

**SB**

**291**

## **SB 291 MUNICIPAL HARBOR FACILITY GRANT PROGRAM**

### **BACKGROUND:**

22 Communities have accepted ownership of state owned harbors. A total of \$61 million was provided to these communities. Everyone agrees that the transfer money only covered 25%-50% of the deferred maintenance incurred under state ownership. Unfortunately, from the perspective of the communities, they faced either accepting ownership of the harbor or leaving it in the state's ownership without funding for deferred maintenance thus causing the harbors to fall into further disrepair. Communities face dramatic user fee increases for moorage in a short time frame in order to catch up on deferred maintenance in their old harbors.

### **RESOLVE:**

In 2005 the Statewide Harbors Association met to find a solution to the approximately \$99,858,000 in needed repairs. They brought forward a proposal for a 50/50 matching grant program. That proposal is reflected in SB 291.

### **SB 291:**

SB 291 establishes the Municipal Harbor Facility Grant Fund and a 50/50 capital matching fund program administered by the Department of Transportation. This bill sets out strict criteria to determine project eligibility. For example, the application must be for a capital improvement project, not routine maintenance, and the municipality must be able to demonstrate that it has the financial capability to maintain the harbor into the future. The bill prioritizes repair and major maintenance projects above other projects or new construction. Finally, once a harbor facility receives funding under this program, it will not be eligible for additional Municipal Harbor Facility Grants.

This bill is recognition what Alaska harbors are our roads to resources.

## SB 291 MUNICIPAL HARBOR FACILITY GRANT PROGRAM

### SECTIONAL ANALYSIS

**Section 1:** Amends AS 29.60 to establish a municipal harbor facility program.

- **Section 29.60.800**

Allows the legislature to appropriate money to this fund from the watercraft fuel tax account, which consists of revenue from the marine fuel tax, and to make other appropriations to the fund.

Money in the fund does not lapse and may be spent in successive years. It may be expended by DOT for harbor facility grants without further appropriation.

Provides that DOT must use at least 50% of the balance of the fund in each year for harbor facility grants.

- **Section 29.60.810**

Allows municipalities to apply for grants for construction, expansion, major repair or major maintenance of harbor facilities.

Lists eligibility criteria for such grants, including that the project must be a capital improvement program, not a preventative maintenance program.

Communities must match the state grant on a 50%-50% basis.

- **Section 29.60.820**

Caps annual grant awards to any municipality at \$5,000,000.

Requires that DOT prioritize grant applications for repair and major maintenance received from communities that have already taken ownership of their harbors through transfer by the State.

Requires that DOT establish priorities for grant awards for repair and major maintenance, establishes priorities for other proposed harbor projects, with new construction having the lowest priority.

Lists factors that shall be included by DOT in establishing priorities.

Provides that DOT may suggest modifications to a project to achieve cost savings or to better serve the public, and may make such modifications to a grant awards if the municipality agrees.

**Section 2:** Establishes the effective date as July 1, 2006.

**CS FOR SENATE BILL 291 (CRA)**  
**"VERSION Y"**

**The committee substitute makes two conceptual modifications:**

- Page 1 -- The committee substitute includes another funding source: the fisheries business tax collected under AS 43.74.015 after payments to municipalities are made under AS 43.75.130.
- Page 2 -- The committee substitute makes it clear that the municipality cannot use a state grant under a different program or appropriation as its share for the 50%-50% match under this program. Except for money given to the municipality under municipal tax resource equalization, safe communities program, and the shared fisheries business tax.

## FISHERIES BUSINESS TAX AS 43.75

### Description

Alaska levies a fisheries business tax (also known as the "raw fish tax") on fisheries businesses and persons who process fisheries resources in or export unprocessed fisheries resources from Alaska. The tax is based on the price paid to commercial fishers for the raw resource or fair market value when there is no arms length transaction prior to processing or export. The Division collects fisheries business taxes from processors and persons who export unprocessed fishery resources from Alaska.

### Rate

Fisheries business tax rates are based on the location and type of processing activity and whether a fishery resource is classified as "established" or "developing" by the Alaska Department of Fish and Game. Rates are as follows:

#### Processing Activity

<i>Established</i>	<i>Rate</i>
Floating	5 %
Salmon Cannery	4.5 %
Shore-based	3 %
<hr/>	
<i>Developing</i>	<i>Rate</i>
Floating	3 %
Shore-based	1 %

### Returns

Fisheries businesses file calendar year returns that are due with payment on March 31 of the following year.

After filing the calendar year return, taxpayers file returns to report post-season, bonus payments made to fishers. Returns for these payments are due with additional taxes by the last day of the month following the payment.

### Exemptions

Commercial fishers who process and freeze fish on board to maintain its quality before sale to a licensed processor are exempt.

### Credits

**Education:** Taxpayers contributing to accredited Alaska universities or colleges for educational purposes may take a tax credit for 50% of the first \$100,000 and 100% of the next \$100,000 of contributions. The maximum credit is \$150,000 for each tax year.

**Scholarship Contributions:** Taxpayers contributing to the A.W. "Winn" Brindle memorial scholarship account may take a tax credit for the amount of contribution not to exceed 5% of their tax liability.

**Salmon Product Development and Utilization Credit:** Taxpayers are allowed tax credits against the fisheries business tax on salmon for expenditures promoting the development of salmon products and the utilization of salmon waste. Effective June 11, 2003 and retroactive to January 1, 2003, the bill will sunset on December 31, 2005.

### Disposition of Revenue

The Division deposits all revenue derived from the fisheries business tax into the General Fund. The legislature may appropriate revenue from the tax for revenue sharing as follows:

#### Processing Activity Inside Municipality

The Division shares 50% of tax collected with the incorporated city or organized borough in which the processing took place. If an incorporated city is within an organized borough, the Division divides the 50% shared amount equally between the incorporated city and the organized borough.

#### Processing Activity Outside Municipality

The Division shares 50% of tax collected from processing activities outside an incorporated city or an organized borough through an allocation program administered by the Department of Commerce, Community and Economic Development.

### History

The fisheries business tax is the oldest tax in Alaska. In 1899, the U.S. Congress adopted a "salmon case" tax to fund fisheries-related activities in pre-territorial Alaska.

## FISHERIES BUSINESS TAX

The Organic Act passed in 1912 established an organized territorial government in Alaska. In 1913, the First Territorial Legislature adopted the "salmon pack" tax which applied to salmon canneries based on canned salmon (7¢ per case); and the "cold storage" tax which applied to other fisheries and was based on business receipts. Between 1913 and 1949, the legislature amended the tax several times by changing tax rates and expanding the tax base to include different fisheries.

1949 – The territorial legislature restructured the fisheries business tax to be based on value of the fisheries rather than volumes (case or business receipts). The new "raw fish" tax applied to salmon (4%), crab and clams (2%), and other fishery products (1%) processed in canneries.

1951 – The territorial legislature enacted a fishery business license requirement with a \$25 license fee, a tax on floating processors at 4% of value and increased the tax rate for salmon canneries to 6%.

1962 – The legislature adopted provisions for sharing taxes (10%) and requiring calendar year returns for all businesses.

1967 – The tax rate on salmon canneries was amended to 3% and provisions were adopted requiring security for a fishery business license under certain conditions.

1979 – The legislature adopted the modern tax structure with different tax rates for established and developing species, as well as increasing the shared tax percentage to 20%.

1981 – The shared tax percentage was increased to 50%.

1986 – The legislature authorized a fisheries business tax credit of up to 50% of fisheries business taxes for capital expenditures associated with constructing and improving shore-side processing operations. The tax credit program was effective for 1987 through 1989 with a carryforward provision through 1991. Taxpayers claimed approximately \$47.5

million of credits under this program. The legislature also enacted the Winn Brindle scholarship credit allowing a credit of up to 5% of fisheries business taxes due.

1987 – The legislature enacted the Alaska education tax credit program allowing a tax credit on educational contributions of up to \$100,000 against fisheries business taxes due.

1990 – The legislature enacted provisions for a civil penalty for processing without a license. The Division may progressively assess penalties in increments of up to \$5,000 for each infraction to a maximum of \$25,000 for the fifth and subsequent assessments. The legislature also enacted a provision that authorized sharing 50% of taxes sourced from processing activities in the unorganized borough, effective July 1992.

1991 – The legislature restructured the Alaska education credit and increased the maximum amount to \$150,000.

1995 – The legislature reduced the amount of surety bonding for small processors from \$10,000 to \$2,000.

2001 – The legislature modified the tax payment security requirements necessary to obtain a fisheries business tax license. The legislature expanded the existing requirement for a whole-salmon exporter to include any exporter of any unprocessed fisheries resource. Under the bill, exporters of unprocessed fish can obtain a fisheries business license by posting a \$50,000 surety bond and paying their taxes monthly.

2002 – Alaska Veterans' Memorial Endowment provided credits of up to 50% for contributions of not more than \$100,000 and 75% of the next \$100,000 in contributions made to the Veterans' Memorial Endowment Fund. The tax credit expired July 1, 2003.

2003 – Salmon Product Development/Utilization Credit allows tax credits against the fisheries business tax for expenditures promoting the value added processing of salmon products and the utilization of salmon waste in Alaska. The amount of the tax credit cannot exceed 50% of the

## FISHERIES BUSINESS TAX

taxpayer's fisheries business liability for processing of salmon during the tax year.

Effective June 11, 2003 and retroactive to January 1, 2003, the bill will sunset on December 31, 2005. Unused credits earned may be carried forward for three years.

2003 – Legislation allowed for monthly payment of the fisheries taxes in lieu of existing forms of security or prepayment as a prerequisite to licensure. Fisheries businesses who elect this option must post a \$50,000 bond or demonstrate \$100,000 equity in real property within the state. Effective September 8, 2003.

2004 – Legislation authorized a new Direct Marketing Fisheries Business License and tax structure set at the shore based rate of 1% of the value of developing fish species and 3% of the value of established fish species. The provisions of the bill took effect January 1, 2005.

2005 – Effective May 18, 2005, the legislature modified the surety and tax payment requirements for obtaining a fisheries business license. The legislature reduced the amount of

surety bonding for small primary fish buyers from \$10,000 to \$2,000. The legislation added as a condition for obtaining a fisheries business license full payment of delinquent: taxes under AS 43, seafood marketing assessments, employment security contributions, OSHA penalties, and local fishery sales taxes.

### FY 2005 Statistics

<u>Fisheries License and Business Tax</u>	
<u>License Fees and Tax Collection</u>	
<i>Including penalties and interest.</i>	
<i>Less Winn Brindle, Alaska Education and Salmon Product Development &amp; Utilization Credits.</i>	
	\$25,559,474
Number of Returns	745
Number of Taxpayers	524
<u>Fisheries Business License Information</u>	
Shore-based Licenses Issued	189
Floating Licenses Issued	358
Exporter Licenses Issued	24
Total Licenses Issued	571
Program Cost	\$543,963
Staffing (full time equivalent)	9.3

## MOTOR FUEL TAX AS 43.40

### Description

Alaska levies the motor fuel tax on motor fuel sold, transferred or used within Alaska. The Division collects motor fuel taxes primarily from wholesalers and distributors who hold "qualified dealer" licenses issued by the Division.

### Rates

	<i>Per Gallon Rate</i>
Highway	8¢
Marine	5¢
Aviation Gasoline	4.7¢
Jet Fuel	3.2¢

### Returns

Taxpayers file returns and make payment monthly. There are four separate returns possible depending on fuel type. Returns can be filed for diesel, gasoline, aviation and/or gasohol.

The due date is the last day of the month following the month of sale or taxable use. Taxpayers can deduct 1% of the tax due, limited to a maximum of \$100 per return, as a timely filing credit.

### Refunds

Consumers may claim a refund for the full tax rate if the consumer used the fuel for exempt purposes; or for the difference between the tax rate and 2¢ per gallon if the consumer used the fuel off-highway.

Resellers, usually retailers, may claim a refund for the full tax if the reseller paid the tax, and then sold the fuel for exempt use and did not collect the tax.

### Exemptions

In addition to sales between qualified dealers, the following sales and use are exempt from motor fuel tax:

*Heating*  
*Federal, state and local government agencies*  
*Foreign flights (jet fuel)*  
*Exports*  
*Power plants/utilities*  
*Charitable institutions*

*Gasohol (only fuel containing at least 10% alcohol derived from wood or seafood waste)*  
*Bunker fuel (residual fuel oil or #6 fuel oil)*

### Disposition of Revenue

The Division deposits nearly all revenue derived from motor fuel taxes into the General Fund. Revenue from each category of fuel is accounted for separately in the Division's tax accounting system. For example, proceeds from tax on motor fuel used in boats and watercraft are deposited in a special watercraft fuel tax account and proceeds from tax on motor fuel used in highway vehicles are deposited in a special highway fuel tax account within the General Fund.

The Division shares with the respective municipalities sixty percent of taxes attributable to aviation fuel sales at municipally owned or operated airports. All other proceeds of the taxes on aviation fuel are paid into a special aviation fuel tax account.

### History

The motor fuel tax dates back to 1945 when the legislature imposed a tax of 1¢ per gallon on all motor fuel. Over time, the legislature enacted separate tax rates for each of the fuel categories as they exist today. Motor fuel tax rates have changed as follows:

<i>Highway</i>	<i>Per Gallon</i>
1945	1¢
1947	2¢
1955	5¢
1960	7¢
1961	8¢
1964	7¢
1970	8¢

<i>Gasohol</i>	<i>Per Gallon</i>
1997	8¢ and 2¢

*(2¢ November through February where required)*

<i>Marine</i>	<i>Per Gallon</i>
1945	1¢
1947	2¢
1955	5¢
1957	2¢
1960	3¢

## MOTOR FUEL TAX

<i>Marine (cont.)</i>	<i>Per Gallon</i>
1971	4¢
1977	5¢
<i>Aviation Gasoline</i>	<i>Per Gallon</i>
1945	1¢
1947	2¢
1955	3¢
1968	4¢
1994	4.7¢
<i>Jet Fuel</i>	<i>Per Gallon</i>
1957	1.5¢
1968	2.5¢
1994	3.2¢

1994 - The legislature enacted a tax decrease for bunker fuel. The tax rate decreases from 5¢ to 1¢ per gallon on bunker fuel sales exceeding 4.1 million gallons. The tax decrease sunset on June 30, 1998.

1997 - The gasohol exemption was repealed. The legislature enacted a provision that reduces the tax on gasohol from 8¢ to 2¢ per gallon in areas and at times when the use of gasohol is required. However, gasohol has not been required since the winter of 2002-2003. Therefore, gasohol is currently taxed at the full tax rate of 8¢. In certain circumstances, gasohol that is blended with at least 10% alcohol derived from wood or seafood waste is fully exempt.

The legislature expanded the foreign flight exemption to include flights originating from foreign countries in addition to the existing exemption for flights with a foreign destination. This legislation included a permanent exemption for bunker fuel (residual fuel oil known as #6 fuel oil) which nullified the 1994 bunker fuel tax rate reduction.

1998 - The legislature authorized taxpayers to take a "bad debt" credit for sales deemed to be worthless and for sales to persons who file bankruptcy.

2003 - Motor Fuel Tax: Government Agency Refunds. This legislation makes it easier for the state to issue motor fuel excise tax refunds for credit card purchases made by federal, state, and local government agencies.

## FY 2005 Statistics

Motor Fuel Tax	Tax Collected
Highway	\$29,918,920
Marine Fuel	4,718,509
Jet Fuel	4,193,390
Aviation Gasoline	729,827
Penalties & Interest	3,920
Tax Collections	\$39,564,566
<i>Including penalties and interest</i>	
Less Aviation Fuel Tax Shared	(150,708)
Total Amount Retained by State	\$39,413,858

Motor Fuel Type	Gallons**
Highway	364,919,370
Marine Fuel	99,486,265
Jet Fuel	152,685,651
Aviation Gasoline	6,496,206

\*\* Gallons noted may not compute if calculated as:  
Gallons X Tax Rate = Tax Collected

Gallons are recorded on the tax return and calculated based on the return tax period, whereas tax collections are calculated based on the amount received within a time period and may include payments or refunds from a previous tax period.

Number of Returns	3,462
Number of Taxpayers	248
Program Cost	\$293,147
Staffing ( <i>full time equivalent</i> )	4.7

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB291-DOT-530-03-02-0  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DOT&PF  
 Title Municipal Harbor Facility Grants RDU Administration & Support  
 Component Commissioner's Office  
 Sponsor Senator Stedman  
 Requester \_\_\_\_\_ Component No. 530

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

Based on current information, the Department anticipates it will be able to administer this program with existing staff.

Prepared by: John Manly Phone 465-8994  
 Division Commissioner's Office DOT&PF Date/Time 3/02/06 at 4:45 p.m.  
 Approved by: Mike Barton, commissioner Date 3/2/2006  
 Agency DOT&PF

**Alaska Association of Harbormasters and Port Administrators Deferred Maintenance Funding Summary**

**List of Communities That Have Accepted Harbor Ownership from the State of Alaska**

Location	Facility	Sale Date/Type	*State Funds Already Provided	Cost Est Provided	Funds Required	Contact	Phone Number
Chetana	Oil Spill Response & Seaplane Float	10/21/1998 Bill of Sale	\$ 315,000		\$678,000	Olen Harris	562-1444
Cold Bay	Dock	11/26/1992 Bill of Sale	na	Eng Est 5/4/95	\$500,000	Bob Justner	774-7555
Cordova	Small Boat Harbor	8/03/2003 Bill of Sale	\$ 4,876,000	Est 1/31/2004		Dale Muma	474-6400
Craig	Dock	12/19/2001 Bill of Sale					
	North Cove Small Boat Harbor	6/30/1992 Comm's Deed	\$ 581,000	Quote 2/3/2004	\$175,000	Michael Kampuch	826-3404
Homer	South Cove Small Boat Harbor	9/14/1995 Comm's Deed					
	Small Boat Harbor	4/30/1999 Bill of Sale	\$ 1,665,400	Est 10/2005	\$3,300,000	Steve Dean	235-3180
Juneau	Aurora Small Boat Harbor						
	Don Steamer Small Boat Harbor						
	Douglas Dock						
	Douglas Small Boat Harbor	4/2/2003 Bill of Sale	\$ 7,119,000	Eng Report 3/04	\$17,100,000	John Stone	586-0294
	Harris Small Boat Harbor						
Ketchikan	Taku Small Boat Harbor						
	North Douglas Launch Ramp						
	Bar Harbor North	8/11/2004 Bill of Sale					
	Bar Harbor South	5/15/2002 Bill of Sale					
King Cove	City Float	1/1/1999 Bill of Sale	\$ 7,876,000	Est 9/1/05	\$13,450,000	Chris Brewster	228-5632
	Ryker Float	8/11/2004 Bill of Sale					
	Thomas Basin Small Boat Harbor	8/11/2004 Bill of Sale					
	Old Harbor	3/25/1995 Bill of Sale	\$ 352,000	Eng Est 2/3/06	\$4,592,000	David Hartz	497-2217
Klawock	Small Boat Harbor	5/28/2003 Bill of Sale					
	Dock	5/16/1986 Quit Claim Deed	\$ 896,000		\$200,000	John Morris	755-2261
Kodiak	City Float						
	St. Jermans Small Boat Harbor	3/12/1999 Bill of Sale	\$ 1,775,500	Eng Rep 2/02 Update Est 2/06	\$14,900,000	Marty Owen	486-9000
	St. Paul Small Boat Harbor						
Old Harbor	Charcoal Treatment Float						
	Dock	5/20/1991 Bill of Sale			\$1,000,000	Jim Nestor	286-2204
Pelican	Float	5/26/1993 Bill of Sale	\$ 154,000				
	Small Boat Harbor & Seaplane Float	9/26/1991 Bill of Sale	\$ 1,451,142	1/30/2006	\$1,000,000	Patty Phillips	335-2202
Petersburg	North Harbor	12/06/2005 Bill of Sale	\$ 2,500,000		\$4,000,000		
	Middle Small Boat Harbor	6/01/2003 Bill of Sale	\$ 3,729,000	Eng Est 2/6/06	\$2,500,000	Jim Stromboli	172-4608
	South Small Boat Harbor						
Sand Point	Small Boat Harbor	12/2/1992 Bill of Sale	na		\$2,100,000	Richard Kuchta, Sr	183-2696
Seldovia	Small Boat Harbor	5/18/2004 Bill of Sale	\$ 2,628,000		\$1,400,000	Ronda Haynes	234-7643
Seward	Small Boat Harbor	2/25/1999 Bill of Sale	\$ 3,134,200	Eng Est 2/6/06	\$7,693,000	Scott Ransom	224-3138
Sitka	Crescent Harbor (A, D, 1-4)	11/09/2001 Bill of Sale					
	Crescent Harbor (B, F, 5-7)	10/30/2004 Bill of Sale					
	Sealing Cove Small Boat Harbor	09/30/2004 Bill of Sale	\$ 6,468,000	Est 2/1/06	\$4,500,000	Ray Majestic	747-1439
	Thomson Small Boat Harbor (Old ANH Float)	08/30/2004 Bill of Sale					
Skagway	Small Boat Harbor	6/18/1992 Comm's Deed					
	Small Boat Harbor	10/21/2004 Bill of Sale	\$ 1,068,852	Est 1/1/06	\$ 2,525,000	Mamee O'Hole	981-2628
Tatook	Oil Spill Response and Ferry Dock	10/31/1998 Bill of Sale	\$ 315,000		\$270,000	Olen Harris	562-1444
Valdez	Small Boat Harbor	12/03/2003 Bill of Sale	\$ 3,013,000	Est 2/1/06	\$2,500,000	Alan Sorum	835-4981
Whittier	Passenger Loading Dock	5/15/2002 Bill of Sale					
	Small Boat Harbor	8/02/2004 Bill of Sale	\$ 2,479,000		\$4,800,000	Mark Earnest	472-2327/113
Wrangell	Fish & Game Float						
	Inner Small Boat Harbor						
	Reliance Small Boat Harbor	8/20/2003 Bill of Sale	\$ 1,492,000	Eng Est 2/3/06	\$6,200,000	Greg Messner	874-3716
	Shumaker Bay Harbor						
Yakutat	Standard Float						
Yakutat	Small Boat Harbor and Seaplane Float	8/8/2005 Bill of Sale	\$ 326,000	Eng Rep 12/04	\$ 2,205,000	Erving Green	784-3323

**Total State Funding Provided** **\$64,354,394**

**Funding Needed to Complete Repairs** **\$99,858,000**

Spreadsheet prepared by Alan Sorum on 25 March 2005. Contact: (907) 835-4981  
 \*Revised by John Stone on Feb. 6, 2006 to show verified cost estimates: 907-586-0294

AAHPA is requesting a 50% match grant program  
 (e.g., State Funding request of approximately \$48 million, local match requirement of \$48 million)



**Alaska Association of Harbormasters  
And Port Administrators**  
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Senate Community and Regional Affairs Committee

March 6, 2006

SB 291

Testimony by John Stone

President, AAHPA

Mr. Chair and members of the Senate Community and Regional Affairs Committee, my name is John Stone. I am the president of the Alaska Association of Harbormasters and Port Administrators.

The Alaska Association of Harbormasters is an organization comprised of the senior managers from 27 community harbor systems. These include Anchorage, Bethel, Bristol Bay Borough/Naknek, Cordova, Craig, Dillingham, Haines, Homer, Hoonah, Juneau, Kenai, Ketchikan, King Cove, Kodiak, Nome, Pelican, Petersburg, Port MacKenzie, Sand Point, Seward, Sitka, Skagway, Unalaska/Dutch Harbor, Valdez, Whittier, Wrangell, and Yakutat. The Association's goal is simple: to make Alaska's harbors the best they can be.

First, let me say that the Association fully supports SB 291 and appreciates the Committee taking the lead on this important state and community issue. During the past several years, the Association has attempted to bring the dilapidated condition of Alaska's harbor infrastructure to the attention of the Legislature. We appreciated the opportunity to speak to the Fish Caucus last session to discuss this statewide problem. We are also very encouraged that the Alaska Department of Transportation fully supports this bill.

Most of Alaska's harbor infrastructure was built by the Alaska Department of Transportation and Public Facilities in the 1960's and 1970's. Largely, this infrastructure is at the end of its useful life making complete replacement of it necessary. We believe the financial resources needed to replace these facilities before the end of their lives requires the collective effort of the State and local harbor jurisdictions.

**Testimony of John Stone, President of AAHPA, on SB-291  
Before the Senate Community and Regional Affairs Committee  
March 6, 2006**

The State's policy for many years was to enter into agreements with the cities and municipalities for the operation of the harbor systems with the State retaining title to the physical harbor improvements. The cities and municipalities established enterprise funds and assessed fees to users in an amount necessary to finance the operating cost of the facilities. This arrangement has worked very well from an operations standpoint. Unfortunately, neither party addressed facility replacement; the locals because they did not hold title to the improvements and the State because funding was not available.

In the 1990's, the State developed a new policy whereby the title of the physical improvements would be turned over to the local harbor jurisdictions along with some funding to help with facility replacement. Although the policy is sound, the program suffered from the fact that the funding provided with the transfer of title was only a fraction of the funding needed to replace the infrastructure that was transferred.

As the transfers have gone forward, local harbor jurisdictions developed facility replacement schedules and began looking at fees to cover facility replacement costs. It became clear that harbor fees needed to increase several-fold in short order. It also became clear that fees alone are not sufficient to recapitalize the transferred harbor infrastructure before it is lost.

Local harbor jurisdictions have indeed stepped up to the plate. Many of us are looking to finance revenue bonds with fee increases in order to replace transferred infrastructure. The Association believes this presents a good opportunity for a match funding program with the State. Many local governments, the State Chamber, the Alaska Municipal League, and our Association have adopted resolutions in support of this harbor match funding program.

We ask for this match program because we believe it is a good investment for the State. My colleagues at the Association will expand upon this point. Suffice to say that our harbors substantially contribute to the State's economy and are the lifeblood of many communities.

In summary, we thank the Chair and Committee for its consideration of SB 291. The Alaska Association of Harbormasters and Port Administrators strongly supports this bill. The dilemma facing us is that we have a tremendous amount of harbor

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infrastructure that is at the end of its useful life. This infrastructure has been put into our hands. We are scrambling to find ways to replace it before it is lost. We are also substantially increasing fees to help with replacement costs. We have learned that fees are not the total answer. This bill provides much needed help with these replacements by matching our local investments. This bill also achieves the policy goal of the harbor transfers, whereby the local communities become responsible for the operation, maintenance, and replacement of the harbor improvements, because it gives us the capability to replace the transferred infrastructure before it is lost.

Thank-you.

# ALASKA STATE LEGISLATURE

## SESSION

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Senator Bert Stedman@legis.state.ak.us



## INTERIM

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## SENATOR BERT K. STEDMAN

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### SPONSOR STATEMENT SB 291

**"An Act relating to the municipal harbor facility grant program; and providing for an effective date."**

For Alaskan coastal communities, harbors are their road to resources. Harbors are critical transportation links, hubs of waterfront commerce that many businesses depend on and protection areas for ocean going vessels.

Over the past 10 years, the Department of Transportation has transferred ownership of state harbors to 22 municipalities around Alaska's coast. In many instances the state had neglected its responsibility for conducting major preventative maintenance on those harbors. Although funds accompanied the transfers, the funds were insufficient to bring the harbors up to safe and serviceable condition. Accordingly, when local harbor masters took over the budgeting for their facilities they inherited a major financial burden that their local governments could not afford.

In 2005 the Statewide Harbormasters Association met to find a solution to the approximately \$99,858,000 in needed repairs. They brought forward a proposal for a 50/50 matching grant program. That proposal is reflected in Senate Bill 291.

SB 291 establishes the Municipal Harbor Facility Grant Fund and a 50/50 capital matching funding program administered by the Department of Transportation. The bill sets out strict criteria to determine project eligibility. For example the application must be for a capital improvement project, not routine maintenance, which is considered a local responsibility, and the municipality must have the financial capability to maintain the harbor in the future. The bill prioritizes repair and major maintenance projects above other projects or new construction. Once a harbor facility receives funding under this program it will not be eligible for additional grants.

In order to access resources and continue to stimulate our economy, Alaskan harbors must be in good working order. This legislation partners the state and municipalities in this endeavor.

*Contact: Kim Carnot, Aide to Senator Bert Stedman at (907) 465-3873*

#### DISTRICT A

Ketchikan • Sitka • Petersburg • Wrangell  
Pelican • Elfin Cove • Port Alexander • Saxman • Meyers Chuck • Thorne Bay • Coffman Cove • Hollis



## Alaska State Legislature

**Senate Majority** Web: [www.akrepublicans.org](http://www.akrepublicans.org)

**Sponsor:** Senator Bert Stedman  
**Current Version:** SB 291  
**Contact:** Kim Carnot, 465-3873

### Fact Sheet for: Senate Bill 291

**Short Title:** MUNICIPAL HARBOR FACILITY GRANTS

#### Summary:

- Establishes a capital improvement program for harbor facilities with a one time 50/50 matching grant program for municipalities.
- Funds major maintenance and capital improvements by using a portion of the watercraft fuel tax.
- Requires the Alaska Department of Transportation and Public Facilities to administer the program.

#### Benefits:

- Creates safer and more functional harbors for coastal communities.
- Helps stimulate the economy of the entire state by improving harbors, which are the main economic engine of coastal communities.

#### Background:

- Alaska has more coastline than the entire contiguous United States. Harbors are critically important to Alaska. Over the past decade, the state has transferred ownership of harbors to municipalities. Unfortunately, the harbors were in poor condition at the time of transfer due to the state's failure to keep up with deferred maintenance. SB 291 helps alleviate the burden on municipalities by creating a 50/50 matching grant program to pay for major maintenance and capital improvements.



## Cordova District Fishermen United

P.O. Box 939  
Cordova, Alaska 99574  
(907) 424-3447 FAX (907) 424-3430

February 22, 2006

RECEIVED  
2/27/06

Senator Bert Stedman  
State Capitol, Room 30  
Juneau, AK 99801-1182

RE: Support SB 291 - Municipal Harbor Facilities Grant Fund

Dear Senator Stedman,

Cordova District Fishermen United (CDFU) supports SB 291 that will create a program to achieve capital improvements for harbor facilities through a one-time 50/50 match grant to municipalities.

The transfer of harbor management and funding from the state of Alaska to local communities has proven to be extremely costly to those communities that have been willing to assume this responsibility. This is in part due to deferred maintenance and the rising cost of repairs.

For Alaska's coastal communities, harbors maintenance & facilities are critical for the fishing industry as well as residents & visitors. It is imperative that these harbors be in a good state of repair, both for functionality & safety of its users.

CDFU supports the creation of a program that will fund capital improvements as well as major maintenance of harbor facilities made possible through SB 291.

Sincerely,

Diane Platt  
Executive Director



City

of

RECEIVED  
11/16/06

Pelican

RD# 737 PELICAN ALASKA 99817 PHONE 735 2202 2203 FAX 735 2298 E-MAIL cityhall@pelicancity.net WEBSITE www.pelicancity.net

**CITY OF PELICAN  
RESOLUTION 2006-2**

**A RESOLUTION TO PROVIDE MATCHING MAINTENANCE AND REPAIR FUNDS TO LOCAL GOVERNMENT OWNED HARBORS**

**WHEREAS,** the State of Alaska built and owned many of the harbor facilities in Alaska's communities; and,

**WHEREAS,** under State of Alaska ownership, the maintenance and repair of the harbor facilities was minimal; and,

**WHEREAS,** when transferring ownership of the harbor facilities to the local governments, the State of Alaska provided insufficient funds to restore the harbor facilities to "good" condition; and,

**WHEREAS,** local governments are willing to assume financial responsibility of their ownership roles; and,

**WHEREAS,** local governments are realizing that ownership of harbors means that moorage rates to the public must be increased several fold to restore the harbors to good condition; and,

**WHEREAS,** increased moorage fees is a disincentive for using the Pelican Boat Harbor; and,

**WHEREAS,** local governments seek financial assistance from the Legislature to improve Alaska's harbor facilities; and

**WHEREAS,** local governments request the Legislature to provide a 50% match funding program for the maintenance and repair of the transferred harbors.

**NOW, THEREFORE BE IT RESOLVED** that the City of Pelican requests that the State of Alaska Legislature provide capital matching funds to local governments who have accepted ownership of the harbors for the purpose of helping local governments to fund deferred port and harbor maintenance projects.

RESOLUTION 2006-2  
PAGE 2

PASSED, APPROVED AND ADOPTED this 31<sup>ST</sup> day of JANUARY,  
2006.

Signed: Patricia Phillips  
Patricia Phillips, Mayor

Attest:

Betty T. Bean  
Betty T. Bean, City Clerk/Treasurer

**RESOLUTION # 1791**

**A RESOLUTION REQUESTING THE STATE LEGISLATURE PROVIDE  
MATCHING MAINTENANCE AND REPAIR FUNDS TO LOCAL  
GOVERNMENT OWNED HARBORS**

Offered by: Anderson  
Supported by: Sarff

**Whereas,** the State of Alaska built and owned many of the harbor facilities in Alaska's communities and under State of Alaska ownership the maintenance and repair of the harbor facilities was minimal; and

**Whereas,** when transferring ownership of the harbor facilities to the local governments the State of Alaska provided insufficient funds to restore the harbor facilities to "good" condition; and

**Whereas,** local governments are willing to assume financial responsibility of their ownership roles, but have realized that ownership requires moorage rates to the public be increased substantially to restore the harbors to "good" condition; and

**Whereas,** local governments are not able to implement the dramatic moorage increases needed to restore the facilities and must seek financial assistance from the Legislature.

**THEREFORE, BE IT RESOLVED** by the Petersburg City Council - in order to prevent Alaska's harbor facilities from decaying and disappearing, the State of Alaska Legislature is requested to provide a 50% capital matching fund program to local governments who have accepted ownership of the previously State owned harbors for the purpose of helping the local governments fund deferred port and harbor maintenance projects.

**PASSED AND APPROVED** by the Petersburg City Council February 6, 2006.

  
Ted Smith, Mayor

ATTEST:   
Kathy O'Rear, City Clerk

CERTIFIED COPY

CITY OF VALDEZ, ALASKA

RESOLUTION NO. 05-15

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, URGING THE LEGISLATURE TO PROVIDE MAINTENANCE AND REPAIR FUNDS TO LOCAL GOVERNMENT OWNED HARBORS

WHEREAS, the State of Alaska built and owned many of the harbor facilities in Alaska's communities; and,

WHEREAS, under State of Alaska ownership, the maintenance and repair of the harbor facilities was minimal; and,

WHEREAS, when transferring ownership of the harbor facilities to the local governments, the State of Alaska provided insufficient funds to restore the harbor facilities to "good" condition; and,

WHEREAS, local governments are willing to assume financial responsibility of their ownership roles;

WHEREAS, local governments are realizing that ownership of harbors means that moorage rates to the public must be increased several fold to restore the harbors to good condition; and,

WHEREAS, many local governments may not be able to implement such dramatic moorage increases without financial assistance; and

WHEREAS, local governments seek financial assistance from the Legislature to prevent Alaska's harbor facilities from disappearing.

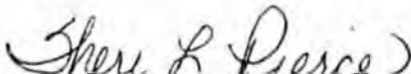
NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, that the State of Alaska Legislature is urged to provide capital funds to local governments who have accepted ownership of the harbors for the purpose of helping local governments transition to their ownership roles.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 22<sup>nd</sup> day of February, 2005.

CITY OF VALDEZ, ALASKA

  
Bert L. Cottle, Mayor

ATTEST:

  
Sheri L. Pierce, CMC/AE, City Clerk



**ALASKA ASSOCIATION OF HARBORMASTERS AND PORT ADMINISTRATORS**

**Resolution Number 2005-01**

*A resolution of the Alaska Association of Harbormasters and Port Administrators for the Legislature to provide matching maintenance and repair funds to local government owned harbors.*

**Whereas**, the State of Alaska built and owned many of the harbor facilities in Alaska's communities; and,

**Whereas**, under State of Alaska ownership, the maintenance and repair of the harbor facilities was minimal; and,

**Whereas**, when transferring ownership of the harbor facilities to the local governments, the State of Alaska provided insufficient funds to restore the harbor facilities to "good" condition; and,

**Whereas**, local governments are willing to assume financial responsibility of their ownership roles;

**Whereas**, local governments are realizing that ownership of harbors means that moorage rates to the public must be increased several fold to restore the harbors to good condition; and,

**Whereas**, many local governments may not be able to implement such dramatic moorage increases without financial assistance; and

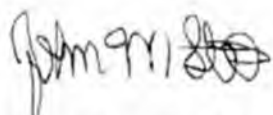
**Whereas**, local governments seek financial assistance from the Legislature to prevent Alaska's harbor facilities from disappearing; and

**Whereas**, local governments request the Legislature to provide 50% match funding program for the maintenance and repair of the transferred harbors.

**THEREFORE, BE IT RESOLVED** by the Alaska Association of Harbormasters and Port Administrators that it requests that the State of Alaska Legislature provide capital matching funds to local governments who have accepted ownership of the harbors for the purpose of helping local governments to fund deferred port and harbor maintenance projects.

Section 1. This resolution shall take effect immediately upon its adoption.

**PASSED AND APPROVED** by the Alaska Association of Harbormasters and Port Administrators, this 12<sup>nd</sup> day of October, 2005.



**John M. Stone, P.E., President**  
**Alaska Association of Harbormasters and Port Administrators**



# UNITED FISHERMEN OF ALASKA

21, Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
(907) 586-2820  
(907) 463-2545 Fax  
E-Mail: [ufa@ufa-fish.org](mailto:ufa@ufa-fish.org)  
[www.ufa-fish.org](http://www.ufa-fish.org)

March 8, 2006

Senator Bert Stedman, Chairman  
Senate Resources Committee  
Alaska State Legislature  
State Capitol (Mail Stop 3100)  
Juneau AK 99801

COPY

Dear Senator Stedman,


United Fishermen of Alaska (UFA) supports Senate Bill 291 and House Bill 478, establishing the Municipal Harbor Facility Grant Fund and a 50/50 capital matching funding program administered by the Department of Transportation. The funds are not for routine maintenance, but for capital improvement projects.

Alaska's harbors are the foundation of the transportation infrastructure in many or most coastal communities, serving commercial fishermen as well as other businesses and recreational users. After the transfer from state to local management in recent years, many harbors suffer from deferred maintenance, and efforts to fund the necessary repairs through local taxes and user fees have in many cases not been affordable to users.

An amendment to HB 478 in House Resources Committee has added the fisheries business tax as a potential source for harbor funding, and UFA prefers the original legislation calling for the watercraft fuel tax as the source of funding. The allocation of fisheries business tax brings complications with other uses of these funds, and raises concern that the burden for harbors may fall disproportionately upon commercial fishermen among the many users of the harbors. We prefer the legislation in its original form, but are completely in support of the concept and need for harbor facility funding.

UFA represents thirty-one Alaska commercial fishing groups from fisheries throughout the state, altogether representing thousands of individual Alaska fishermen.

Thank you for your consideration.

  
Mark Vinsel  
Executive Director