

S B

4 1

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 1/16/07

FURTHER: Transportation
Finance

Date of 5-Day Notice: 1/18/07
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 2/1/07

Labor and Commerce Committee considered SENATE BILL NO. 41

SB 41 REPEAL STUDED TIRE FEE

"An Act repealing the fee imposed on the sale of studded tires."

and recommends:

- be replaced with SCS or CS FOR SENATE BILL 41 (L+C)
- adopt previous SCS or CS _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

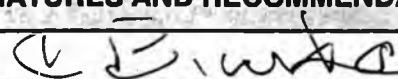


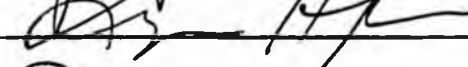
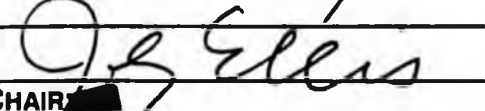
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
REVENUE	1/24/07	✓			1
DOT + PF	1/24/07			✓	2

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Bunde		✓		
	DALIS	✓			
	Stevens	✓			
	Hoffman	✓			
	ELLIS	✓			
CHAIR					

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: CSSB 41(L&C)
 (S) Publish Date: 2/2/07

Revision Date/Time (Note if correction): Jan. 24, 2007 Dept. Affected: DOT&PF
 Title: Repeal Studded Tire Fee RDU: Admin and Support (3330)
 Component: Commissioner's Office
 Sponsor: Wielechowski, Wilken
 Requester: Senate L&C Component No.: 530

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill has no financial impact on DOT&PF

Prepared by: Mary Siroky
 Division: Commissioner's Office
 Approved by: John MacKinnon
 Agency: Dept. of Transportation and Public Facilities

Phone 465-4772
 Date/Time 1/24/07 12:00 AM
 Date 1/24/2007

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 41(L&C)
 (S) Publish Date: 2/2/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
 Title Repeal Studded Tire Fee RDU Taxation and Treasury
 Component Taxation and Treasury
 Sponsor Wielechowski
 Requester Senate Labor and Commerce Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	(24.9)	(49.9)	(49.9)	(49.9)	(49.9)	(49.9)
Travel	(1.5)	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Contractual		(3.0)	(3.0)	(3.0)	(3.0)	(3.0)
Supplies	(0.8)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(27.2)	(55.9)	(55.9)	(55.9)	(55.9)	(55.9)

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

CHANGE IN REVENUES ()	(1,412.0)	(1,765.0)	(1,784.0)	(1,802.0)	(1,820.0)	(1,837.0)
-------------------------------	------------------	------------------	------------------	------------------	------------------	------------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(27.2)	(55.9)	(55.9)	(55.9)	(55.9)	(55.9)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
TOTAL	(27.2)	(55.9)	(55.9)	(55.9)	(55.9)	(55.9)

Estimate of any current year (FY2007) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time	-0.75	-1	-1	-1	-1	-1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Dan Stickel, Economist and Larry Meyers Phone (907) 465-3279
 Division Tax Date/Time _____
 Approved by: Jerry Burnett Date 1/24/2007
 Agency Dept. of Revenue

FISCAL NOTE # 1

**STATE OF ALASKA
2007 LEGISLATIVE SESSION**

BILL NO. CSSB 41(L&C)

ANALYSIS CONTINUATION

Bill Language: This bill would repeal Alaska's tire fee. The effective date of the bill would be July 1, 2007.

Revenues: According to the Alaska State Accounting System, the tire fee generated \$1,621,000 in FY 2006. Because of timing issues in reporting, this number is about \$2,000 higher than the number reported in the Tax Division FY 2006 Annual Report.

In the Department of Revenue's Fall 2006 revenue forecast, tire fees are projected to generate the following revenues:

FY 2008: \$1,747,000
FY 2009: 1,765,000
FY 2010: 1,784,000
FY 2011: 1,802,000
FY 2012: 1,820,000
FY 2013: 1,837,000

With the repeal of the tire fee, there will be no revenue from the fee in FY 2009 and beyond. In FY 2008, there will be revenue from returns for the April-June 2007 quarter. These returns are due July 30, 2007. Projected revenue from these quarterly returns is \$335,000. This estimate is less than 25% of the full year forecast because of seasonality; Tax Accounting System data indicate that in FY 2006, only 19.2% of the year's revenue came between July and September of the fiscal year. Available tax data indicates that people are most likely to purchase tires and install studs in the October-December quarter. The projected FY 2008 revenue loss from repealing the tire fee is \$1,412,000 (\$1,747,000 - \$335,000).

Expenditures: The legislature funded one new position in the Department of Revenue when the tire fee became effective on September 26, 2003. The position was a Tax Technician III (Range 14). The expenditures section of this fiscal note represents the annual funding amount indicated in the original fiscal note for creating the tire fee. The estimated reduction in expenditures in FY 2008 is lower than in following years because work related to the fee will continue at least until December 31, 2007.

1st profile
release
1/5/07

ALASKA STATE LEGISLATURE
SENATE BILL NO. 41

HISTORY IN THE SENATE

HISTORY IN THE HOUSE

2007
1/16
Read first time and referred to:
LTC, TRA, FIN

20
Read first time and referred to:

2/2
LTC RPT CS(LTC) New Title
4 DP 1 DNP NR AM
1 FN 1 OFN / Prev: FN OFN
To: TRA

RPT HCS() NT: HCR
DP DNP NR AM
FN OFN / Prev: FN OFN

RPT CS() New Title
DP DNP NR AM
FN OFN / Prev: FN OFN
To: _____

RPT HCS() NT: HCR
DP DNP NR AM
FN OFN / Prev: FN OFN

RPT CS() New Title
DP DNP NR AM
FN OFN / Prev: FN OFN
To: _____

RPT HCS() NT: HCR
DP DNP NR AM
FN OFN / Prev: FN OFN

RPT HCS() NT: HCR
DP DNP NR AM
FN OFN / Prev: FN OFN

Read second time
 CS() Adopted New Title
 Amended _____
 _____ Advanced / 3rd Rdg. _____

Read second time
 HCS() Adopted New Title
HCR No. _____
 Amended _____
 _____ Advanced / 3rd Rdg. _____

Read third time
 Title Amendment
 Return to 2nd & amended _____

 Passed Y ___ N ___ E ___ A ___
 EFD same or Y ___ N ___ E ___ A ___
 CBR same or Y ___ N ___ E ___ A ___
 CRT same or Y ___ N ___ E ___ A ___

Read third time
 Title Amendment
 Return to 2nd & amended _____

 Passed Y ___ N ___ E ___ A ___
 EFD same or Y ___ N ___ E ___ A ___
 CBR same or Y ___ N ___ E ___ A ___
 CRT same or Y ___ N ___ E ___ A ___

Reconsideration
Reconsideration not taken up
 Title Amendment
 Return to 2nd & amended _____

 Passed/Rec Y ___ N ___ E ___ A ___
 EFD same or Y ___ N ___ E ___ A ___
 CBR same or Y ___ N ___ E ___ A ___
 CRT same or Y ___ N ___ E ___ A ___

Reconsideration
Reconsideration not taken up
 Title Amendment
 Return to 2nd & amended _____

 Passed/Rec Y ___ N ___ E ___ A ___
 EFD same or Y ___ N ___ E ___ A ___
 CBR same or Y ___ N ___ E ___ A ___
 CRT same or Y ___ N ___ E ___ A ___

Engrossed, signed by the President
Transmitted to the House

Engrossed, signed by the Speaker
Returned to the Senate

Secretary of the Senate

Chief Clerk of the House

CS FOR SENATE BILL NO. 41(L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered: 2/2/07

Referred: Transportation, Finance

Sponsor(s): SENATORS WIELECHOWSKI, Wilken

A BILL

FOR AN ACT ENTITLED

1 "An Act repealing fees imposed on the sale of new tires, the sale of certain studded tires,
2 and the installation of certain metal studs on tires; and providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * Section 1. AS 43.98.025 is repealed.

5 * Sec. 2. This Act takes effect July 1, 2007.

SENATE BILL NO. 41
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY SENATORS WIELECHOWSKI, Wilken

Introduced: 1/16/07

Referred: Labor and Commerce, Transportation, Finance

A BILL
FOR AN ACT ENTITLED

1 **"An Act repealing the fee imposed on the sale of studded tires."**

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 *** Section 1. AS 43.98.025(c) is amended to read:**

4 (c) A seller shall add the amount of the fees imposed by this section to the
5 total price of the tire or service subject to the fees, and the fees shall be stated
6 separately on any sales receipt, invoice, or other record of the sale or other transfer
7 [OR OF THE INSTALLATION OF STUDS]. That portion of the total price of the tire
8 or service consisting of the fees imposed by this section is not subject to a sales tax or
9 a use tax imposed by the state or a subdivision of the state.

10 *** Sec. 2. AS 43.98.025(h)(3) is amended to read:**

11 (3) "seller" means a seller of tires [OR A PERSON WHO INSTALLS
12 STUDS ON MOTOR VEHICLE TIRES FOR A FEE].

13 *** Sec. 3. AS 43.98.025(b) is repealed.**

ALASKA STATE LEGISLATURE

15th Feb(?)
w/ other 2 Bills

Co-chair, Joint Armed Services
Committee

Resources Committee

Judiciary Committee

Transportation Committee



State Capitol, Rm. 115
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

716 W. 4th Ave, Ste. 440
Anchorage, AK 99501
(907) 269-0102
Fax: (907) 269-6122

SENATOR BILL WIELECHOWSKI

February 1, 2007

Senator Albert Kookesh, Chair
Senate Transportation Committee
Room 9, State Capitol
Juneau, Alaska 99801

I am writing to request a hearing on CS for SB 41 (L&C), "An Act repealing fees imposed on the sale of new tires, the sale of certain studded tires, and the installation of certain metal studs on tires; and providing for an effective date."

This bill would repeal the \$5 per tire tax on studded tires and \$2.50 per tire tax on other tires adopted as revenue generators in 2003 when the state faced a major budget deficit. State economists now predict a \$1.3 billion surplus for the current fiscal year. In light of the state's improved fiscal condition, the added safety provided by studded tires, and the impact of these "nuisance taxes" on working families and small businesses in Alaska, I believe they should be repealed.

Thank you for your consideration of this request.

Sincerely,

Senator Bill Wielechowski

ALASKA STATE LEGISLATURE

Session
State Capitol, Rm. 115
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim
716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122



Co-chair
Joint Armed Services Committee

Member
Resources Committee
Judiciary Committee
Transportation Committee

Senator_Bill_Wielechowski@legis.state.ak.us

SENATOR BILL WIELECHOWSKI

SPONSOR STATEMENT CS for SB 41

"An Act repealing the fees imposed on the sale of new tires, the sale of certain studded tires, and the installation of certain metal studs on tires; and providing for an effective date."

This bill would repeal the \$5 per tire tax on studded tires adopted in 2003 at the request of former Governor Murkowski as a means to generate state revenue.

The tax has raised about \$440,000 in revenue per year. However, Alaska Department of Transportation research and numerous studies from all over the world show that use of studded tires reduces the number of auto accidents and increases vehicle traction, braking and acceleration. In a recent study funded by the Alaska Legislature, entitled "Socio-Economic Effects of Studded Tire Use in Alaska," it was found that:

... the use of studded tires has an overall positive impact on the Alaskan economy...
The savings from avoided crashes are the most substantial impacts and benefit the broadest range of groups including the state government...¹

Repealing the tax on studded tires will make our roads safer by making it more affordable for working families to be able to purchase these tires.

CS for SB 41 (L&C) would also repeal the \$2.50 tax on all other tires. This tax has been a nightmare for small businesses to administer and places an undue burden on working Alaskans, particularly those with lower incomes.

Please join me in supporting this bill.

¹ "Socio-Economic Effects of Studded Tire Use in Alaska", Hannele Zubeck, Ph.D, P.E., et. al., University of Alaska Anchorage, School of Engineering and Eric Larson, UAA, Institute of Socio-Economic Research, April 26, 2004 at xi.

CS for SB 41 (L&C):

Background Relevant to Repeal of Tire Taxes

Studded Tire Tax:

- At the request of then-Governor Murkowski, a new fee of \$5 per tire was imposed on the sale of studded tires, starting on July 1, 2004.
- In FY '05, this tax generated \$436,440. In FY'06, it generated \$446,771.
- The Department of Transportation and Public Facilities (DOT) reports that "a variety of Alaskan and international studies have demonstrated that traction on snow or ice can be improved with studs." Research also confirms that the severity of accidents is reduced by the use of studded tires.
- An average of 87 people die and 453 people suffer incapacitating injuries in Alaska each year in car crashes.
- One study, done in Minnesota after the use of studded tires was banned, showed that crashes on icy roadways more than doubled. (See attached graph.)
- All-season radials polish highway ice, while studded tires roughen the surface and improve traction for all vehicles. A 1996 DOT report notes that, if studs were prohibited in Alaska, "a significant increase in accidents can be anticipated."
- While concern has been expressed over the additional wear studded tires can cause to highways, DOT indicates that there are a variety of ways this wear can be minimized.

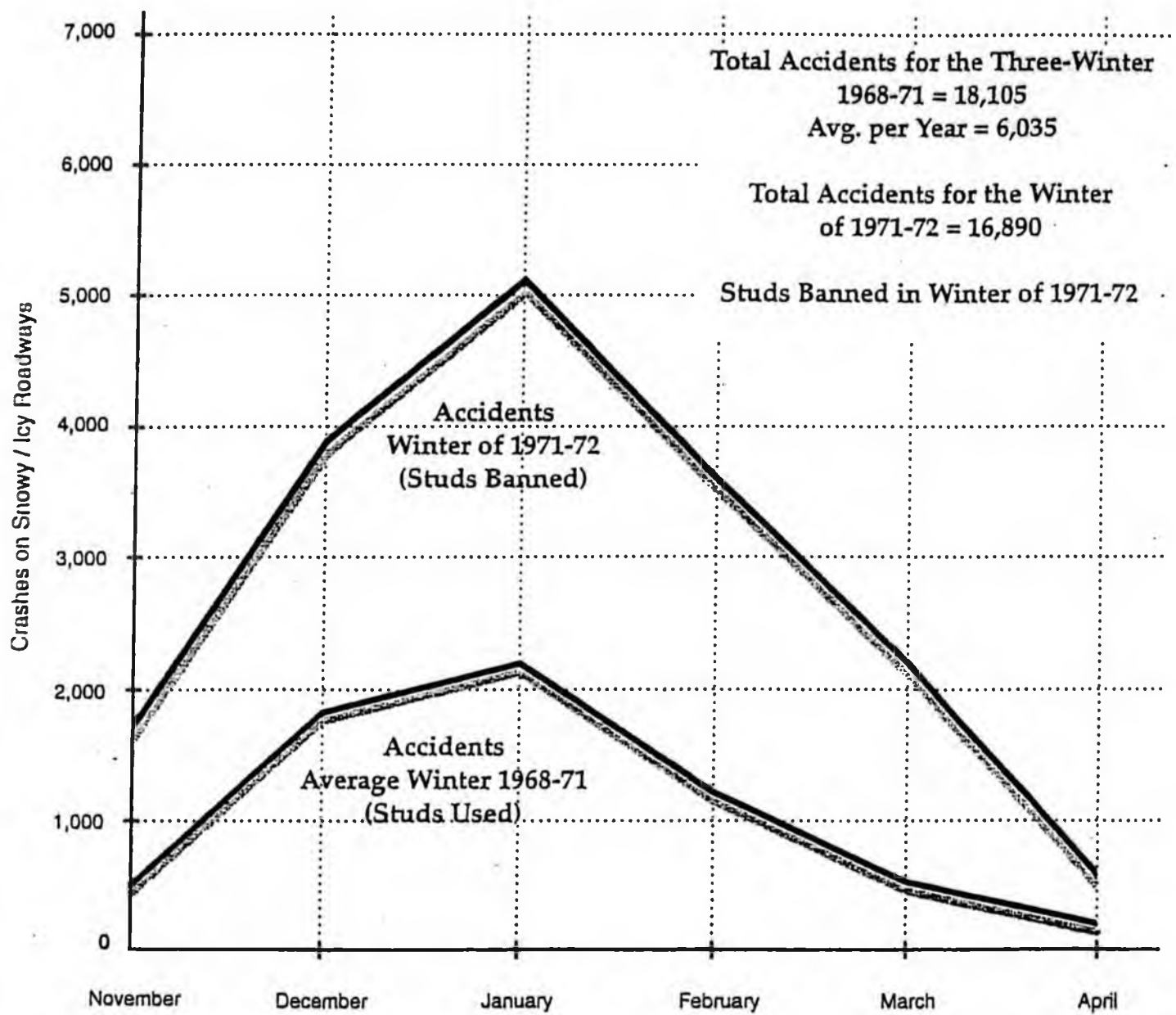
Work with the public to encourage compliance with seasonal restrictions on the use of studs. According to DOT, 20% of Alaska pavement wear is caused by the 3-6% of vehicles that continue to use studs during the summer.

Encourage use of lightweight studs, which reduce pavement wear by 50% compared with conventional studs. Lightweight and conventional studs offer virtually identical handling characteristics and stopping distances. In addition, there is no difference in retail cost between them, and both have a service life of 3-4 winters.

Use wear-resistant Stone Mastic Asphalt with high-quality aggregates to reduce pavement wear an additional 30%.

- A 1996 DOT report states that "the mountainous terrain typical of Juneau and Anchorage provides a strong reason to continue allowing use of studded tires."

Accidents on Snowy/Icy Minnesota Roadways for the Three-Winters of 1968-71 and the Winter of 1971-72



SOCIO-ECONOMIC EFFECTS OF STUDDED TIRE USE IN ALASKA

EXECUTIVE SUMMARY

by

Hannele Zubeck, Ph.D., P.E., Lynn Aleshire, Susan Harvey, and Stan Porhola

University of Alaska Anchorage, School of Engineering
3211 Providence Drive, Anchorage, AK 99508

and

Eric Larson

University of Alaska Anchorage, Institute of Socio-Economic Research
3211 Providence Drive, Anchorage, AK 99508

April 26, 2004

The University of Alaska Anchorage conducted a study on the socio-economic effects of studded tire use on Alaska. The Alaska Legislature funded the study in Spring 2002. The objective was to investigate usage of studded tires, different tire and stud technologies, and effects of stud use on traffic safety, air quality, and pavement wear. The economic impact of these factors in Alaska was evaluated. This paper summarizes the findings of the final report. This executive summary and the entire 157-page final report can be downloaded at <http://www.engr.uaa.alaska.edu/transportation/research/>.

Technology to Provide Winter Traction: The winter tire technology improves continuously as the manufacturers release their newest tire models. Several tire manufacturers supply both factory-installed studded tires and non-studded winter tires in Northern Europe. A limited number of these are on the market in Alaska. According to the test results studded tires provide on average better traction on ice than non-studded friction tires. On snow or wet pavement there are no significant differences. Alternatives to winter tires, chains and special equipment, are currently not practical for Alaska, where snowy and icy roads occur regularly.

Regulatory Overview: Six states (Colorado, Kentucky, New Hampshire, New Mexico, Vermont, and Wyoming) allow virtually unrestricted use of studded tires on state roads and highways. Thirty-six states (including the District of Columbia) allow studded tires but restrict their use seasonally, geographically, or through equipment specifications. Seven states (Alabama, Florida, Hawaii, Illinois, Louisiana, Mississippi, and Texas) currently prohibit the use of studded tires under any circumstances; however, out of these states only Illinois has significant amount of ice and snow. Several states, including Minnesota and Wisconsin, prohibit studded tires with exceptions. Recent studies in

Finland and Japan found that prohibiting studs produces a net increase in total costs. Pavement repair costs are greatly reduced, but costs of accidents plus the increased requirement of surface applications to improve surface traction (e.g. sand, salt) result in an overall increased financial burden at the state level. These studies have led to legislation that continues the use of studded tires during winter months, but limits that use to lightweight studs to minimize adverse effects.

Air Pollution Impact: There does not appear to be any human health benefit associated with banning studded tires in urban areas of Alaska. A reduction in roadway particulate levels due to the ban would be offset by increased dust levels due to increases in the volume of winter traction sand.

Traffic Safety: All but one of the studies reviewed concluded that studded tires reduce accident risk. Banning stud usage increases the overall cost despite the savings in road maintenance. The relationship between rutted pavement and summer hydroplaning accidents needs to be researched in Alaska, where the ruts sometimes exceed 25 mm.

Pavement Wear: Studded tires wear pavement surface and cause rutting. Rutting is also caused by plastic deformation due to heavy vehicles. The major part of rutting, however, is due to studded tires in regions where studded tires are used. Finland, Sweden and Norway have conducted a tremendous amount of research on studded tire issues. Each country reports that the significant problem of studded tire related pavement wear has been greatly reduced. They attribute their success mainly to wear resistant pavements, less aggressive studs and strictly enforced seasonal studded tire usage.

Stud Usage: The visual inspection and vehicle counting method was used to determine the stud usage rate in this study. Parked vehicles were visually inspected and counted in parking garages and in parking lots across Anchorage. In all, 2174 vehicles were surveyed, 214 in December, 550 in January, 950 in February, 240 in March and 220 in April. Several conclusions were made from the gathered data: Stud usage rates in Anchorage have remained about the same from February 1990 to February 2003. Usage rates for passenger cars, SUV's, trucks and vans are 59, 43, 40 and 60%, respectively. Based on the data from December 2002 to April 2003, the highest rate for studded tire usage was for January. Lightweight studs have been available for Anchorage since 1995. Twenty-nine percent (29%) of studded tires have lightweight studs. Almost every vehicle with studs has them on all four tires.

Economic Impact: An effort was made to analyze the economic impact of studded tires in Alaska. With the information available and the assumptions stated in the report, it seems that the use of studded tires has an overall positive impact on Alaskan economy. Tire tax money moves from the hands of vehicle owners to the state government. The state government spends the money in another part of the Alaska economy. Therefore, the money moves from one part of the economy to another and the overall net economic impact on Alaska from the tire tax is small. The savings from avoided crashes are the most substantial impacts and benefit the broadest range of groups including the state government, vehicle owners, passengers, and insurance companies (and their policy

holders). The quality of life benefits of avoided crashes benefit mostly passengers and drivers of vehicles.

Recommendations: On the basis of this study, the following recommendations for Alaska are given for implementation:

- continue to study, test and apply wear-resistant asphalt mixtures, which have been proven to reduce the amount of rutting by studded tires.
- consider mandating the use of lightweight studs in the studded tires, which have been proven to reduce the amount of rutting by studded tires.
- develop a comprehensive winter road maintenance policy that would consider traffic safety, pavement wear and the health and environmental effect of winter traction sand and anti-icing agents.
- continue the enforcement of the seasonal restrictions on studded tire usage.
- consider reducing the winter speed limits on high trafficked urban highways.
- consider the pavement wear by studded tires in the geometric design of its roads and streets.

Further research is needed to

- determine the extent to which rutting contributes to summertime accidents.
- determine how much improved pavement materials and mix designs would reduce pavement wear in Alaska.
- determine how much would reduced winter speeds in urban areas reduce accidents and pavement wear.
- enforce criteria for acceptable rut depth triggering maintenance operations taking into considerations reduced accident rate.
- determine how much road wear is actually attributed "solely" to studded tire use, and how much road wear is attributed to heavy vehicle loads and non-studded tires.
- determine the winter traction of studded tires, friction tires and all-season tires with tire life (e.g. km/tire).
- directly compare site-specifically in Alaska's urban area the human health trade-off of increased respiratory risk of studded tire dust, versus the human health risk associated with a studded tire ban or decreased studded tire use. Additional research is necessary to speciate roadway dust samples and evaluate chemicals of concern to human health.
- determine actual economic costs of owning and using studded tires more accurately using data from collected tire tax revenue.

Download the entire final report at:

<http://www.engr.uaa.alaska.edu/transportation/research/>.