

HB

243

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FILE

Alaska State Legislature

House of Representatives



Transportation Committee

House Bill No. 243

Sponsor Statement

"An Act relating to taxes on motor fuel used in or on boats and watercraft"

Alaska's harbors are irreplaceable resources as the fiscal engines for many small communities. The financial capability of these marinas is very significant to the economic health of the surrounding areas. HB 243 makes the independent viability of many of these small harbors a reality.

This legislation will allow 3 cents of the current state marine fuel tax to be returned to municipalities for the maintenance and operation of locally owned harbors. The Department of Transportation & Public Facilities has been attempting to divest itself of harbor obligations for some time, this legislation encourages municipalities to assume that responsibility. This program is only allowed when specific caveats are met which require of a 'qualified municipality':

- Assume possession and responsibility for operation and maintenance of all state port and harbor facilities within its boundaries.
- The state shall not retain any M&O obligation except those owned by a public corporation of the state or a state agency and used for state purposes (e.g.: AMHS, ARRC).
- The local government must adopt municipal legislation that dedicates these revenues to be used in their harbors.

This will be accomplished through a reduction of the state marine fuel tax in these areas to 2 cents, with local government imposing a 3 cent tax to create revenues for their M&O obligations. There will be no effect on the marine fuel purchaser, since the taxation (5 cents) at the consumer level remains constant. Therefore, the marine fuel taxes collected within that community would be returned to benefit the very users who have contributed the revenue. It represents the very basic 'user-pay' system, what many Alaskans have desired for some time.

With the implementation of HB 243, many small communities will see a reality they have desired for years; the local operation and ownership of their harbors while simultaneously allowing the state to relieve itself of the maintenance burden and liability of ownership. It represents positive changes that allow successful local control of assets that are crucial to the future prosperity of Alaska's coastal communities.

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Sectional Analysis

1. Section One is the purpose of the bill, stating that the legislature encourages municipalities to assume responsibility for port and harbor facilities within their boundaries and to impose marine fuel taxes to generate revenues to maintain those facilities.
2. Section Two grants the powers of taxation to municipalities relating to marine fuel in section AS.29.45, creating a new subsection AS.29.45.750. This section limits the tax to only three cents, no more nor less. Thereby mandating that a local government complies with this specific program, disallowing a local government to raise/lower marine fuel taxes in their specific area.
3. Section Three creates the exception within the motor fuel tax section for marine fuel sales/transfers to be taxed at the lower rate of 2 cents providing the following requirements for a 'qualified municipality': assumption of responsibility for operation and maintenance of all state port and harbor facilities within its boundaries excluding those owned by a public corporation or state agency and used for state purposes; the state having no M&O responsibility for any of these facilities with the exception above; allowing for the inclusion of those facilities that have always been owned by local governments (not requiring a state transfer of ownership). All other marine fuel not meeting the requirements of this section shall be taxed at the usual rate of 5 cents per gallon.
4. Section Four creates the same exception as stated in Section Three above in section AS 43.40.010(b) that addresses fuel consumed by a user.
5. Section Five provides for an effective date of July 1, 2000.



CITY OF PETERSBURG

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February 7, 2000

Representative Andrew Halcro
State Capitol, Room 418
Juneau, Alaska 99801-1182

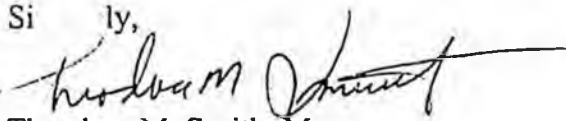
Dear Representative Halcro:

Please accept this letter in support of the *Committee Substitute for House Bill No. 243(TRA), An Act relating to taxes on motor fuel used in or on boats and watercraft*. As you may know, the City of Petersburg is working hard with the State to negotiate the transfer of the State owned boat harbors to the city. The city can do a good job operating and maintaining the harbors if the State can provide the funding necessary to 1) bring the harbors up to an acceptable level and 2), help produce revenue for the city to continue operation and maintenance in the future.

Petersburg has one of the best records in the State for operations and maintenance of our small boat harbors. Our harbor department has expended thousands of dollars over the years in minor maintenance in an effort to keep the facility in the best condition possible. Petersburg is committed to continue this type of operation. There are, however, significant major repairs and renovations that need to be done by the State before the City can be expected to take ownership. Additionally, keep these facilities in the best condition possible and to be able to upgrade and improve the facilities over the long term, the city will need a source of funding above and beyond user fees.

A tax on motor fuel used in or on boats and watercraft as proposed by CSHB243(TRA) is an excellent method to assist the community in the long term operation, maintenance and capital improvement of the harbor facilities. We fully support the bill and urge passage for the benefit of the community.

Sincerely,


Theodore M. Smith, Mayor
City of Petersburg

Cc: Representative Bill Hudson
Representative Beverly Masek

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Seward Boat Owners Association, Inc.

January 24, 2000

Dear Representative Halcro;

The members of the Seward Boat Owners Association will actively support bills that will transfer 80% of the Marine Motor Fuel Tax back to communities that own their own harbors – provided that funds are used for harbor maintenance.

The legislature has historically appropriated 83%¹ of the Marine Motor Fuel Tax to capital works projects in the harbors of Alaska. The money has been used to fund major maintenance projects. The remaining 17% has been used to cover administrative costs and fund DOT&PF's critical Coastal Engineering Section.

As local communities have taken over ownership of the harbors from the State, they must also have access to the revenue stream that has provided for the major maintenance of those harbors.

The members will actively support legislation that accomplishes this. Elements critical to our support include:

A proviso that the money transferred to the local community be used exclusively for harbor maintenance. Craft this provision such that it is not in the intent section that is traditionally vetoed by the Governor. This proviso is critical to our members' support of any bill.

Make the funds available to all communities that own their own harbors, not just to communities that have taken ownership of a State harbor.

Transfer a minimum of 80% of the Marine Motor fuel tax generated by a community back to that community.

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¹ Source, DOT&PF and LBA
Seward Boat Owners Association, Inc.

January 25, 2000

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Currently the drafts of HB 243 and SB178 do not include these provisions. We will be happy to work with the drafters of the final bills to craft these provisions such that our members could actively support the bills.

Sincerely,

James Collman
President