

HB

102

<TARGET><BILL>HB 102</BILL><SUBJECT>HB
102</SUBJECT><COMM>HTRA27</COMM></TARGET>



FOR IMMEDIATE RELEASE

No. 10-005

Governor Parnell Calls for Two-Year Motor Fuel Tax Suspension

January 12, 2010, Juneau, Alaska – Governor Sean Parnell today transmitted legislation to suspend the motor fuel tax for two years. The suspension would apply to gasoline, diesel, marine fuel and aviation fuel.

“Alaskans continue to pay some of the highest fuel prices in the nation,” Governor Parnell said. “We need to ease the burden placed on our residents while we work to find long-term solutions to the high energy costs across our state.”

The tax was suspended as part of an energy assistance bill in 2008, when Alaskans faced ballooning costs for both transportation and home heating fuels. The suspension lapsed in September 2009.

A copy of the bill and transmittal letters are available at:

http://www.gov.state.ak.us/pdf/MotorFuelTaxLetter_Jan8-2010.pdf

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STATE CAPITOL
PO Box 110001
Juneau, Alaska 99811-0001
907-465-3500
fax: 907-465-3532



Governor Sean Parnell
STATE OF ALASKA

550 West 7th Avenue #1700
Anchorage, Alaska 99501
907-269-7450
fax: 907-269-7463
www.gov.alaska.gov
Governor@alaska.gov

January 14, 2011

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill suspending the State motor fuel tax. In an effort to provide immediate, individual tax relief, I am proposing that the State motor fuel tax be suspended for a period of 24 months.

The actual amount of money saved by Alaskans will vary depending on the type of fuel being purchased; however, most consumers should save eight cents per gallon when fueling their vehicle, boat, or plane. Since many Alaskan communities face the highest energy costs in the nation, this relief is urgently needed. While suspending the motor fuel tax would provide a temporary reduction in the cost of motor fuel, action is necessary for long term solutions to high energy costs.

I urge your prompt and favorable action on the bill.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell". The signature is written in a cursive style with a large initial "S".

Sean Parnell
Governor

Enclosure

State of Alaska

Department of Revenue

Administrative Services Division



SEAN PARNELL, GOVERNOR

333 Willoughby Avenue, 11th Floor

P.O. Box 110400

Juneau, Alaska 99811-0405

Phone: (907) 465-2300

Fax: (907) 465-2394

January 20, 2011

The Honorable Peggy Wilson
House Transportation Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Representative Wilson:

House Bill 102 was read across the floor on January 18, 2011 and transmitted to the House Transportation Committee for consideration. I respectfully request a hearing to be scheduled at your earliest convenience for the motor fuel tax suspension to be discussed.

This bill requests that the motor fuel tax be suspended for a period of two years beginning July 1, 2011. Alaskans are facing increased food, fuel and other living costs and the financial burden for many families is difficult to manage. The actual amount of money saved by suspending the fuel tax would vary depending on the type of fuel purchased; however, most consumers should save eight cents per gallon when filling up their vehicles.

If the Committee requires any additional information, please contact me.

Sincerely,

Ginger Blaisdell
Director

State of Alaska

Department of Revenue
Administrative Services Division



SEAN PARNELL, GOVERNOR

333 Willoughby Avenue, 11th Floor

P.O. Box 110400

Juneau, Alaska 99811-0405

Phone: (907) 465-2300

Fax: (907) 465-2394

January 20, 2011

The Honorable Peggy Wilson
House Transportation Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

HB102 Suspension of Motor Fuel Tax By Request of the Governor

SECTION ANALYSIS

Section 1: Suspension of the Motor Fuel Tax.

- (a) Suspends collection of the motor fuel tax imposed under AS 43.40.010 for two years beginning July 1, 2011 ending June 30, 2013.
- (b) Requires motor fuel distributors to report the amount of motor fuel sold or transferred in the state to the Department of Revenue and provides for a penalty of up to \$5,000 for failure to report.
- (c) The Department of Revenue would be able to immediately draft regulations to implement the suspension.

Section 2: Repealer. Repeals Section 1(a) (the tax suspension) on June 30, 2013.

Section 3: Effective Date. Provides for an immediate effective date.

FISCAL NOTE

**STATE OF ALASKA
2011 LEGISLATIVE SESSION**

Fiscal Note Number 1
 Bill Version HB 102
 (H) Publish Date 1/18/11

Identifier (file name) LL1989-DOR-TAX-1-14-11 Dept. Affected Revenue
 Title Motor Fuel Tax Suspension Appropriation Taxation and Treasury
 Allocation Tax Division
 Sponsor Rules Committee
 Requester By Request of the Governor OMB Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
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	0.0	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES	0.0	(35,567.0)	(38,800.0)	(3,233.0)				
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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 Interagency Receipts								
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time								
Part-time								
Temporary								

Why this fiscal note differs from previous version

fiscal note version 1

Prepared by Johanna Bales, Deputy Director
 Division Tax Division
 Approved by Ginger Blaisdell, Director Administrative Services Division
Department of Revenue

Phone (907) 269-6628
 Date/Time 1/14/11; 10:43am
 Date 1/14/11; 10:43am

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 102

Analysis

Bill Language:

This bill would suspend the motor fuel tax for 24 months starting on July 1, 2011 through June 30, 2013. Although the statutes state that the legislature may appropriate the revenue from motor fuel tax for specific purposes, including highway construction and maintenance and water and harbor facilities, all motor fuel tax receipts are paid into the General Fund. Current law also provides that sixty percent of taxes collected on aviation fuel sales at municipal airports are shared with the respective municipalities. Unless a specific appropriation is made to those municipalities through this or other legislation, municipalities would not receive revenue sharing for the period in which the fuel tax is suspended. Motor fuel distributors will continue to be required to provide information showing the amount of motor fuel used in the state so the Department can provide reports to the Federal Highway Administration and ensure Alaska does not lose federal highway funding as a result of the suspension.

Revenues:

Information from fuel tax collections is provided below. FY 2008, FY 2009 and FY 2010 are actual collections and shared tax amounts from motor fuel tax. FY 2011 and FY 2012 are forecasts.

	Tax Collections	Shared Aviation Tax
FY 2008 (actual)	\$42,000,000	\$148,000
FY 2009 (actual)	\$10,100,000	\$144,000
FY 2010 (actual)	\$28,800,000	\$130,566
FY 2011 (forecast)	\$38,500,000	\$140,000
FY 2012 (forecast)	\$38,800,000	\$140,000

It is important to note that the motor fuel tax was previously suspended during the period September 1, 2008 through August 31, 2009. Actual amounts collected in FY 2009 and FY 2010 reflect that suspension. Although the tax was suspended, there was a special appropriation to municipalities to ensure they received the amount of shared tax revenue from aviation fuel sales that they would have received had the fuel tax not been suspended. The reduction in revenue shown for FY 2012 and FY 2013 on the first page of this fiscal note would be further reduced by the municipal revenue share identified in the table above for FY 2012 and FY 2013 if a similar appropriation is made during this suspension period.

Under current law, motor fuel tax collected in a particular month is required to be remitted to the Department of Revenue by the end of the following month. Since the effective date of this legislation is July 1, 2011, taxpayers will be required to remit motor fuel tax for motor fuel sales made in June 2011 by July 31, 2011. Therefore, we expect to collect one month of revenue in FY 2012. There will be no revenue collected in FY 2013 and in FY 2014 revenue will be reduced by one month of activity to account for the suspension of the tax through June 2013.

Expenditures:

Department of Revenue can administer the provisions of this bill utilizing existing resources. There will be no reduction in expenditures as the Department will continue to process tax returns and report to the Federal Highway Administration.

*revenue backfilled
by higher gas prices
affect of other legis.*

*Loss of revenue
+ revenue sharing to munic
airports*

*No letters of support
or opposition*

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number 2
Bill Version HB 102
(H) Publish Date 1/18/11

Identifier (file name): 1989-DOT&PF-CO-1-10-11
Title Suspend Motor Fuel Tax
Sponsor Rules
Requester Governor
Dept. Affected DOT&PF&PF
Appropriation Admin and Support
Allocation Commissioner's Office
OMB Component Number 530

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
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	0.0

CAPITAL EXPENDITURES								
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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 Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time								
Part-time								
Temporary								

Why this fiscal note differs from previous version

Not applicable - initial version

Prepared by Mary Siroky, Legislative Liaison
Division DOT&PF&PF
Approved by Marc Luiken, Commissioner
DOT&PF&PF

Phone 465-4772
Date/Time 1/10/11 1:17pm
Date 1/10/2011

FISCAL NOTE #2

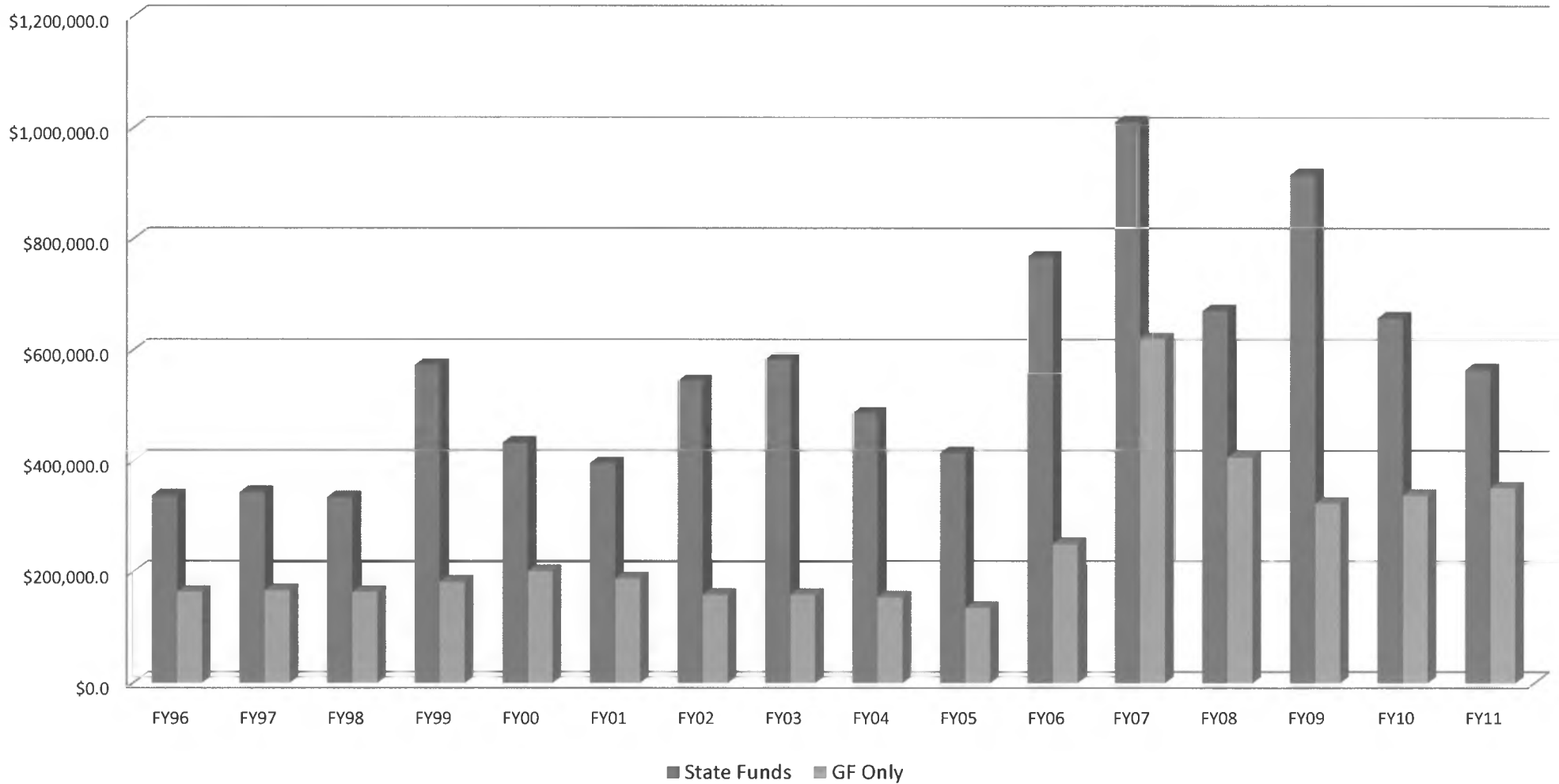
STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 102

Analysis

There is no fiscal impact to the department

Department of Transportation & Public Facilities
Historical State Only Funding*
FY96-11 Combined Operating/Capital
(In Thousands)



STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

Anchorage Office: 4111 Aviation Avenue
 Juneau Office: 3132 Channel Drive

P.O. Box 112500
JUNEAU, ALASKA 99811-2500

PHONE: (907) 465-3901

FAX: (907) 586-8365

WEB: dot.state.ak.us

February 24, 2012

The Honorable Peggy Wilson, Chair
House Transportation Committee
Alaska State Legislature
State Capitol
Juneau, AK 99811

Dear Representative Wilson:

House Bill 102 was read across the floor on January 18, 2011 and transmitted to the House Transportation Committee for consideration. I respectfully request a hearing to be scheduled at your earliest convenience for the motor fuel tax suspension to be discussed.

Although this bill requests that the motor fuel tax be suspended for a period of two years beginning July 1, 2011 and ending June 30, 2012, we would seek to amend the bill to begin July 1, 2012 and end June 30, 2013. Alaskans are faced with some of the highest costs for fuel in the nation and the financial burden, especially to families in the rural areas, is tremendous. Any relief the state can give to its citizens should be considered a benefit.

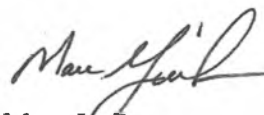
The amount saved will vary from person to person depending on the type and amount of fuel utilized but the typical individual would see a savings of 8 cents per gallon of gas when filling up their automobile.

Attached in order are the following:

1. Governor's letter of transmittal
2. Most recent version of HB 102
3. Fiscal notes
4. Sectional analysis
5. Additional documents

If the Committee seeks additional information, please do not hesitate to contact me.

Sincerely,



Marc Lurken
Commissioner

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

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February 23, 2011

The Honorable Peggy Wilson, Chair
House Transportation Committee
Alaska State Legislature
State Capitol
Juneau, AK 99811

HB102 suspension of Motor Fuel Tax
By Request of the Governor

SECTION ANALYSIS

Section 1: Suspension of the Motor Fuel Tax

- (a) Suspends collection of the motor fuel tax imposed under AS 43.40.010 for two years beginning July 1, 2011 ending June 30, 2013.
- (b) Requires motor fuel distributors to report the amount of motor fuel sold or transferred in the state to the Department of Revenue and provides for a penalty of up to \$5,000 for failure to report.
- (c) The Department of Revenue would be able to immediately draft regulations to implement the suspension.

Section 2: Repealer. Repeals Section 1(a) (the tax suspension) on June 30, 2013

Section 3: Effective Date. Provides for an immediate effective date.

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

SEAN PARNELL, GOVERNOR

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HB 102 / SB 41 Suspending Motor Fuel Tax

Highlights

Thank you for your interest in the Governor's legislation regarding suspending Alaska's motor fuel tax for the next two years. The tax suspension is one of many efforts this administration is putting forward to improve the economic health of Alaskans. The motor fuel tax suspension will provide immediate tax relief to nearly every citizen in every community across the state.

The actual amount of money saved by Alaskans will vary depending on the type of fuel being purchased; for example, consumers should save eight cents per gallon when fueling their vehicles, five cents per gallon for marine fuel and 4.7 cents per gallon for aviation fuel.

Many Alaskan communities face the highest energy costs in the nation. Motor fuel tax relief is one step in our effort to improve Alaska's daily living expenses. While suspending the motor fuel tax would provide a temporary reduction in the cost of motor fuel, additional efforts are being introduced for long term solutions to high energy costs.

- Leave more money in Alaskan's pockets
- One dollar is circulated 5 – 8 times in Alaska's economy
- Alaskans will save \$35-40 million each year of the suspension

FAQ's:

Will suspending the motor fuel tax impact Alaska's federal highway funding?

Suspending the motor fuel tax will not impact Alaska's federal highway funding. The taxes go into the general fund. There is no dedicated fund to highways. Motor fuel tax dollars are just as likely to be spent on a capital project for a building or for any of the hundreds of expenditure types that come out of the state general fund.

- Alaskans do invest funds in transportation
FY11 Operating budget is \$327.9 GF over half of the total operating budget of \$585.5

FY11 Capital Budget \$62.0 GF and an additional \$54.6 in GF match

FY12 Operating budget is \$328.5 total operating is \$585.4

FY12 Capital budget is \$36.9 with an additional \$65.1 in match

- On average since 2000, we have spent \$240 million annually between the Departments of Transportation and Commerce on transportation. That's roughly \$400 per person. Gas prices would have to be \$32 per gallon to fund Alaskans transportation program if it was funded solely

through gas taxes. Last year we spent \$360 million and have 691,000 people so it was \$521 per person.

- The federal government still receives gas taxes
- There is no federal requirement that states must collect a gas tax to support transportation

Will the consumer see the savings at the pump?

Studies from MIT indicate that most of the savings from gas tax suspensions are passed onto the consumer. When Alaska suspended the gas tax in 2008 there was a roughly 8 cent a gallon decrease in gasoline prices in Anchorage the day the tax was suspended. We cannot verify perfectly that every cent of the tax suspension was passed onto consumers but the one thing that is certain is that Alaskan consumers will pay nearly \$35-\$40 million dollars in taxes that are not necessary to collect at this time.

- The 2008 motor fuel tax suspension showed great success as motor fuel prices at the pump dropped by eight cents almost immediately when the suspension went into effect. On the same account, motor fuel prices increased by eight cents immediately after the suspension ended.

How will this tax suspension actually help Alaska's economy?

Certain sectors of our economy tend to benefit more from gas tax suspensions. Alaska's largest private employer, the fishing industry will benefit significantly from the tax suspension. Trucking and airline companies that pay the tax and the consumers that buy the goods those entities deliver will also benefit. Long distance commuters will also see higher than average savings.

Will Congress retaliate against Alaska for a gas tax suspension?

Unlikely. Several states that suspended their gas tax before the passage of SAFETEA-LU in 2005 actually saw an increase of federal highway aid funds of roughly 20-30% from previous levels. Presumably, state tax policy is a matter of state's rights that Congress will respect.

Bullet points:

- Alaska has the second highest retail price of gasoline in the country.
- The \$35-\$40 million that would have been raised by the tax would go back into people's pockets and generate more in their local economies – spending on groceries, clothing, or other necessities with a multiplier of 5-8.
- Suspension for only two years – it has been suspended before and was reinstated.
- Currently tax revenues go into the general fund and can be expended on anything.
- Alaska puts a lot of General Fund money into transportation infrastructure. An average of \$4,000 per person. 80 times more than what they spend at the pump in current fuel tax. Gas would cost \$32 per gallon if we taxed Alaskans at the pump to pay for just the state portion of the transportation program.
- The average person would see a direct \$58 in personal relief and more when you consider the decrease in the cost of goods and travel. (\$35 million/600,000 people) Money in the hands of an individual has a multiplier effect in the marketplace – 5-8 times. So \$35 million in the hands of small businesses and individuals could boost our economy to have an impact of \$175-\$280 million dollars.

NFIB

The Voice of Small Business®

ALASKA

January 31, 2011

The Honorable Sean Parnell
Governor of Alaska
State Capitol Building
Juneau, Alaska 99801-1182

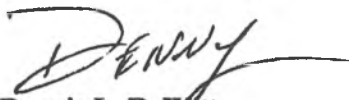
Dear Governor Parnell:

RE: Senate Bill 41 and House Bill 102

On behalf of the National Federation of Independent Business/Alaska, I wish to respectfully share our support for Senate Bill 41 and House Bill 102 that suspend the motor fuel tax for two years. The National Federation of Independent Business is the largest small-business advocacy group in Alaska.

The cost of fuel is a significant cost for many small businesses. The fuel tax suspension will help many of that business in these very difficult economic times.

Sincerely yours,



Dennis L. DeWitt
Alaska State Director

Cc: NFIB/AK Leadership Council



February 4, 2011

The Honorable Sean Parnell
Governor, State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell:

Alaska Airlines would like to lend its support for the passage of Senate Bill 41 (SB 41). We believe passage of this bill will have a substantive impact on the financial well being of not only our industry but also the aviation infrastructure throughout the state.

As you know Governor, our state is extremely dependent on air transportation. The health of our industry has already been adversely impacted by the economic downturn and, with forecasts continuing to feature escalation of oil and fuel prices, there is a rightful concern for the future. This situation is of particular concern with regional carrier markets in rural sectors of the state.

Adoption of this bill will also encourage a strong international airport system. Consideration of added frequencies, new routes and even additional competition may prove possible. The Fairbanks and Anchorage international airports play a vital role in the overall health of our industry, and this initiative can help insure they stay competitive on the national and worldwide stage.

Please let me know of any help Alaska Airlines may provide to assist in the passage of SB 41.

Sincerely,

A handwritten signature in black ink that reads "W. L. MacKay". The signature is written in a cursive style with a small flourish at the end.

William L. MacKay
Sr. Vice President – Public & Government Affairs

Cc: Mare A. Luiken, Commissioner, Alaska DOT & PF
Steven Hatter, Deputy Commissioner, Alaska DOT & PF – Aviation
Kim Hutchinson, Trust Consultants



March 15, 2012

The Honorable Governor Sean Parnell
Alaska State Capitol Building
PO Box 110001
Juneau, AK 99811-0001

RE: Support for Senate Bill 41 / House Bill 102

Dear Governor Parnell:

Holland America/Princess – Alaska Land Operations manages properties, motor coaches, and railcars throughout Alaska. We provide the experience of a lifetime for visitors coming to Alaska via cruise ship on either Princess Cruises or Holland America Line. In doing so, we are a large part of the tourism equation and economic health of Alaska.

We are supportive of your legislation to suspend Alaska's motor fuel tax for the next two years and urge the Alaska Legislature to not only provide relief to its citizens, but contribute to the economic recovery of the state through the passage of SB 41/HB 102. These bills do both.

Like many business owners in Alaska, we are concerned by the high cost of operations. Many of the small businesses we rely on, such as tour operators, vendors and retailers, are especially concerned by high fuel prices.

The tourism business relies on Alaska staying competitive, and that includes business's ability to keep costs down while providing unique experiences. And in Alaska, most of those experiences require driving or flying epic distances.

The impact on individual Alaskans is just as great. As an employer of more than 3,300 people during the height of the summer season, we are very aware of the cost of fuel to the state's individual consumers.

Thank you for your time and consideration,

Bruce Bustamante
VP, Community & Public Affairs
Holland America/Princess – Alaska Land Operations

Alaska Airlines®

March 12, 2012

The Honorable Sean Parnell
Governor, State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell:

Alaska Airlines would like to lend its support for the passage of House Bill 102 (HB 102). We believe passage of this bill will have a substantive impact on the financial well being of not only our industry but also the aviation infrastructure throughout the state.

Our state is extremely dependent on air transportation, and with the escalating prices of fuel, there is rightful concern for the future. This is particularly true with regional carrier markets in rural sectors of the state.

As an employer of close to 1,700 within the State, we are also aware of the impact gasoline prices have on Alaska residents. Any help passed on to consumers can only help the economy as a whole.

Please let me know of any help Alaska Airlines may provide to assist in the passage of HB 102.

Sincerely,



Marilyn F. Romano
Regional Vice-President - Alaska

Cc: Marc A. Luiken, Commissioner, Alaska DOT & PF
Steven Hatter, Deputy Commissioner, Alaska DOT & PF - Aviation
Kim Hutchinson, Trust Consultants

March 13, 2012

The Honorable Sean Parnell, Governor
State of Alaska
PO Box 110001
Juneau, AK 99811-0001

Sent via email: Sean.Parnell@alaska.gov

Dear Governor Parnell:

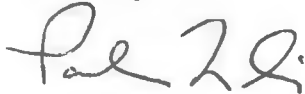
CIRI Alaska Tourism Corporation (CATC) strongly supports the passage of House Bill (HB 102). The passage of this legislation will benefit tourism in a critical time of need.

The margins for success in marine, aviation and highway businesses that depend on discretionary tourism dollars are increasingly thin. While many tourists understand rising energy costs, there is a limit to what they are willing to pay in the form of surcharges to keep companies semi-whole. There are a number of businesses who depend on the success of our operations in order to sustain their own.

In the peak of the tourist season, CATC creates over 400 jobs in Alaska. This legislation is beneficial to workers statewide, and will stimulate an additional layer of discretionary spending on local goods and services.

CIRI Alaska Tourism Corporation stands ready to assist you in the passage of House Bill 102.

Best Regards,



Paul Landis
President and Chief Operating Officer
CIRI Alaska Tourism Corporation

Compass/Opinion
Word Count 412
March 7, 2012

Would You Like to Save \$40?

By Marc Luiken

Department of Transportation and Public Facilities Commissioner

If you had an extra \$40 for every person in your household, what would you do with it? Save it? Spend it? A little of both? Governor Parnell is proposing a suspension of the 8-cent per gallon gas tax for two years in order to give Alaskans a break off a truly regressive tax.

By regressive, I mean that it hits some of the lowest-income citizens, those who can least afford it. There's no break on the tax based on income level or ability to pay. As of this writing, the average price for a regular gallon of gas in Alaska was hovering at \$4.18 while the rest of the country was paying an average of \$3.75.

Fuel taxes hit Alaskans doubly hard – not only at the gas pump but on all of our goods that are delivered by plane, ship or truck. Merchants add this cost onto the price of products we buy.

Senate Bill 41 and House Bill 102 offer relief from marine and aviation fuel taxes as well, similar to the one-year suspension Governor Palin initiated in 2008. The Attorney General's office noted that when enacted, there was an immediate drop in prices at the pump.

There has been bipartisan support for the suspension. While some have said it doesn't go far enough, many recognize that any tax relief is good for Alaska because that \$42 million would be re-injected back into the economy, where it would multiply five to seven times, stimulating the economy in much the same way Permanent Fund Dividends or Native corporation shareholder checks do when they are issued.

\$42 million works out to about \$40/person, which may not seem like much to some but to many households, particularly our rural families, it is a lot. Multiply that by an average family of four and you have \$160 savings. Add in the lower aviation costs and lower cost of shipped goods, and you are making a positive impact on people's pocketbooks.

I've heard some say that Congress will give us less money for transportation if we enact a tax break. They said the same thing when we instituted the Permanent Fund Dividend, but it didn't change the formula. Several states have lowered their gas taxes and it didn't change their state's share of federal funding either.

Let's give Alaskans a break by suspending the motor fuel tax for two years. It is good for Alaska. I ask your support of HB 102 and SB 41.



ALASKA AIR CARRIERS ASSOCIATION

2301 Merrill Field Drive, Suite A-3
Anchorage, Alaska 99501
907-277-0071 907-277-0072 fax

*Board of
Directors
2010 - 2011*

*Jerry Rock, President
JANSSEN
CONTRACTING CO.*

*Susan Hoshaw, Vice
President
EVERIS AIR ALASKA*

*Mike Morgan, Secretary
WARBELOW'S
AIR VENTURES*

*Danny Seybert, Treasurer
PENAIR*

*Wilfred Ryan, Past
President
ARCTIC
TRANSPORTATION
SERVICES*

*David Barden
CALEDONIAN
INSURANCE GROUP, INC.*

*David Karp
NORTHERN AIR CARGO*

*Bob Hajdukovich
FRONTIER FLYING
SERVICE, INC.*

*Mary Heffy
ALASKA AIRLINES*

*David Karp
NORTHERN
AIR CARGO*

*Brian Salazar
TAQUAN AIR*

*Mike Stedman
WINGS AIRWAYS*

*Bob Yerex
MAX-VIZ, INC.*

*C. Joy Journeyay
Executive Director
ALASKA AIR CARRIERS
ASSOCIATION*

3 February 2011

The Honorable Sean Parnell
Alaska State Capitol Building
P.O. Box 110001
Juneau, AK 99811-0001

RE: Support for Senate Bill SB 41

Dear Governor Parnell:

The Alaska Air Carriers Association (AACAA) represents the interests of Alaska's aviation businesses before regulatory agencies, federal, state and local governments. Our members meet the needs of rural Alaskans and the traveling public by providing scheduled commuter travel, on-demand air charter, emergency medical evacuation, flight seeing, pilot training, aircraft maintenance, parts sales, fuel sales, storage, rental, and airline servicing.

The cost of fuel for flight operations is usually the greatest expense borne by aviation companies providing a lifeline to communities in Alaska. Because 82 percent of the communities in Alaska are only reached by air, the citizens in those communities ultimately pay the fuel taxes levied on aviation jet fuel in Alaska.

In addition, the geographic footprint in Alaska is roughly 1500 miles by 2700 miles, resulting in a flight area of over 3 million square miles. The long range aviation support required across this expansive State results in the consumption of large volumes of jet fuel.

Alaska's population ships 39 times more freight per person than those in the Lower 48. They travel by air eight times more often than other rural areas in the Western U.S. Coupling the frequency of travel with the largest aviation system in the U.S. results in our citizens paying a correspondingly larger portion in fuels taxes than may appear to be true at first glance.

The Alaska Air Carriers Association is committed to providing air transportation to the citizens of Alaska, and is committed to helping protect those citizens from undue burden. We urge the Alaska Senate to consider the benefits of Senate Bill SB 41 and to embrace this relief for the citizens and businesses of Alaska.

Thank you for considering this request.

Sincerely

C. Joy Journeyay, Executive Director

cc: Representative Peggy Wilson
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