harbor facilities. This will serve as an incentive for local governments to assume responsibility for ports and harbors.

There are over 140 ports and harbors in Alaska which service regional hubs and support a variety of resource related industries including fisheries, transportation, commerce and recreational needs. The current 5-cent per gallon tax generates about \$8 million per year but in the last 10 years only about half of the total amount has been appropriated for water and harbor facilities.

In 1991, the Ports and Harbor Task Force identified over \$250 million in deferred maintenance projects. The Department of Transportation and Public Facilities has since upped that estimate and has said publicly that more money is needed to upgrade and repair existing facilities. HB 278 allows mariners to tax themselves and to be in a position to receive badly needed funds in return.

For further information please contact my staff Bryce Edgmon, at 4451.

CEM/hc

## HB 278 - Sectional Analysis

"An Act imposing a reporting requirement on certain sales, transfers, and consumption or uses of motor fuel, increasing the motor fuel tax on motor fuel used in and on watercraft, and authorizing payment of a portion of that tax as refunds to municipalities; and providing for an effective date."

### Section 1.

Increases the tax for watercraft of all descriptions in 43.40.010, from 5 cents to 8 cents a gallon.

### Sections 2 - 4.

Technical language addressing section 1.

### Section 5:

Amends 43.40.010 (c) and establishes tax return and filing requirements under new section 43.40.75.

### Section 6:

Establishes in the special watercraft fuel tax account the guidelines for the legislature to appropriate proceeds equal to 37.5 percent of the marine fuel tax, to municipally owned and operated water and harbor facilities. The proceeds would also be appropriated for new or expanded facilities constructed by municipality but only if a plan has been submitted and certified by DOTPF and Dept. of Revenue.

### Section 7:

Adds new section 43.40.075, which creates the tax return filing requirements for the motor fuel tax by a form prescribed by the department.

### Section 8:

Adds new section 43.40.150, which establishes conditions for the commissioner to exercise refunds to municipalities within a borough if the borough does not exercise responsibility for water and harbor facilities and to each city located within a borough.

### Section 9:

Establishes conditional effects regarding sections 2 and 4.

### Sections 10 & 11:

Technical language.

# HARBORING PLANS

by Steve Morghelm



**Harold Moeser must be perfectly matched to his job. Not only does he love boating, but since 1994 he has been the Alaska State Harbors Engineer. Raised on the waterfront, he graduated from Ketchikan High School in 1968, and says, "I've always been intrigued by the whole process of boating." The registered professional civil engineer skips a 26-foot, diesel-powered boat with his wife and their three children as often as possible. After graduating in 1969 from the University of Alaska in Fairbanks with a degree in civil engineering and engineering science, Moeser was hired by the Alaska Department of Transportation and Public Facilities (DOT/PF). Today, Moeser provides oversight and program direction, establishes goals, prepares reports and plans for the Harbors Program, recommends projects for submission to the Capital Budget, and helps the Commissioner in the areas of ports, harbors, and waterways.**

**Q. Maritime activity in Alaska could increase by 40% by the year 2010. Can our ports and harbors accommodate that growth?**

**A. I think that is a pretty good estimate, and it's going to be a struggle. We are facing this growth with no concerted or programmatic effort to make sure the State's ports or harbors can keep up.**

**Q. What are the major problems facing Alaska's system of ports and harbors?**

**A. Maintaining existing infrastruc-**

ture and keeping it in reasonably good condition. Some harbors are well up on the "needs" list because of their condition, but DOT/PF is currently unable to fund repairs and replacements for them. For the long haul, the challenge is just to keep up with a sustainable growth rate.

**Q. Is there a difference between a port and a harbor?**

**A. A port generally accommodates movement of people and goods, and its users are primarily larger, commercial operators. A harbor, on the other hand, provides boaters with safe haven, secure moorage, and access to transportation, repairs, and other services.**

**Q. What is the largest port and harbor in Alaska?**

**A. Anchorage is the largest cargo port. Based on the number of boat slips, Sitka is the largest harbor.**

**Q. What is the ratio of commercial versus recreational traffic in most of Alaska's ports and harbors?**

**A. A 1992 "boat count" survey found that commercial was about 54% and recreational 46%. The same survey counted 10,600 boat slips.**

**Q. Can DOT/PF compare the economic contribution of recreational to commercial boating activity?**

**A. Recreational data is scarce and that makes comparisons difficult.**

**Q. How many ports and harbors are there in Alaska?**

**A. Estimates range as high as 140 locations. DOT/PF has an inventory of 96 public boating facilities that are considered to be harbors not ports.**

**Q. Who owns those 96 public boating facilities?**

**A. The State of Alaska owns 80 of them while the other 16 are owned by local governments.**

**Q. Does DOT/PF currently operate any ports or harbors?**

**A. No, the DOT/PF has never been in the harbor management business, and doesn't employ any harbor masters or port administrators.**

**Q. Do DOT/PF and communities always see eyeball-to-eyeball on how these public boating facilities should be maintained and managed?**

**A. Lack of funds has forced the State to withdraw from providing major**

repairs and replacements. This has caused some friction and frustration for local communities and raised concerns as to what, if any, the State's role should be in the Harbors Program.

**Q. What is DOT/PF's mission as far as ports and harbors are concerned?**

**A. It used to be to provide harbor facilities that supported the commercial fishing industry. Today the goals are to develop a sustainable and developing ports and harbors program that complements the rest of the State's transportation network. We also are trying to transfer ownership to local communities.**

**Q. Does the State of Alaska have a policy document to guide the development of its ports and harbors?**

**A. No, not really. The 1991 Statewide Task Force Proposal for Sustaining Alaska's Ports and Harbors contained a lot of information and recommendations. We are trying to establish more recognition of how important ports and harbors in the "Statewide Transportation Plan - Vision 2020 Update" that is being written.**

**Q. Has funding for ports and harbors changed over the past twenty years?**

**A. After Statehood, the Harbors Program was funded directly by the Marine Fuels Tax. When oil revenues increased, additional funds were appropriated from the General Fund above and beyond the Marine Fuels Taxes. Today, it seems that a lot of Marine Fuels Taxes just go to pay for bonded indebtedness that was created during the Pipeline Boom.**



Photo by Helen Arup II

**Q. Is the Marine Fuels Tax still in operation today?**

**A. Yes. The 5 cent per gallon tax today generates about \$8 million per**

year. The last 10 years only about half of the total amount has been appropriated for water and harbor facilities.

**Q.** When DOT/PF ranks port or harbor projects, is weight given for recreational value?

**A.** No, we really don't have those



State coastal engineers, Ruth Carter and Harvey Smith, inspect power pedestals at Seward Boat Harbor.

kind of figures; and in truth, the State of Alaska has never built a recreational boat harbor as a matter of policy.

**Q.** A 1991 Ports and Harbors Task Force Report identified over \$250 million in deferred maintenance projects. Is that still a realistic estimate or has it changed?

**A.** I think it's gone up. Alaska has over \$180 million dollars just in harbor inventory. We estimate it would require \$70 to \$80 million just to bring that inventory up to "as built" condition. If you add ports into the equation, I can definitely believe that \$250 million is realistic. And, it grows every year. We "guesstimate" that for the 96 public boating facilities, it would require \$5.8 million annually to make the repairs and replacements needed just to keep their pilings, floats, approaches, gangways, utility and electrical systems in "1992 condition." And that's just the "floating" stuff and doesn't include buildings, uplands, and the water ancillary assets.

**Q.** Is that funding currently being appropriated?

**A.** Not recently. However, this year the legislature did provide \$1 million for deferred maintenance and was supportive of the Corp of Engineers projects in progress. Recent appropriations have helped communities build new harbors at Kodiak, Sitka, Ouzinkie, Larson Bay, and Kake. Also in the pipeline are studies for expansion at King Cove, Sand Point, Akutan, Seward, Whittier, Wrangell, and Unalaska for example.

**Q.** What are the obstacles to the funding?

**A.** Probably the biggest obstacle is Alaska's fiscal crisis. The original strategy for user based funding through fees and marine fuel taxes has lost integrity.

**Q.** Are there any ad hoc groups attempting to find a solution to this problem?

**A.** I don't get the sense that there are. There doesn't seem to be a signifi-

cant advocacy out there like you would have if we had, for example, an Alaska Port Authority.

**Q.** Is there any support for the concept of a Alaska Port Authority or Regional Port Authority?

**A.** I think it is a dormant thought.

The communities on Prince of Wales Island are the only ones I'm aware of that have approved a port authority, and it is for a ferry operation.

**Q.** Competition creates pressure to keep user fees low which in turn reduces revenue for maintenance and repairs. In the long term, that's not good business. Are Alaska's ports and harbors in that cycle right now?

**A.** Yes, I think they are. There is no doubt that our harbor system is under priced and not charging enough to cover

costs. Some individual harbors are; but, if you look at the system as a whole it's not generating enough revenue, and it's in a downward spiral.

**Q.** One of the complaints made by recreational boaters is that they have to wait two or three years in order to rent a slip at some public boating facilities. Do you foresee any factors or incentives that might shorten that wait?

**A.** No, I don't. Sitka just brought 312 slips on-line. Whittier is in the

process of trying to bring another 300 or so on-line. Kodiak is also working on expansion. But in the case of Sitka and Kodiak, I think most of those slips will probably go to commercial boats. Overall, we know that there are about 3,500-3,600 boats on the wait lists throughout the State. That's 30% of the existing capacity and demand will increase as population increases.

**Q.** What could the marine industry or recreational boaters do to help DOT/PF achieve its mission?

**A.** I really believe the voice of recreational boating isn't being heard. If all boaters could collectively find some common ground, it would be beneficial.

**Q.** A legislative committee currently is determining the total amount of deferred maintenance that exists in the State's public facilities. Will ports and harbors be included?

**A.** DOT/PF certainly will make sure that harbor data is available to the committee. It will be up to local communities to provide information on the ports. It is hoped that the legislative task force will not overlook the State's harbors and come up with a good funding plan to preserve this important infrastructure along with public buildings and roads. A good program would provide \$6 million for preserving existing facilities. To address every improvement, expansion or new project would take an additional \$10 million for the next twenty years. ☐

# STRYKE GOLD!

With the NEW 17' Stryker from Alumaweld...  
one of life's affordable pleasures

ALUMAWELD

You'll "Stryke Gold" with this quality 17' Alumaweld boat featuring all welded construction, Sunbrella top & side cushions, bilge pump, walk-through

STORE HOURS  
Mon - Sat 9AM - 6PM  
CLOSED SUNDAY



• SALES  
• PARTS  
• SERVICE

• 4500 LOIS DRIVE

• ANCHORAGE

Ph. 261-9278 • 1-800-505-9130