

HB

249

<TARGET><BILL>HB 249</BILL><SUBJECT>HB
249</SUBJECT><COMM>HTRA29</COMM></TARGET>

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	HB 249
Fiscal Note Number:	1
(H) Publish Date:	1/19/2016

Identifier: DOR-TAX-01-13-16
 Title: ELECTRONIC TAX RETURNS & MOTOR FUEL TAX
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

Department: Department of Revenue
 Appropriation: Taxation and Treasury
 Allocation: Tax Division
 OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
OPERATING EXPENDITURES							
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues		49,000.0	49,000.0	49,000.0	49,000.0	49,000.0	49,000.0
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Estimated SUPPLEMENTAL (FY2016) cost: 50.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: Brandon Spanos, Deputy Director
 Division: Tax
 Approved By: Jerry Burnett
 Agency: Deputy Commissioner, DOR

Phone: (907)269-6736
 Date: 01/13/2016 12:00 PM
 Date: 01/13/16

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

Bill Analysis

Alaska has had an excise tax on motor fuel since 1945, with the basic structure unchanged since the inception. Over the years, the tax rate has increased to account for inflation and public need. The motor fuel tax is charged and collected monthly.

The highway tax rate was last increased in 1970; marine rate in 1977; aviation and jet fuel rates in 1994. The last major changes to the program were in 2008 when the motor fuel tax was suspended effective September 1, 2008 to August 31, 2009. In 2015 the legislature passed HB 158 which added a surcharge of \$0.0095 to certain motor fuels as well as other refined fuels such as home heating oil. The legislature may appropriate revenue from the surcharge for the oil and hazardous substance release prevention and response fund.

The primary change in this legislation would be to increase the tax rates of all categories of motor fuel, to new tax rates that range from \$0.10 per gallon to \$0.16 per gallon.

The other major change is to require electronic tax filing. With the implementation of the Tax Revenue Management System, DOR has a much more advanced, integrated tax database with a strong online portal and robust reporting functions. Paper tax filings require a laborious process of scanning and manual data entry, and the department is working to transition away from this system. To this end, each of the several revenue bills being introduced contains language in the general revenue statutes to require electronic submission unless the taxpayer does not have the technological capability to do so.

Revenue Impact

DOR estimates that increasing the tax rates will more than double tax collections, with additional revenue of approximately \$49 million per year. Of this, approximately \$0.2 million will be shared with municipally owned airports. The remaining funds will be paid into the general fund and distributed to the special aviation fuel account, the special watercraft fuel account, and the special highway fuel tax account. These accounts are used to fund aviation facilities, water and harbor facilities, and for the maintenance of highways, construction of highway projects and ferries, and other highway costs.

Estimates are based on the fall 2015 revenue forecast. The estimates assume that 60% of the additional revenue raised from aviation gasoline will be shared with municipalities. The estimates make no adjustment for changes in demand due to higher prices, or for stockpiling in advance of the tax increase.

Implementation Cost

This legislation would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. We would also need to update the current tax return forms.

The supplemental fiscal note figure of \$50.0 in FY16 is to cover the costs of having our contractor update the two systems. We do not anticipate any continuing costs or additional staff needs. After the implementation of the changes, this legislation would not cause any additional administrative burden on the Tax Division.



Sectional Analysis, HB 249

Motor Fuel Tax Bill

January 22, 2016

- Sec. 1.** Adds a \$25 or 1% tax penalty for failure to file electronically unless an exemption is received by the taxpayer
- Sec. 2.** Requires electronic submission of tax returns, license applications, and other documents submitted to the Department of Revenue. This changes the general tax statutes, AS 43.05, and will apply to all tax types administered by the department. Provides a process to request an exemption if a taxpayer does not have the technological capability to do so.
- Sec. 3.** Changes the per-gallon tax rates for dealers for all categories of motor fuel: highway fuel and gasohol from \$0.08 to \$0.16; marine fuel from \$0.05 to \$0.10; aviation gasoline from \$0.047 to \$0.10; and jet fuel from \$0.032 to \$0.10.
- Sec. 4.** Changes the per-gallon tax rates for users for all categories of motor fuel: highway fuel and gasohol from \$0.08 to \$0.16; marine fuel from \$0.05 to \$0.10; aviation gasoline from \$0.047 to \$0.10; and jet fuel from \$0.032 to \$0.10.
- Sec. 5.** Changes the motor fuel refund rate for "off-road use", when the tax has been paid, from \$0.06 to \$0.12.
- Sec. 6.** Conforming applicability language clarifying that the tax increases apply to motor fuel sold after the effective date and the electronic filing requirement applies to returns submitted after the effective date.
- Sec. 7.** Transitional language allowing for regulations to implement the changes.
- Sec. 8.** Immediate effective date for the transitional regulatory language in Sec. 7.
- Sec. 9.** Effective date of 7/1/16 for the rest of the bill including the tax rate changes.

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Governor Bill Walker
STATE OF ALASKA

January 15, 2016

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 relating to the taxation of motor fuels.

The bill would raise the tax rates on the four categories of motor fuel currently taxed under AS 43.40.010 (motor fuel tax), but would not amend the refined fuel surcharge levied under AS 43.40.005 and passed last session. Instead, the bill would increase the currently outdated tax rates on all motor fuels including all motor fuel sold or transferred within the state, aviation gasoline, and motor fuel used on watercraft. The bill increases highway fuel from \$0.08 to \$0.16 per gallon; aviation fuel from \$0.047 to \$0.10 per gallon; marine fuel from \$0.05 to \$0.10 per gallon; jet fuel from \$0.032 to \$0.10 per gallon; gasohol from \$0.08 to \$0.16 per gallon; and also increases the credit for off road use from \$0.06 to \$0.12 per gallon. The bill would generate approximately \$49,000,000 annually in increased revenue.

While this may at first appear to represent a significant increase, the tax rates on motor fuel sold or transferred within the state have not been raised in many years; for example, the tax on highway fuel has remained at eight cents a gallon since 1970. This bill would bring Alaska's tax rate on highway fuel closer to the current national average of 25 cents a gallon.

To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request.

The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure

Motor Fuel Tax FAQ

- 1. What is the current aviation fuel tax rate?**
The current aviation fuel tax rate is 3.2 cents per gallon on jet fuel and 4.7 cents per gallon on aviation gas.
- 2. How much revenue was collected in past years through aviation fuel taxes?**
In FY14 aviation fuel tax revenues collected were \$4.1M on jet fuel (~130 million gallons) and \$450K on aviation gas (~10 million gallons).
- 3. How much revenue is anticipated by increasing the aviation fuel tax rate to 10 cents per gallon?**
Based on FY14 usage numbers, approximately \$13M in jet fuel and \$1M in aviation gas may be collected. This represents an increase of ~\$9.5M in aviation fuel tax revenue.
- 4. Where does aviation fuel tax revenue go?**
Aviation fuel tax revenue flows into the state general fund.
- 5. Are there any restrictions on what aviation fuel tax revenue is used for?**
Per FAA federal grant obligations, revenue generated through aviation fuel taxes must be invested back into the airport or airport system and may not be used for other purposes.
- 6. Who is exempt from paying aviation fuel taxes?**
In addition to sales between qualified dealers, the following sales and uses are exempt from motor fuel tax: heating, federal, state, and local government agencies, foreign flights (jet fuel), exports, charitable institutions, and bunker fuel (residual fuel oil or #6 fuel oil).
- 7. Does any other entity benefit from fuel tax revenue other than the State of Alaska?**
Local airport sponsors (communities/municipalities who own and operate their own airport) receive back 60% of the aviation fuel tax revenue collected at their airports each year as part of a revenue sharing program managed by the Department of Revenue.
- 8. What is the current Alaska highway motor-fuel tax rate?**
The current highway motor-fuel tax rate is 8.0 cents a gallon with a refined fuel surcharge of 0.95 cents for a total of 8.95 cents per gallon. The current motor-fuel tax rate of 8.0 cents was set in 1970 while the surcharge was added by HB 158 effective July 1, 2015 (FY16).
- 9. How much revenue was collected in past years through the motor-fuel tax?**
In FY15 state motor-fuel tax receipts contributed \$21.9M for gasoline (~274.1 million gallons) and \$10.1M for diesel (~125.8 million gallons). A five year average (FY11-FY15) shows a \$21.5M (268.8 million gallons) annual average from gasoline and \$9.8M (122.7 million gallons) from diesel.

10. How much revenue is anticipated by increasing the highway motor-fuel tax to 16.0 cents per gallon?

Based on FY15 gallons sold, approximately \$43.8M from gasoline and \$20.2M from diesel would be generated by the new tax rate. This represents an increase of \$32M in highway motor-fuel tax revenue.

11. Where does highway motor-fuel tax revenue go?

Highway motor-fuel tax revenue flows into the state general fund.

12. What is the national average state motor-fuel tax?

According to a January 1, 2016 report from the American Petroleum Institute, the national average for state motor-fuels is 20.91 cents per gallon of gasoline and 20.17 cents per gallon of diesel.

13. What is the current Alaska motor-fuel tax for marine use?

The current tax on motor-fuel used in and on watercraft of all descriptions is 5.0 cents per gallon.

NEW SUSTAINABLE

ALASKA

PLAN



Pulling Together to Build Our Future

House Transportation Committee

January 28, 2016

Motor Fuel Tax

HB 249

Motor Fuel Tax Increase

“An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to the motor fuel tax; and providing for an effective date.”

Motor Fuel Tax History

- Began in 1945
- Tax rates have increased over time, but structure unchanged
 - Last increase: highway 1970, marine 1977, aviation fuel 1994

Motor Fuel Tax History (Continued)

- Tax was suspended from Sept. 1, 2008, to Aug. 31, 2009
- In 2015, HB 158 added \$0.0095 surcharge on motor fuels and some other refined fuels
 - Intended for spill prevention and response fund

Motor Fuel Tax Proposal

- Increases all tax rates:

Type of fuel	Before (per gallon)	After (per gallon)
Highway	\$0.08	\$0.16
Marine	\$0.05	\$0.10
Jet fuel	\$0.032	\$0.10
Aviation gas	\$0.047	\$0.10
“Off-road use” credit	-\$0.06	-\$0.12

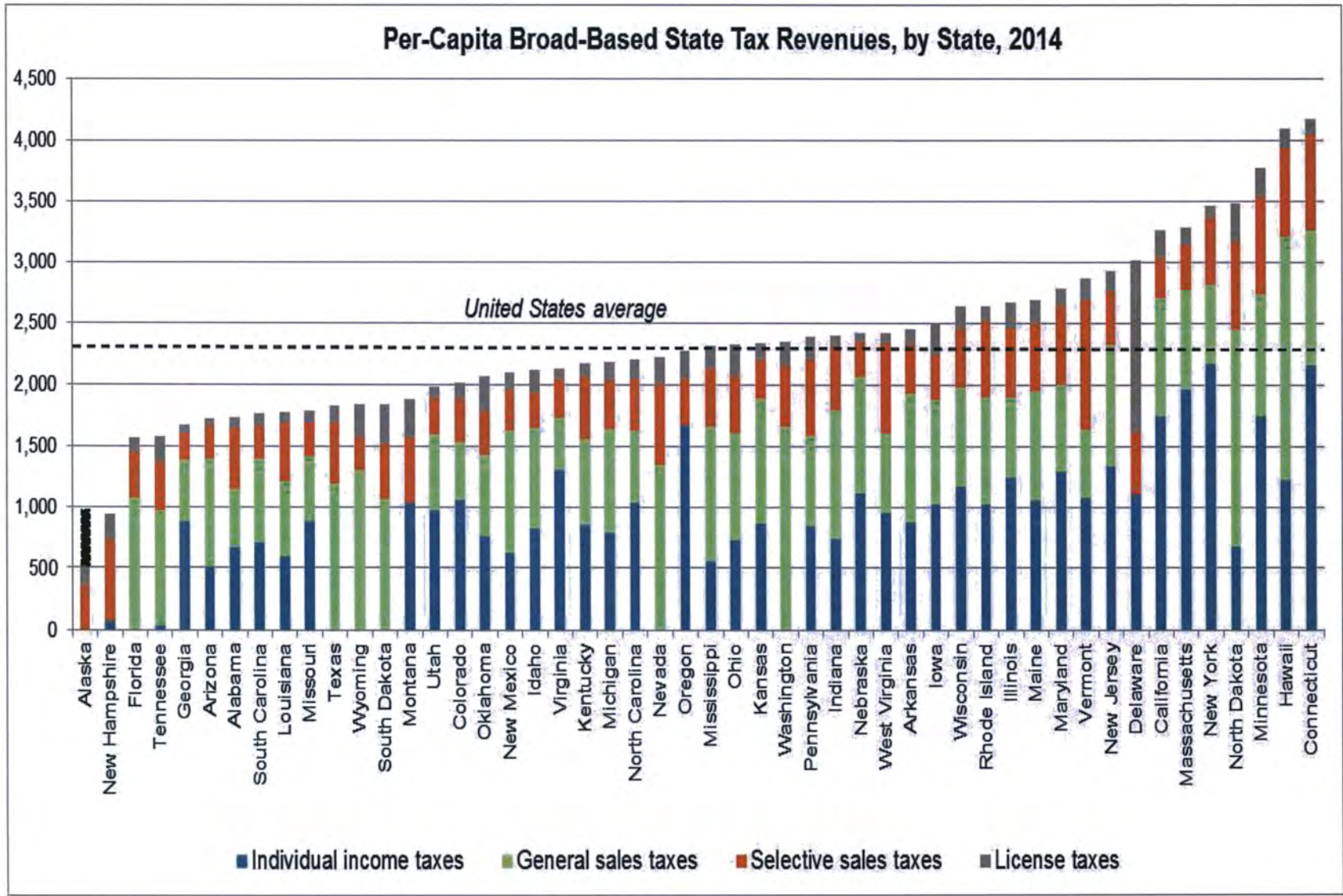
- Requires electronic filing
 - Provides exemption process

Relative Motor Fuel Tax Rate

- Alaska's fuel taxes are among lowest in U.S.¹
 - Highway fuel: lowest
 - Jet fuel: 35th out of 50
 - Aviation gas: 24th out of 50
- Under this bill, Alaska taxes would be:
 - Below national average (20.17 cents) for highway fuel
 - Above national average for jet/aviation fuel

¹ As of January 1, 2015. No comprehensive data for other states' marine fuel taxes. However, we believe that in most states the "marine" rate is the "highway" rate. Therefore, our "marine" rate is likely also one of the lowest in the country.

The New Sustainable Alaska Plan



Impacts of Tax Proposal

- Gas prices at the pump would rise
- More aviation taxes to fund certificated urban and rural airports
 - Requested by aviation advisory committee as preferable to landing fee increases

Revenue Impact

- Dept. of Revenue estimates increasing the tax rate will more than double tax collections
- Additional revenue about \$49 million per year
 - \$0.2 million will be shared with municipal-owned airports
 - Remainder: general fund and special accounts for road, water transport, and aviation facilities

Revenue Impact (Continued)

- Estimates based on fall 2015 revenue forecast
- Does not account for changes in fuel demand or stockpiling

Implementation Cost

- Dept. of Revenue must update:
 - Tax Revenue Management System (TRMS)
 - Revenue Online (ROL) which allows a taxpayer to file a return and apply for a dealer license online
 - Tax return forms
- One-time implementation cost of \$50,000 to recreate tax forms and reprogram and test the tax system to accommodate the rate changes
- No additional costs to administer the tax program

Closing the Budget Gap

	(Millions)
FY16 Budget	\$ 5,200
<hr/>	
<u>FY17 Baseline Revenue (after proposed legislation)</u>	
AK Permanent Fund Protection Act (annual draw)	\$ 3,300
Revenue from existing taxes and fees	\$ 850
Earnings on Savings	<u>\$ 135</u>
	\$ 4,285
<hr/>	
<u>FY17 Spending Reductions</u>	
Continue Cuts	\$ 140
Reform O&G Tax Credits	\$ 400
Net Priority Investments	<u>(\$ 40)</u>
	\$ 500

Closing the Budget Gap (Continued)

<u>New Revenue Components (estimated)</u>	(Millions)
Mining (starting in FY 2018)	\$ 6
Fishing	\$ 18
Tourism	\$ 15
<i>Motor Fuel</i>	<i>\$ 49</i>
Alcohol	\$ 40
Tobacco	\$ 29
Oil and Gas	\$ 100
Income Tax (half in FY17; first full year is FY18)	<u>\$ 200</u>
	\$ 457
Total with reductions and new revenue	\$ 5,242

Sectional Analysis

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Sectional Analysis (Continued)

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Pulling Together to Build Our Future

Contact Information

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Alaska Trucking Association, Inc.

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www.aktrucks.org

The authoritative voice of the trucking industry in Alaska

HB 249 Electronic Tax Returns & Motor Fuel Tax

House Transportation Committee

1:00 pm, February 4, 2016

Aves D. Thompson, Executive Director

Alaska Trucking Association

Thank you. Mr. Chairman and members of the committee, I am Aves Thompson, Executive Director of the Alaska Trucking Association. The Alaska Trucking Association is a state wide organization representing the interests of our nearly 200 member companies from Barrow to Ketchikan. Freight movement is an essential element of our economy and impacts all of us each and every day.

One of the ATA Legislative Priorities for 2016 is the development of a balanced, durable long term fiscal plan, utilizing cuts to state government, use of the permanent fund earnings and taxes, if required. The fuel tax increase, as proposed in HB249, is acceptable within the framework of a long term fiscal plan. We believe that action is critical this legislative session.



If you got it, a truck brought it...

Alaska Trucking Association, Inc.

3443 Minnesota Drive · Anchorage, Alaska 99503 · Phone (907) 276-1149 · Fax (907) 274-1946

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The authoritative voice of the trucking industry in Alaska

The Alaska Trucking Association has long supported a fuel tax increase if the funds could be dedicated to transportation needs. We realize that this won't happen in this bill but feel strongly that we need to help to resolve the fiscal issues by doing our part.

Thank you for your time and I'm available to answer any questions.

Aves Thompson
Executive Director



If you got it, a truck brought it...



February 4, 2016

Representative Neal Foster
Co-Chair, House Transportation Committee
State Capitol, Room 434
Juneau, Alaska 99801

Representative Shelley Hughes
Co-Chair, House Transportation Committee
State Capitol, Room 13
Juneau, Alaska 99801

Re: House Bill No. 249

Dear Representatives Foster and Hughes:

Alaska Airlines provides critical air service to Alaskans across the entire state, from Ketchikan to Barrow to Adak. We employ 1,820 in the state and count over 550,000 Alaskans in our frequent flyer program. Our service in Alaska began 84 years ago and remains a vital part of what is now the nation's 6th largest airline. Due to our extensive presence in the state of Alaska, we are concerned with House Bill 249, legislation that would increase the state tax on jet fuel by 212%.

As the largest commercial carrier in the state, and the only one providing statewide jet service for both passengers and cargo, we would caution against placing such an increase on a single business. Beyond the exceedingly high increase, our calculations suggest that Alaska Airlines would pay over 30% of the total amount of new taxes collected. Also concerning is the fact that taxes collected from air carriers go into the general fund, with no guarantee these monies will be used to support the aviation infrastructure in the state. Alaska Airlines position, like that of virtually every other airline in Alaska and throughout the world, is that taxes collected from air carriers, airline passengers and air freight shippers should be directed to the aviation system needed to support this essential vehicle of commerce.

We are very aware of the fiscal challenges facing the state of Alaska and recognize that businesses and residents will all have to be involved in the necessary solutions. This fuel tax increase, though, would impact much needed commerce as well as basic needs in the state. Alaska Airlines serves 19 different communities in Alaska, only 3 of which are connected to the road system. In many cases, we are the primary means to transport basic commodities into a town and for residents to access larger urban areas for basic needs such as medical care.

Of particular note, Alaska Airlines has quietly supported the aviation infrastructure of the state for decades by owning and maintaining 11 passenger terminal facilities in rural Alaska communities. In virtually any other location, such facilities would be provided by municipal or state government entities.

Our commitment to Alaska remains very strong. Over the next 3 years, Alaska Airlines intends to begin a multi-pronged investment in the state that will total tens of millions of dollars. This will include improvements to our rural terminals, the development of a new hangar and aircraft maintenance facility in Anchorage and the conversion of 3 modern 737 aircraft for use as dedicated freighters.

This investment is being planned in the face of a troubling state fiscal situation. We commend you and your colleagues for beginning to address the situation during this session of the Legislature. While new revenue may be needed, we encourage careful consideration of the impact of such a large tax increase on a single, critical component of the state's infrastructure.

Sincerely,

Joseph A. Sprague
Senior Vice President,
Communications & External Relations

Marilyn Romano
Regional Vice President – Alaska



August 24, 2015

To Governor Bill Walker and the Alaska Legislature:

The undersigned business, civic and trade associations representing hundreds of Alaska companies and organizations, and tens of thousands of hardworking Alaskans, encourage the Governor to work closely with the Alaska Legislature to address the State of Alaska's unsustainable spending and to secure a stable financial future for Alaska.

We support the State achieving fiscal and economic stability by reducing spending to an affordable level on a sustainable basis. Uncertainty of the State's financial future harms Alaska families and businesses.

The first priority is reducing spending; the second step is financing stability by combining revenues with investment earnings to fund essential responsibilities of government, as defined by the constitution. If revenues are still insufficient after these steps, the last option should be taxes on working Alaskans and the businesses that underpin Alaska's economy.

We support efforts to:

1. Reduce the State's operating budget to a sustainable level by:
 - a. Prioritizing government services as defined by the constitution;
 - b. Reviewing all formula-driven programs for cost effectiveness;
 - c. Eliminating services that are not a function of government;
 - d. Vigorously pursuing efficiencies to ensure continued delivery of essential services, which may include privatization or other methods to deliver services; and



2. Create an endowment model or similar framework to use Permanent Fund earnings to support essential services, which may include a cap on the individual dividend; and
3. As a last resort, explore new broad-based taxes on working Alaskans and, if necessary, businesses.

We believe the first step to a sound fiscal future for Alaska comes in reducing the operating budget to a sustainable level. State services must be prioritized; efficiencies must be pursued in delivering those services; and services that aren't a function of government must be eliminated.

Budget policy should focus on reducing spending to a sustainable level. In January two polls were conducted embracing the concept of a reduced State budget. In a statewide poll of voters, 57% of Alaskans said the State should live within its means. In a poll of business leaders, 70% supported deep cuts to the existing State budget as the first step in reaching a sustainable budget.

To secure a stable financial future for Alaskans, the State must align its spending to a level that residents can afford. This will require a multiyear series of annual reductions in the operating budget.

Although it may not be possible to correct the entire deficit through budget cuts alone, forgoing additional opportunities to reduce spending to a sustainable level is not an option. Furthermore, delaying the cuts will only make them more difficult in the future.

We believe the second step to securing Alaska's fiscal future is leveraging the State's financial assets to support essential services, and if necessary, cap the dividend. More than \$60 billion in financial assets currently generate more income than the State receives from oil production. Governor Jay Hammond's vision for the Permanent Fund at its inception included the



eventual use of its earnings to help pay for essential government services. Those earnings, which may include a cap on the dividend, must be part of a long-term, sustainable solution.

Only as a last resort do we believe it appropriate to explore new broad-based taxes on Alaskans and, if necessary, businesses. Businesses will not invest in an undisciplined state that continually returns to taxation as an answer for its unsustainable spending. Working Alaskans will be unwilling to accept individual taxation without confidence that the State is only funding appropriate, efficient services. Taxes on Alaskans and Alaska's businesses should only be pursued when this is demonstrated.

The fiscal challenges currently facing the State are not new and the tools available to address the problems are well-defined. However, without taking the appropriate steps the State's fiscal challenge will negatively impact Alaska's economic health. In addition, uncertainty regarding Alaska's business climate will discourage private investment in the state.

Each of the steps outlined above encompasses a multitude of variations. In securing the State's fiscal future by following these steps, you will send a clear message to all that Alaska welcomes investment.

We believe this is the right thing to do and we are committed to supporting a responsible, committed effort to secure Alaska's fiscal and economic future.

Sincerely,

Alaska Chamber



Dana Debel
Director
Government Affairs

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Detroit Metro Airport
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dana.debel@delta.com

Date: February 4, 2016
To: Representative Shelly Hughes, Alaska
From: Dana Debel, Director of State and Local Government Affairs
RE: Delta Air Lines Opposition to Alaska House Bill 249

On behalf of the Delta Air Lines employees and their families in Alaska, we ask that you oppose HB 249, which would result in a 312.5% increase in the tax rate on jet fuel. In addition, this would put Alaska among the states with the highest taxes on jet fuel. The proposed increase in HB 249 could have a significant impact on Alaska's competitive position for air service. Delta currently operates 38 flights per day to and from 5 destinations in Alaska. We are proud that over the past few years we have been able to enhance service through larger aircraft and more flights including new announced service between Portland and Anchorage, and Seattle and Fairbanks in 2016.

Supporting airport infrastructure where we operate has always been a Delta priority. Through landing fees, rental rates, Passenger Facility Charges and other charges, Delta pays millions annually to operate, maintain and invest in the airport facilities in Alaska. We maintain that additional funding is not needed at this time for those airports, but if it is, the appropriate way to go about doing so is through the lease negotiation process directly between the individual airports and the carriers that serve them..

We understand there has also been discussion of using the revenues from this tax to fund the general revenues of the State. The Federal Aviation Administration (FAA) has been clear that any new or increased taxes since 1987 on aviation fuel needs to be used either on the airport from which it is raised or for a state aviation program. Non-compliance with this provision puts ALL of the federal dollars used to support aviation at risk, as well as opening the State to penalties from the FAA.

Delta understands the critical need to invest in infrastructure where we operate, and we believe we do that through the current taxes and fees we pay in Alaska. We respectfully ask the Alaska legislature to reject HB 249 so that Alaska doesn't end up with the dubious distinction of having one of the highest effective jet fuel tax rates in the country.



CHECKER CAB

ANCHORAGE, ALASKA

February 3, 2016

Re: Proposed Gasoline Tax increase

To Whom It May Concern;

Alaska is supposed to be a three legged stool; however, one of the legs (oil) has become a twig, another leg is normal size (public sector) and the third has become like a tree trunk (government). All the ads and promotions that come out of Juneau proudly state those three legs are equal. The government leg has become fat and bloated over the years of plenty; those years appear to be over now. I am not asking, I am demanding, that you take away from the fat well fed leg before you even consider asking the people of Alaska pay one extra cent in taxes.

Last year the Muni of Anchorage raised the fee to renew each city Taxi permit by \$500, they also raised the Dispatch permit fee by \$1000. The airport badge office (SOA) raised the fee for the "privilege" to pick up passengers there by 50%.

The average cost to fill up a taxi after a 12 hour shift is about \$30.00, which will get you about 13 gals. If the fuel tax is raised to 16 cents from the current 8 cents per gallon, you will burden each driver an additional \$325 per year. Along with a potential income tax and a sales tax on the horizon and possibly losing most of the PFD, all to feed a fat and bloated government.

Mr. Walker you were sent to Juneau to represent the people of Alaska not to represent the government bureaucracy of Alaska. Cut the government and cut deep before you ask for OUR money.

Sincerely,

Michael Thompson

Owner, Checker Cab

Checker Dispatch, LLC
Ph. 907-274-3333

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E-mail checkercab@live.com

www.akcheckercab.com
Fax 907-258-7775



Memo

Date: February 4, 2016

To: Representative Shelley Hughes
Alaska House Transportation Committee Members

From: Nick D'Andrea, Director, UPS Airlines Public Affairs

Subject: Fuel Tax Bill (HB 249)

Thank you for the opportunity to provide testimony on the proposed Fuel Tax Bill (HB 249) and the impact it could have on UPS. I am writing this letter today to notify you that UPS *opposes* passage of the Fuel Tax Bill (HB 249), as it would significantly impact our operations in Alaska.

UPS appreciates the long-standing working relationship with the State of Alaska. This relationship has led us to grow to more than 1,110 employees in Alaska, including 489 of our pilots who are domiciled there. Traditionally, Alaska has played an important role in UPS's global reach; not only do we deliver to thousands of customers there daily, but Anchorage serves as our gateway to the Asia-Pacific region. We have also invested in Alaska, making Anchorage a major training hub for our pilots. In 2008, we invested millions to build a flight training center where our pilots are trained on the Boeing 747 and MD-11 fleets.

Millions of customers depend on the cargo coming in and out of the Asia-Pacific Region – products ranging from life-saving medical devices to electronics vital to global businesses. Up to 18 UPS flights go through Anchorage each day, helping make Ted Stevens International Airport the 2nd busiest cargo airport in North America and one of the busiest in the world.

UPS located in Alaska because of the business-friendly climate created by elected leadership. UPS has a tax burden in the state, paying close to \$6 million in taxes. UPS also pays approximately \$7.2 million in landing fees annually to cover costs at airports, as well as paying taxes on aviation fuel purchases of \$130 million. Tripling the aviation fuel tax to \$0.10 would move Alaska from number 35 to number 19 on the list of most burdensome aviation-related tax states. Tax rates are a very important factor when UPS and other companies look to expand or relocate to a state.

While we remain grateful to the State of Alaska and for the role it plays in our global network, UPS firmly opposes the current proposal to triple the jet fuel tax contained in HB 249.

Thank you for your time.

Nick D'Andrea, UPS Public Affairs



February 5, 2016

Representative Neal Foster, Co-Chair
Representative Shelley Hughes, Co-Chair
House Transportation Committee
State Capitol, Room 17
Juneau, AK 99801

Dear Representatives Foster and Hughes:

The Aircraft Owners and Pilots Association (AOPA) is the world's largest aviation organization, representing the general aviation interests of pilots and aircraft owners, including over 3,200 of our members in the state of Alaska. Since 1939, AOPA has been committed to ensuring the safety, future viability and development of general aviation as an integral part of our nation's transportation system.

While no one is anxious to increase the cost to fly, we recognize the fiscal situation facing Alaska. AOPA supports HB 249, which increases the motor fuel tax on aviation gasoline and jet fuel from current levels to ten cents/gallon. The continued operation of the Rural Alaska Airport System is important to our members, and to the public who relies on airports as a key component of Alaska's transportation system.

We have worked with the Department of Transportation & Public Facilities (DOTPF) to evaluate alternative methods to provide support for the operation of the 247 rural airports. We believe that this modest increase in motor fuel tax is more equitable than other options that were considered, and does not expand state government to collect the additional revenue. We also support the Aviation Advisory Board's recommendation to index the tax increase, or to create a sunset provision should the price of oil increase in the future.

AOPA is pleased that DOTPF has taken the first steps toward streamlining the operations of the airport system, and will continue to work with them to seek further efficiencies that should help control costs of the airport system.

Thank you again for undertaking this legislation. I look forward to working with you and your committee on this issue.

Sincerely,

Tom George
Alaska Regional Manager



February 6, 2016

Representative Neal Foster, Co-Chair
Representative Shelley Hughes, Co-Chair House
Transportation Committee
State Capitol, Room 17
Juneau, AK 99801

RE: WRITTEN TESTIMONY ON HB249 CONCERNING MOTOR FUEL TAX INCREASE

Dear Representatives Foster and Hughes and the House Transportation Committee:

The Alaska Airmen Association is a general aviation organization that represents over 2000 members. Our mission is to “promote general aviation in Alaska.” Membership includes pilots, mechanics, aircraft owners and others that have an interest in aviation. On behalf of our membership, thank you for the opportunity to submit the following written testimony pertaining to House Bill 249.

The Alaska Airmen Association supports HB 249.

While no one wants to pay more in taxes, this increase is a small price to pay to help maintain and improve the Alaska Aviation System of 247 rural airports that so many residents rely on for goods, services, healthcare, subsistence and recreation. We also support the Department of Transportation & Public Facilities (DOT&PF) efforts to cut cost and streamline their operations and agree that cost cutting alone will not solve the State’s budget crisis.

While the proposed increase would more than double taxes on Aviation Gasoline (AVGAS) and triple Jet fuel taxes, it only slightly more than compensates for inflation. The current AVGAS tax rate of 4.7 cents was set in 1994 and if adjusted for inflation would have been 8 cents in 2015. <http://www.westegg.com/inflation/>

The average Alaska Airmen member currently pays between \$20 and \$70 in AVGAS taxes annually. If the tax rate increased to 10 cents a gallon our average member would pay between \$45 and \$150 per year.

The Alaska Airmen Association strongly supports the recommendation of the Governors Aviation Advisory Board to index any tax increases so that if the price of oil comes back to previous levels the tax burden of the citizen would be lessened. We also feel that a fuel tax is the most balanced and most equitable means to generate revenue for the Alaska aviation system. The more one uses the system the more one pays. The current method of collecting fuel tax revenue also provides the greatest “return on investment” to the State. There is no need to form new divisions or levels of government to collect revenues as would be necessary with other options considered by DOT&PF.

Thank you for tackling the hard issues of the State’s funding shortfall. The Alaska Airmen Association looks forward to continuing our work with DOT&PF and the Legislature on this issue.

Sincerely,

Adam White
Government Affairs



ASSOCIATED GENERAL CONTRACTORS of ALASKA

8005 SCHOON STREET, SUITE 100 • ANCHORAGE, ALASKA 99518
TELEPHONE (907) 561-5354 • FAX (907) 562-6118

February 5, 2016

Representative Shelley Hughes
State Capitol, Room 13
Juneau AK, 99801

Re: House Bill 249

Dear Representative Hughes,

The Associated General Contractors of Alaska (AGC) is a trade association representing over 640 Alaskan businesses in the construction industry. On behalf of the AGC and those businesses, I offer the following comments in support of the increase to the motor fuel tax as proposed in House Bill 249.

At 8 cents per gallon, Alaska is in 50th place with the lowest state motor fuel tax in the nation. The proposed increase to 16 cents will move us up to 48th place, just ahead of Wyoming and New Jersey at 14 and 14.5 cents per gallon respectively.

At the time of statehood, there was a motor fuel tax of 6 cents per gallon that carried with it the special provision of "dedication" for uses related to highway purposes. In those days, we proudly paid our own way. In 1960 the legislature amended the motor fuel statute, increasing the tax to 8 cents per gallon, and in doing so, effectively removed the dedication. The motor fuel tax has remained at 8 cents per gallon for the past 55 years. Adjusted for inflation, 8 cents in 1960 is over 64 cents today.

It is too complicated to return to a dedicated motor fuel tax for highway purposes like we had at statehood. But we can start paying a little more of our way for the construction and maintenance of our highways.

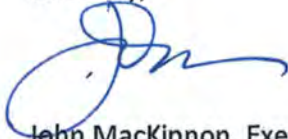
Today, most of our highway construction dollars come from the federal government and federal gas tax dollars. Most states are "donor" states, paying more in federal gas taxes than they receive back. Alaska is a "donee" state, receiving over five times in federal highway funding that we contribute through the 18.4 cent per gallon federal tax.

That multiple doesn't go unnoticed in Congress with every Highway Reauthorization and re-calculation of the allocations to the states, especially in light of our own paltry state tax rate. To get the more than \$500 million in federal funds, Alaska must match its federal highway dollars with approximately ten percent state funds – that is \$50 million in current capital budget.

No one likes taxes, but the most palatable taxes are those where there is a direct and visible nexus between the tax or fee and a service received. In Alaska, we enjoy the privilege of driving on more than 5,000 miles of state roads and an annual federal contribution of \$500 million to rebuild and maintain those roads – all partially funded by a motor fuel tax.

We recognize the integral relationship between improving transportation infrastructure, economic health and fiscal responsibility. We recognize the serious fiscal condition of the state because of the low price of oil. We recognize the need all Alaskan's to pitch in and for the legislature and the administration to take action.

Sincerely,

A handwritten signature in blue ink, appearing to read 'John MacKinnon', with a large, stylized initial 'J'.

John MacKinnon, Executive Director
Associated General Contractors of Alaska

Kimberly Swiantek

From: Ginger Blaisdell
Sent: Thursday, January 28, 2016 1:18 PM
To: Rep. Shelley Hughes
Subject: HB249 public testimony

I received a phone call from Katie Sinclair who lives on the edge of Houston/Big Lake today. She is a taxi driver in Anchorage and between the commute into Anchorage and her overhead cost increase to drive taxi – she is greatly opposed to increasing the motor fuel tax.

ginger

Chief of Staff
907-465-5265

Office of Representative Shelley Hughes
Serving Greater Palmer, District 11
Alaska State Legislature
State Capitol Building Room 13
Juneau, Alaska 99801
907-465-3743
800-565-3743

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4

Kimberly Swiantek

From: Tim Ivanitskiy <timivanitskiy@gmail.com>
Sent: Thursday, January 28, 2016 10:33 AM
To: Kimberly Swiantek
Subject: Gas tax increase

Hello I am Tim Ivanitskiy, Wasilla resident for 15 years. I say no to the gas tax increase. Also on behalf of my two parents and brother. You now have four more residents saying they do not want the gas tax increase. [REDACTED]

From: parker
Sent: Wednesday, January 27, 2016 1:05 PM
To: Rep. Shelley Hughes
Subject: budget

Please make sure that the budget is cut and not full of all the spending that the governor (walker) wants to do. the state of alaska needs to cut the spending and stick to a budget that reflects reality. I do not think that using the pfd for any purpose except what it is set up for by governor hamond. I do think that all the spending for welfare is not what the state of alaska should be doing, especially when you consider that the governor wants to subject the people to income or other tax.

please try to stop all the spending on the head start and other programs like that that are a waste of public money.

From: Jon Christensen
Sent: Monday, February 01, 2016 11:37 AM
To: Rep. Shelley Hughes
Subject: Gas taxes and the like

Shelley,

I read in the Newsminer that the state was thinking of doubling our gas taxes. In the article there was mention that the legislature was trying to figure out the economic impact on Alaskans. I can say this, EVERY single tax there is makes a big difference to our family. We just don't have money to play with or even save for retirement or our children's college education etc. We don't go on vacations every year, we don't go out to eat at restaurants more than once a year if that. We are very frugal and yet we keep having to cut our expenses because the cost of living keeps going up. My income level has not changed in years, in fact it has gone down.

What I am saying is that there may be state sponsored programs and employees that might be hurt by cuts but there are many others that have those programs and costs as real burdens on our backs. I don't get a nice retirement like a state employee will. I don't get nice medical like a state employee does. I only have 10 days of vacation and 5-6 paid holidays compared to the plethora of state paid days off... I have a family budget that cuts expenses when things get tough, I don't go and steal things from my neighbors. Right now I feel like the state thinks it can just raise taxes and steal stuff from us instead of cutting.

Look how much Alaska has as a budget per capita compared to ANY other state of a similar population and we are more than double. The faster the state cuts its costs the better off we will be even if it hurts some who are on the receiving end of the money train. There is far too much largess and it needs to be cut or those of us who are normal hard working people will be ruined financially...we can't take much more.

It is not just gas taxes it is everything.

I hope this letter will give those on the finance committee pause to think that there are those out there that really don't know where else to turn soon with the heavy financial burdens that are piled on us by the state.

Regards.

From: Lois Conway
Sent: Tuesday, February 02, 2016 5:34 PM
To: Kimberly Swiantek
Subject: RE: HB 249 FW: State of the State

I recently learned the gas tax was proposed to be \$0.16/gallon an increase from \$0.08/per gallon. I'm totally against any money grubbing from us until the State budget has been significantly reduced, and I mean significantly. I truly hope there is enough resistance to all of Gov. Walkers taxing proposals that put a stop to his outrageous ideas. NO tax increases or new taxes without much greater reduction in force. Thank you.

Lois Conway

Palmer

From: George Sahlstrom
Sent: Monday, January 25, 2016 8:47 PM
To: Rep. Shelley Hughes
Subject: Re: News From Hughes, Start of Session Update

Hello Shelley,

My stand on the gas tax is that it be mandated (constitutionally, if necessary) for repair/construction of roads, and only that.

Blessings to you!

George

From: Penny Nixon
Sent: Monday, February 01, 2016 6:39 AM
To: Rep. Shelley Hughes
Subject: Re: Update: Feb 1

Follow Up Flag: Follow up
Flag Status: Flagged

Thank you Shelley.

I'd oppose the fuel tax increases, and any attempt to raid the Perm Fund until the budget has been reduced 10% (actual).

Cheers,
Penny

From:
Sent: Monday, February 01, 2016 8:46 AM
To: Rep. Shelley Hughes
Subject: Re: reply on your news letter

Ms. Hughes,

Motor fuel tax is a penalty on Alaskans. It's already expensive to fly in Alaska and we fly more than any other state. With all of the coming budget cuts, this is going to make it harder on the bush that will already see major budget cuts. Seasonal motor fuel tax on vehicles at tourism time is the only possible additional fuel tax I could support.

Use a sales tax so visiting tourists can help pay. Put higher fees on tourist related fees (hunting and fishing, cruise, hotel, rental cars, etc.)...

Cut The Bureaucracy Budget deep and first. Cut, Cut, Cut!

Commercial fisherman are not paying a tax on that state resource, it's time they start. It's no different than oil or timber, or any state owned resource.

Many social programs are going to have to go.

Create a tax free export zone at Point Mackenzie and let free enterprise work to help pay through the ripple effect of new jobs, construction, etc..

We can't tax our way out of this without killing the economy. Taxing and forcing oil companies to do even more when they are hurting is possibly creating a even lower activity scenario for them shortly, that will hurt our state even more. Cost to produce oil is way cheaper in many places. There better be a real buyer (presold) for the gas from a state sponsored gas line and it better pencil or what a folly this is going to be!

Lower oil prices most likely will be here for the foreseeable future. Best plan for reality.

Thanks for your hard work,
Guy Turner

From: Alex Mahoy
Sent: Tuesday, January 26, 2016 6:45 PM
To: Rep. Shelley Hughes
Subject: Taxes and PFD

Say NO to taxes and raiding the PFD. If we can't afford it then shut it down Sent from my iPhone

From: Lavelle Perin
Sent: Monday, February 01, 2016 11:52 AM
To: Rep. Shelley Hughes
Subject: Fuel Tax

For heaven's sake! Eight cents a gallon for the new fuel tax? If I drove into Anchorage 5 days a week and it was 100 miles round trip, and my vehicle gets 15 miles per gallon, it would cost me \$2.67 a week additional. With the wildly fluctuating gas prices over the the past several years, I assure you, we wouldn't notice it at all. You have to stop making the governor look bad and work with him in reasonable ways, This one is very reasonable - go with it!

From: G Piehl
Sent: Thursday, January 28, 2016 4:51 PM
To: Kimberly Swiantek
Cc: Rep. Shelley Hughes
Subject: HB 249

I support raising the fuel taxes and implementing an electronic submitting penalty. They haven't gone up for many years and would prefer the new revenues generated go to road maintenance/construction.

Thanks for your efforts in managing our great state!

Garrett Piehl
Palmer, AK

From: Neil McArthur
Sent: Monday, February 01, 2016 3:33 PM Rep.
To: Shelley Hughes
Subject: HB 249

Hon. Rep. Hughes,

Doubling the motor fuel tax is a good start. Is that sufficient to cover the expenses it was originally intended to pay? Is it comparable, when adjusted for inflation, to the cost of Alaska's motor fuel tax when originally imposed?

If no to either of above, increase it more please.

Thank you,

(Charles) Neil McArthur, Homer area

From: Shawn McGrew
Sent: Thursday, February 04, 2016 8:44 AM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: Fuel tax

Rep. Shelly Hughes,

Thanks for the heads up, and thank you for your service to the state.

I am saying NO to any increase in fuel tax. Alaskans already pay way to much for goods and services. Our gas prices are high enough. Until the state shows that it is really serious about cutting spending I say NO to any tax increase.

If our income is cut by 75% then our spending needs to be cut by 75%. I know as Politicians that is really hard to comprehend, But IF We Don't have the Money Don't Write the Check.

Thanks

Shawn McGrew
9501 Puffin Cir
Eagle River, AK

PS. MY income is shrinking this year due to lower oil prices TOO!!! I work on the North Slope I Feel The Pain.

From: Carol Carman
Sent: Thursday, February 04, 2016 8:12 AM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: Gasoline Tax

Read my lips: NO NEW TAXES!

Really, it is disheartening to learn that our Governor is attempting to transfer the legislature's responsibility of reducing government size onto our backs by taxing us instead of charging you to do your due diligence. Really. So, my question to legislators is this: Are you going to pass the buck to 'we the people' or are you going to do your job this legislative session and drastically reduce the size of government instead?

Read my lips: NO NEW TAXES!

Carol Carman
<>< <>< <><
God grant me....

Serenity to accept the things I cannot change, Courage to change the things I can, and Wisdom to know the difference.

From:
Sent: Thursday, February 04, 2016 10:35 AM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: RE: HB249

Dear Rep. Hughes,

I am not able to testify on phone today, but would like to have input.

Until deep cuts are made in the budget, I do not support any new taxes, nor do I support touching any part of the Permanent Fund or Dividend program. We must bring the budget down considerably before asking residents to make up the difference.

I do not support raising the fuel tax. While the amount doesn't seem to be very much, this will increase the costs of anything that has to be transported. This will mean that our grocery prices will once again go up, and grocery prices are already high enough. This will also impact those of us who live outside of the cities, and have to commute for jobs.

Please stand strong and fight this for us. HB249 seems benign, but we will all feel it, especially if gas prices go up. It is expensive to live up here and we don't need to compound it through taxation.

Sincerely,
Shannon Connelly
District 11 Constituent

Sent from Windows Mail

From: chris & taryn

Sent: Thursday, February 04, 2016 5:18 PM

To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>

Cc: Rep. Neal Foster <Rep.Neal.Foster@akleg.gov>; Rep. Charisse Millett <Rep.Charisse.Millett@akleg.gov>; Rep. Benjamin Nageak <Rep.Benjamin.Nageak@akleg.gov>; Rep. Louise Stutes <Rep.Louise.Stutes@akleg.gov>; Rep. Matt Claman <Rep.Matt.Claman@akleg.gov>; Rep. Daniel Ortiz <Rep.Daniel.Ortiz@akleg.gov>

Subject: Say NO to HB 249, the Governor's fuel tax hike

Good Afternoon Representatives,

We find it unfathomable that a bill such as HB 249 is under consideration. It would double the motor fuel tax, triple the aviation fuel tax, and double the marine fuel tax to the tune of \$49 million without going towards transportation infrastructure, but into the general fund pot to pay for the Governor's proposed budget of excess, increased, unsustainable spending. Reduce the size of government drastically instead of considering the Governor's revenue increases that will crush the private economy.

HB249 won't just impact travel costs, but also the cost of goods and services for all Alaskans. Businesses *might* pay *part* of the \$49 million at first, but it will get passed on to the consumers. Between this bill and the proposed PFD cuts/cap, it is estimated that the Governor's plan would cost a family of 4 -- that's the size of our family now that our oldest has married & left the nest -- about \$7,000 a year. If this passes, how long will it be before increased fuel costs force people out of rural areas such as the bush and villages, where fuel costs are already sky-high? How long will it be before people teetering on the edge are forced out of Alaska? Others that have finally managed to move up from that financial edge, our family included, will be pushed right back down. There are a lot of us in this position. This places the burden of the fiscal crisis unjustly upon the backs of the people. High cost of energy in the interior has been a major issue. Fuel costs have finally fallen somewhat, but where are the plans to drop these tax increases when the price of oil rises again?

We are against this bill. Please, cut state government spending first. Stop spending. Keep cutting the budget.

Sincerely,

Taryn Luskleet and Chris Luskleet

North Pole, AK

From: Mark & Melanie Glatt
Sent: Thursday, February 04, 2016 6:20 PM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: Re: HB 249/Fuel tax increases

Dear Representative Hughes,

We are opposed to all fuel tax increases as proposed by the governor. New taxes would increase costs of good and services.

We are strongly opposed to any new taxes before any and all cuts have been made to the state government.

Thank you,
Melanie & Mark Glatt

From: Damon Blankenship
Sent: Friday, February 05, 2016 5:18 PM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: Fuel Tax

Stop over spending and quit punishing We The People. This is UN CONSTITUTIONAL. Balance the budget you Idiots.

"The strongest reason for the people to keep and bear arms is a last resort to protect themselves against tyranny in government." THOMAS JEFFERSON

I'd rather be tried by 12 than carried by 6

From: Norman Means [mailto:norman.means@gmail.com]
Sent: Thursday, February 04, 2016 10:25 PM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: HB249 testimony

Rep. Hughes:
A simple comment on HB249, a proposal for raising taxes:

The legislature cannot balance the state's budget without drastically cutting spending on education and Medicaid. Any glance at a pie chart of the budget makes that clear.

Governor Walker himself campaigned on avoiding an income tax, stating that AK would have to adopt an income tax of 39%(!) to pay for the bloated government we have. With the contraction of the state's economy that we currently see, more taxes will cripple our economy, and that will devastate the state's poor more than cutting their Medicaid, or reducing the Anchorage School District's #4 ranking in the nation in per/student spending.

Time for Republicans to start practicing what they preach at election time: cut spending.

Most Respectfully,
Norman D. Means, MD
Palmer, AK

Sent from somewhere in the wilds of Alaska.

From: Amanda Pagaran
Sent: Thursday, February 04, 2016 10:44 PM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: Governor's HB 249

To Whom it May Concern:

We are against the Governor's HB 249, the motor fuel tax increase. It proposes to double the motor fuel tax, triple the aviation fuel tax, and double the marine fuel tax. The \$49 million collected will not go specifically for maintenance of transportation infrastructure but into the general fund to pay for state government. Has the financial need of our state government increased that much? If so, then as our representatives, their number one point of order should be to reduce the size and expenditures of our government. Heaven forbid that their answer is to take the money of their people, the ones they are supposed to be representing, standing up for, and looking out for. This is why the Revolutionary war was fought.

Sincerely,
William and Amanda Pagaran
1040 Beylund Loop
Palmer, AK. 99645

Note: Amanda is a lifelong Alaskan, born and raised in Alaska. William is an Alaskan Native (Tlingit). Both carry current State of Alaska teaching certificates.

From: "Ric Davidge"
Date: February 3, 2016 at 3:16:52 PM AKST
Cc: "Shelley Hughes, State House District 11"
Subject: **RE: Gasoline Tax Hike**

The gas tax should be adjusted for inflation every two years.

The gas tax needs to be held under separate accounting so that the state can report on income to expenditures on public infrastructure. It cannot just fall into the general fund. If you want to raise the gas tax you **MUST** show it is being used for the purposes it was applied. Not just general revenue, but a direct return in the taxpayers investment into our roads, bridges, etc.

Ric Davidge, MPA

Chairman, Dist 20

AKRP

From: William Kurz
Sent: Friday, February 05, 2016 5:53 AM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: HB 249

Hi Rep. Shelley Hughes;
There may be the need to raise the motor fuels tax but it should go toward transportation maintenance not the general fund. This way it will not go toward fancy new projects or totally unrelated funding.
Bill Kurz

Haines Port Development Council LLC. Board Member
<http://www.hainesalaskaport.com/>
haines_port_development_council@yahoo.com
Haines & Yukon Railway LLC. Board Member
<http://www.HainesYukonRail.com>
wkurz@hainesyukonrail.com
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<http://hainesalaskahappenings>.
Haines Chamber of Commerce Board Member
<http://haineschamber.org/>
Bill Kurz
907-766-2324
Box 1363
Haines, Ak 99827

From: Clinton R Hodges II
Sent: Friday, February 05, 2016 10:34 AM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: Testimony, HB 249

Dear Co-Chair, Representative Shelly Hughes and members of the House Transportation Committee,

Please accept this email as our testimony relative to the above subject, House Bill 249.

We do not support HB 249 in its present form because it calls for the proceeds from the increased fuel taxes to be put into the general fund. This bill should be amended to replace “general fund,” to “Department of Transportation.” We do, however, support the raising of fuel taxes for the purpose of funding transportation projects, existing and new.

Raising gasoline and fuel taxes will affect my family; we use gasoline in the family car and fuel for our sailboat in Seward. We are retired, live on a fixed income and reside in Anchorage, all year round. I have lived in Anchorage for 36 years, my son is born and raised here and works in the private sector; he bought a new home in Anchorage, two years ago. He is a professional in the transportation and infrastructure field and works seasonally.

Maintaining and updating our existing transportation networks and associated infrastructure is vital to sustaining and growth in the private sector, tourism, mining and so on. Many private sector Alaskans, work seasonally and depend on transportation funded projects for their livelihood. We believe, that putting the proceeds from the taxes into the general fund will grow government and even worse doesn't build or maintain any of our essential transportation needs.

In its present form we do not support passage of HB 249, because the proceeds from the increase in fuel taxes will be deposited in the general fund which will in turn be used to maintain a state government workforce that is way in excess of what our state needs and is not intended to be used on transportation projects within our state.

Respectfully submitted,

Clinton and Geri Hodges

6930 East 11th Avenue

Anchorage, AK 99504

From: kozeycabins@gci.net
Sent: Friday, February 05, 2016 12:52 PM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: re: HB 249 Alaska Kozey Cabins

I don't agree with this tax
Appreciate you making us aware
Virginia Marek
Alaska Kozey Cabins
351 E Spruce Ave
Wasilla Alaska 99654

Sent from my iPhone

From: Juli Wolter
Sent: Friday, February 05, 2016 9:33 PM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: HB 249

Hello Representative Hughes,

I would like to testify that I am against the proposal for additional fuel taxes unless those taxes, as proposed, are NOT put into the general fund. I do not have issue with fair fuel taxes, so long as the revenue generated is used toward the improvement of services/infrastructure to the residents of the state.

Thank you
Juli Wolter
Palmer, Alaska

From: pamela goode
Sent: Friday, February 05, 2016 3:18 PM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: HB249 - Public Testimony

HB249 PUBLIC TESTIMONY BY Pamela Goode

Private Citizen from the Alaska Interior.
I oppose HB 249 for 2-major reasons:

#1 This bill is NOT NECESSARY & GOVERNMENT IS TOO BIG.

The Alaska state government, by discussing this bill, is wasting precious time and resources it does not have. All Alaskans should be giving their full attention to cutting the size of government that has long exceeded its Constitutionally ethical and moral size, and little else.

For the Record: The budget Dept of Transportation has increase 109% in last 10 years.

#2 This is a time of ECONOMIC CHALLENGES FOR ALL ALASKANS.

This will affect Rural Alaskans far greater than the cities because of the vast distances needed to travel and their already higher than "Alaska normal" fuel prices.

A greater insult to rural Alaskans: This transfers money from the private personal lives of rural Alaskans, and all Alaskans for that matter, and concentrates those mandated funds into the government sectors which are located in the bigger cities.

If this is being done to capture tourist dollars during the summer, keep in mind, this is also a time when ALL Alaskans move around a lot more because they can; and because it's a lot safer.

I 'd like to add a comment on : Comparing Alaska to other states as though we need to be more like them with taxation....that offends me. Living in Alaska is expensive enough. I don't want Alaska to be like other states. This is the last bastion of the highest level of personal freedoms left in the world. Unfortunately, it won't be that way for long if we don't greatly reduce the size of government and remove a good deal of the politicians and bureaucrats still in charge that contributed greatly to this mess.

Let's not forget: At one time Alaska made a lot of money, and they also wasted a lot of money. The government was supposed to be good stewards of what the people entrusted them with, but they BLEW IT! Those days may be over but the wasteful spending continues today.

Therefore, I do not support HB249 as it does not address the root cause of the problem; which is spending.

Thank you.

From: j riden
Sent: Friday, February 05, 2016 6:28 PM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: HB 249

A fuel tax will result in higher costs for everyone, and costs are ridiculously high as it is. This is a very bad idea that will cause more people to go hungry and go broke. I understand that the state government is in a rough spot, but Alaskans are too. Housing costs are over-inflated, heating and electric costs are on the rise, not to mention the high costs at the grocery store. All those things coincide with the rise in homelessness and hunger issues. So many people are barely scraping by as it is, and the state is just making it harder. They need to cut their own budget, their own salaries. Things are going downhill fast and this is just another way to make things worse. The state government has grown exponentially in the last decade and it cannot be sustained by the people, nor should it be. Legislators are there to serve, not take from citizens. Alaskan families have to live within a budget and the government needs to learn how to do that also. This tax will help destroy the Alaskan economy completely, not to mention the people that will starve because of it. Businesses are closing, jobs are disappearing, and the government wants more and more money. Shame on the state employees that support this. They need to be fired immediately because they are failing at their jobs. I have witnessed the slow economic death of a state before and Alaska is on that road. The state government should be doing all that they can to support new businesses and growth in the private sector while drastically reducing spending. I have not had a vacation in years, yet state officials travel the world and pass the bill to Alaskans. There is so much wasteful spending and it is beyond ridiculous. It has to stop. So does this bill to pass a new fuel tax.

J Riden

From: Tracie [mailto:natcoletrio@yahoo.com]
Sent: Friday, February 05, 2016 8:08 PM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: Gas tax

ABSOLUTELY NO GAS TAX!!!! NO TO HB 249!!

Alaskans will be struggling as it is with our state spiraling down the fiscal rabbit hole.

We do not need any more TAXES!!!! Especially if the tax won't even go to fix our roads!! Stop spending Government!!!!

Alaskans deserve better than this.

Thank you for listening to my rant.

Sincerely
Tracie Rector

From: JASON ORTIZ
Sent: Friday, February 05, 2016 11:36 PM
To: Rep. Shelley Hughes <Rep.Shelley.Hughes@akleg.gov>
Subject: Feedback on Motor Fuel Tax for Saturday

Representative Hughes,

As a State employee who is about to see their work scheduled slighted reduced (Alaska Court System), a small business owner, and also a father of five children, *I do not think* a motor fuel tax would be the best economic approach to solving our fiscal situation.

Thank you,

Jason Ortiz

From: Mike Coons

Sent: Saturday, February 6, 2016 9:55 AM

To: Rep. Neal Foster; Rep. Shelley Hughes; Rep. Charisse Millett; Rep. Benjamin Nageak; Rep. Louise Stutes; Rep. Matt Claman; Rep. Daniel Ortiz

Subject: Oppose HB 249

My name is Mike Coons from Palmer and I am speaking out against HB 249.

The stated reasons by Governor Walker for all the taxes he is proposing is that we can't cut our way out to a sustainable budget. His piddling

100-200 million dollars in cuts does little to nothing in getting the budget to a sustainable level. The Governor instead taxes the PFD (even Chief Justice Roberts would agree). Then he wants a State Income Tax, but that only goes after those of us that work. Like all progressive tax schemes, the people who are low income and suck up the vast majority of HHS spending don't pay anything. Then he wants a sales tax, although that is somewhat more "fair" it taxes everyday consumable items, thus hurting the low income the most. Then of course is the sin taxes on alcohol and cigarettes, as if the stated goal of reducing that consumption has reduced the use of cigarettes and alcohol in any meaningful way (well, has given the option of e-cigarettes a boost but that is being taxed too).

So to add to all the above, we have HB 249. This is in addition to news this week, that President Obama wants to tax \$10 per barrel of oil to be used on "alternative energy"!

Section 3 of this bill raises many questions and I'm sure if enacted will create an accounting nightmare for the gas stations. Note, all increases are 100% to 175%. From Section 3: 16 cent for motor fuel except for:

aviation gas 10 cents; motor fuel used in and on watercraft of all descriptions 10 cents; aviation fuel other than gasoline 10 cents then of course the less tax on ethanol which has not worked well here and part of the environmentalist "fix" that really has never been a fix! Although I not seeing it here, I'm betting that fuel oil for my home will be in this tax scheme since home heating fuel is diesel fuel. That increase will hit rentals and homes big time!

I'm totally confused on duplication of section 4 and then section 5 makes no sense. Whom would get a 12 cent per gallon refund? It states "person"

whereas this bill is about taxing fuel at the pump. Section 5a(3) so, if I'm going to use the gas for my ATV do I state that at the gas station to get a refund of 12 cents? That also raises the question on if I'm buying gas for my boat how does the gas station adjust from 16 cents to 10 cents, same holds true to aircraft. If I fill up Jerry cans for the plane or boat or ATV, how does that get adjusted and how does the gas station know I'm getting it for those things?

I'm sure other testimony will use the term: "This isn't a perfect bill, but needs to pass." I agree, this is not a perfect bill, it is a horrible bill that hurts all Alaskans while not doing anything to get a sustainable budget! Get a big back hoe and bury this bill 10 feet under poured concrete!

Mike Coons

5200 Dorothy Drive

Palmer, AK 99645

From: Marty Van Diest
Sent: Saturday, February 6, 2016 7:51 AM
To: Rep. Shelley Hughes
Subject: HB249

Before looking at any new tax or any new revenue raising methods the legislature needs to cut until they are all sure that no more cuts can be made. This means that they must all cut until they are pretty sure they will opposed in the next election by every union in Alaska. It may cost them their seats. But that's what must be done.

HB249 is a classic fund raising scheme that will go into the general fund and not into roads. If we had a system where roads were maintained by them it would be different

--

Marty Van Diest
Check out my real estate blog at
www.valleymarket.com
Valley Market Real Estate
907 232-7900 Cell
800 268-0124 Fax

From: Claudia
Sent: Saturday, February 6, 2016 6:27 AM
To: Rep. Shelley Hughes
Subject: House Bill 249

Good Morning Representative Hughes,
I vote no on this bill.

Sincerely,
Claudia Hopper

Sent from my iPhone

From: Greg Thomas
Sent: Saturday, February 06, 2016 11:26 AM
To: Rep. Shelley Hughes
Subject: Fuel tax vote

Rep. Hughes

We don't need a fuel tax to fund government. We need less government. Thank you for your diligence as a Representative.

I love the Pfd as much as any one. Use the reserve to get us out if this budget mess. I would forgo a dividend payment if need be.

Thank you for your time.

Greg H Thomas

Sent from my iPhone

From: julie nystrom
Sent: Saturday, February 06, 2016 6:42 AM
To: Rep. Shelley Hughes
Subject: Fuel tax

Thank you Shelley for your hard work. You are exactly correct us valley people have to put alot of miles on for the same income. And as a person in tourism that will instantly take away from my income. So I would like to oppose this idea especially if it will not go to expanding the Glenn hwy or a crossing. Julie and John Nystrom

From: Linn McCabe
Sent: Saturday, February 06, 2016 1:38 PM Rep.
To: Shelley Hughes
Subject: Gas tax

Representative Hughes,

Please stand for no new taxes until the budget is cut, redundancies removed, and pork reigned in! Stand up to ALL new taxes! Gas taxes hurt industry--truckers, fishermen, airlines, etc. You should do all that you can to help businesses succeed. They are the backbone of our country and provide employment for many. The fact that this tax goes into the general fund is irksome as well. Make cuts the priority and don't look for new revenue until you have cut the budget significantly--say 6% a year. Thank you!

Respectfully,

Linn McCabe
Anchorage

Sent from my iPhone

Kimberly Swiantek

From: Linn McCabe <linn.mccabe@gmail.com>
Sent: Saturday, February 06, 2016 1:38 PM
To: Rep. Shelley Hughes
Subject: Gas tax

Representative Hughes,

Please sand for no new taxes until the budget is cut, redundancies removed, and pork reigned in! Stand up to ALL new taxes! Gas taxes hurt industry--truckers, fishermen, airlines, etc. You should do all that you can to help businesses succeed. They are the backbone of our country and provide employment for many. The fact that this tax goes into the general fund is irksome as well. Make cuts the priority and don't look for new revenue until you have cut the budget significantly--say 6% a year. Thank you!

Respectfully,

Linn McCabe
Anchorage

Sent from my iPhone



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

State Office Building
333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

February 4, 2016

The Honorable Shelley Hughes and the Honorable Neal Foster
Alaska State Representatives
Co-chairs, House Transportation Committee
State Capitol Rooms 13 and 434
Juneau, AK 99801

Dear Co-chairs Hughes and Foster:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue and the Department of Transportation & Public Facilities during our presentation to the House Transportation Committee on January 28, 2016. Please see questions in italics and our responses immediately below the questions.

1. *Why is fuel for international flights exempt from the motor fuel tax? Can the State of Alaska change this rule?*

On its face, the commerce clause of the U.S. Constitution prevents any tax on international flights. In addition, current Alaska statute exempts international air traffic (those flights with either a foreign origination or destination) from an aviation fuel tax. Even if the state has the authority to tax international flights, the fuel facility on Ted Stevens Anchorage International Airport (TSAIA) is an FTZ (foreign trade zone) under the Port of Anchorage. Thus, research accomplished to date indicates that the State of Alaska may not have authority to tax international fuel transactions at TSAIA as the fuel in question hasn't technically entered the United States. DOT&PF is working with Department of Law, the Port of Anchorage, and the U.S. Department of Commerce to clarify the status and applicable guidelines.

2. *In villages where no one has a car, would it be possible for the fuel distributor to get the off-road credit en masse, rather than each consumer having to file for the credit?*

We allow locations to purchase fuel at the lowest tax rate to which they might be subject. If they are off the road system but next to a waterway, we will allow them to purchase all of their fuel at the marine rate. However, there is no "off-road rate" in statute. The statute allows for a refund for non-highway use when the tax has been paid. The tax must first be paid in order to get to the off-road rate under current statutes. However, the statute does allow for one exception—municipalities and federally recognized tribes may defer the payment of tax on diesel purchased for its own official use and for resale to residents of the municipality or tribal members. Essentially, they get all fuel tax-off and only pay tax on the fuel that they used for a taxable purpose after the fact. They must first receive approval from the Tax Division before receiving fuel untaxed. A list of approved municipalities and tribes is on our website (https://online-tax.alaska.gov/ATP/WebDoc/_/#2).

3. *If this tax were passed, Alaska would still be below the national average in terms of motor fuel tax, but where would it fall in terms of overall fuel costs?*

According to <http://www.gasbuddy.com/USA> as of February 1, 2016, Alaska's average regular gas price is \$2.371 and is the third-highest in the nation, behind only California (\$2.580) and Hawaii (\$2.627). If

the motor fuel tax increase were passed, Alaska would still be the third-highest, because the \$0.08 per gallon increase would not be large enough to make Alaska's average price match California's.

4. *Where exactly in the federal regulations does it say we have to spend aviation fuel tax revenue on airports?*

Please see the attached Airport Sponsor Grant Assurance document. Grant Assurance #25 pertains to airport revenues and specifically states that all revenues generated by the airport and any local taxes on aviation fuel established after December 30, 1987, will be expended by it for the capital or operating costs of the airport; the local airport system; or other local facilities which are owned or operated by the owner or operator of the airport and which are directly and substantially related to the actual air transportation of passengers or property; or for noise mitigation purposes on or off the airport.

5. *What percentage of our airport costs are covered by the federal government?*

As discussed in committee, the DOT&PF has worked closely with our federal funding partners to increase the amount of preventative maintenance that can be done with capital budget funds; for airports that amount is \$7.5 million. In the operating budget, the department estimates that we are spending about \$39.0 million. Additionally we spent \$9 million in capital funds replacing ancient equipment at our airports.

6. *How many certificated airports do we have?*

27 in the state, 21 of which are State-owned/operated (19 "rural airports" plus Anchorage and Fairbanks International Airports).

7. *How much is the state match funding for capital projects at municipal airports going down – i.e. how many dollars?*

The annual match amount has varied considerably in the past depending upon local capital projects, but generally averaged around \$1 million total. The communities/airports that have benefited from the match sharing are Juneau International Airport, Merrill Field, North Slope Borough, Kenai Municipal Airport, Nenana Municipal Airport/City of Nenana, Palmer Municipal Airport, and Wasilla Airport.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,



Jerry Burnett
Deputy Commissioner

Attachments: Airport Sponsor Grant Assurance



ASSURANCES

Airport Sponsors

A. General.

1. These assurances shall be complied with in the performance of grant agreements for airport development, airport planning, and noise compatibility program grants for airport sponsors.
2. These assurances are required to be submitted as part of the project application by sponsors requesting funds under the provisions of Title 49, U.S.C., subtitle VII, as amended. As used herein, the term "public agency sponsor" means a public agency with control of a public-use airport; the term "private sponsor" means a private owner of a public-use airport; and the term "sponsor" includes both public agency sponsors and private sponsors.
3. Upon acceptance of this grant offer by the sponsor, these assurances are incorporated in and become part of this grant agreement.

B. Duration and Applicability.

1. **Airport development or Noise Compatibility Program Projects Undertaken by a Public Agency Sponsor.**

The terms, conditions and assurances of this grant agreement shall remain in full force and effect throughout the useful life of the facilities developed or equipment acquired for an airport development or noise compatibility program project, or throughout the useful life of the project items installed within a facility under a noise compatibility program project, but in any event not to exceed twenty (20) years from the date of acceptance of a grant offer of Federal funds for the project. However, there shall be no limit on the duration of the assurances regarding Exclusive Rights and Airport Revenue so long as the airport is used as an airport. There shall be no limit on the duration of the terms, conditions, and assurances with respect to real property acquired with federal funds. Furthermore, the duration of the Civil Rights assurance shall be specified in the assurances.

2. **Airport Development or Noise Compatibility Projects Undertaken by a Private Sponsor.**

The preceding paragraph 1 also applies to a private sponsor except that the useful life of project items installed within a facility or the useful life of the facilities developed or equipment acquired under an airport development or noise compatibility program project shall be no less than ten (10) years from the date of acceptance of Federal aid for the project.

3. Airport Planning Undertaken by a Sponsor.

Unless otherwise specified in this grant agreement, only Assurances 1, 2, 3, 5, 6, 13, 18, 25, 30, 32, 33, and 34 in Section C apply to planning projects. The terms, conditions, and assurances of this grant agreement shall remain in full force and effect during the life of the project; there shall be no limit on the duration of the assurances regarding Airport Revenue so long as the airport is used as an airport.

C. Sponsor Certification.

The sponsor hereby assures and certifies, with respect to this grant that:

1. General Federal Requirements.

It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the application, acceptance and use of Federal funds for this project including but not limited to the following:

Federal Legislation

- a. Title 49, U.S.C., subtitle VII, as amended.
- b. Davis-Bacon Act - 40 U.S.C. 276(a), et seq.¹
- c. Federal Fair Labor Standards Act - 29 U.S.C. 201, et seq.
- d. Hatch Act - 5 U.S.C. 1501, et seq.²
- e. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 Title 42 U.S.C. 4601, et seq.^{1 2}
- f. National Historic Preservation Act of 1966 - Section 106 - 16 U.S.C. 470(f).¹
- g. Archeological and Historic Preservation Act of 1974 - 16 U.S.C. 469 through 469c.¹
- h. Native Americans Grave Repatriation Act - 25 U.S.C. Section 3001, et seq.
- i. Clean Air Act, P.L. 90-148, as amended.
- j. Coastal Zone Management Act, P.L. 93-205, as amended.
- k. Flood Disaster Protection Act of 1973 - Section 102(a) - 42 U.S.C. 4012a.¹
- l. Title 49, U.S.C., Section 303, (formerly known as Section 4(f))
- m. Rehabilitation Act of 1973 - 29 U.S.C. 794.
- n. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq., 78 stat. 252) (prohibits discrimination on the basis of race, color, national origin);
- o. Americans with Disabilities Act of 1990, as amended, (42 U.S.C. § 12101 et seq.), prohibits discrimination on the basis of disability).
- p. Age Discrimination Act of 1975 - 42 U.S.C. 6101, et seq.
- q. American Indian Religious Freedom Act, P.L. 95-341, as amended.
- r. Architectural Barriers Act of 1968 - 42 U.S.C. 4151, et seq.¹
- s. Power plant and Industrial Fuel Use Act of 1978 - Section 403- 2 U.S.C. 8373.¹
- t. Contract Work Hours and Safety Standards Act - 40 U.S.C. 327, et seq.¹
- u. Copeland Anti-kickback Act - 18 U.S.C. 874.1
- v. National Environmental Policy Act of 1969 - 42 U.S.C. 4321, et seq.¹
- w. Wild and Scenic Rivers Act, P.L. 90-542, as amended.
- x. Single Audit Act of 1984 - 31 U.S.C. 7501, et seq.²
- y. Drug-Free Workplace Act of 1988 - 41 U.S.C. 702 through 706.

- z. The Federal Funding Accountability and Transparency Act of 2006, as amended (Pub. L. 109-282, as amended by section 6202 of Pub. L. 110-252).

Executive Orders

- a. Executive Order 11246 - Equal Employment Opportunity¹
- b. Executive Order 11990 - Protection of Wetlands
- c. Executive Order 11998 – Flood Plain Management
- d. Executive Order 12372 - Intergovernmental Review of Federal Programs
- e. Executive Order 12699 - Seismic Safety of Federal and Federally Assisted New Building Construction¹
- f. Executive Order 12898 - Environmental Justice

Federal Regulations

- a. 2 CFR Part 180 - OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement).
- b. 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. [OMB Circular A-87 Cost Principles Applicable to Grants and Contracts with State and Local Governments, and OMB Circular A-133 - Audits of States, Local Governments, and Non-Profit Organizations].^{4, 5, 6}
- c. 2 CFR Part 1200 – Nonprocurement Suspension and Debarment
- d. 14 CFR Part 13 - Investigative and Enforcement Procedures 14 CFR Part 16 - Rules of Practice For Federally Assisted Airport Enforcement Proceedings.
- e. 14 CFR Part 150 - Airport noise compatibility planning.
- f. 28 CFR Part 35- Discrimination on the Basis of Disability in State and Local Government Services.
- g. 28 CFR § 50.3 - U.S. Department of Justice Guidelines for Enforcement of Title VI of the Civil Rights Act of 1964.
- h. 29 CFR Part 1 - Procedures for predetermination of wage rates.¹
- i. 29 CFR Part 3 - Contractors and subcontractors on public building or public work financed in whole or part by loans or grants from the United States.¹
- j. 29 CFR Part 5 - Labor standards provisions applicable to contracts covering federally financed and assisted construction (also labor standards provisions applicable to non-construction contracts subject to the Contract Work Hours and Safety Standards Act).¹
- k. 41 CFR Part 60 - Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor (Federal and federally assisted contracting requirements).¹
- l. 49 CFR Part 18 - Uniform administrative requirements for grants and cooperative agreements to state and local governments.³
- m. 49 CFR Part 20 - New restrictions on lobbying.
- n. 49 CFR Part 21 – Nondiscrimination in federally-assisted programs of the Department of Transportation - effectuation of Title VI of the Civil Rights Act of 1964.
- o. 49 CFR Part 23 - Participation by Disadvantage Business Enterprise in Airport Concessions.

- p. 49 CFR Part 24 – Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs.^{1 2}
- q. 49 CFR Part 26 – Participation by Disadvantaged Business Enterprises in Department of Transportation Programs.
- r. 49 CFR Part 27 – Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance.¹
- s. 49 CFR Part 28 – Enforcement of Nondiscrimination on the Basis of Handicap in Programs or Activities conducted by the Department of Transportation.
- t. 49 CFR Part 30 - Denial of public works contracts to suppliers of goods and services of countries that deny procurement market access to U.S. contractors.
- u. 49 CFR Part 32 – Governmentwide Requirements for Drug-Free Workplace (Financial Assistance)
- v. 49 CFR Part 37 – Transportation Services for Individuals with Disabilities (ADA).
- w. 49 CFR Part 41 - Seismic safety of Federal and federally assisted or regulated new building construction.

Specific Assurances

Specific assurances required to be included in grant agreements by any of the above laws, regulations or circulars are incorporated by reference in this grant agreement.

Footnotes to Assurance C.1.

- ¹ These laws do not apply to airport planning sponsors.
- ² These laws do not apply to private sponsors.
- ³ 49 CFR Part 18 and 2 CFR Part 200 contain requirements for State and Local Governments receiving Federal assistance. Any requirement levied upon State and Local Governments by this regulation and circular shall also be applicable to private sponsors receiving Federal assistance under Title 49, United States Code.
- ⁴ On December 26, 2013 at 78 FR 78590, the Office of Management and Budget (OMB) issued the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 CFR Part 200. 2 CFR Part 200 replaces and combines the former Uniform Administrative Requirements for Grants (OMB Circular A-102 and Circular A-110 or 2 CFR Part 215 or Circular) as well as the Cost Principles (Circulars A-21 or 2 CFR part 220; Circular A-87 or 2 CFR part 225; and A-122, 2 CFR part 230). Additionally it replaces Circular A-133 guidance on the Single Annual Audit. In accordance with 2 CFR section 200.110, the standards set forth in Part 200 which affect administration of Federal awards issued by Federal agencies become effective once implemented by Federal agencies or when any future amendment to this Part becomes final. Federal agencies, including the Department of Transportation, must implement the policies and procedures applicable to Federal awards by promulgating a regulation to be effective by December 26, 2014 unless different provisions are required by statute or approved by OMB.

⁵ Cost principles established in 2 CFR part 200 subpart E must be used as guidelines for determining the eligibility of specific types of expenses.

⁶ Audit requirements established in 2 CFR part 200 subpart F are the guidelines for audits.

2. Responsibility and Authority of the Sponsor.

a. Public Agency Sponsor:

It has legal authority to apply for this grant, and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant's governing body authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.

b. Private Sponsor:

It has legal authority to apply for this grant and to finance and carry out the proposed project and comply with all terms, conditions, and assurances of this grant agreement. It shall designate an official representative and shall in writing direct and authorize that person to file this application, including all understandings and assurances contained therein; to act in connection with this application; and to provide such additional information as may be required.

3. Sponsor Fund Availability.

It has sufficient funds available for that portion of the project costs which are not to be paid by the United States. It has sufficient funds available to assure operation and maintenance of items funded under this grant agreement which it will own or control.

4. Good Title.

- a. It, a public agency or the Federal government, holds good title, satisfactory to the Secretary, to the landing area of the airport or site thereof, or will give assurance satisfactory to the Secretary that good title will be acquired.
- b. For noise compatibility program projects to be carried out on the property of the sponsor, it holds good title satisfactory to the Secretary to that portion of the property upon which Federal funds will be expended or will give assurance to the Secretary that good title will be obtained.

5. Preserving Rights and Powers.

- a. It will not take or permit any action which would operate to deprive it of any of the rights and powers necessary to perform any or all of the terms, conditions, and assurances in this grant agreement without the written approval of the Secretary, and will act promptly to acquire, extinguish or modify any outstanding rights or claims of right of others which would interfere with such performance by the sponsor. This shall be done in a manner acceptable to the Secretary.

- b. It will not sell, lease, encumber, or otherwise transfer or dispose of any part of its title or other interests in the property shown on Exhibit A to this application or, for a noise compatibility program project, that portion of the property upon which Federal funds have been expended, for the duration of the terms, conditions, and assurances in this grant agreement without approval by the Secretary. If the transferee is found by the Secretary to be eligible under Title 49, United States Code, to assume the obligations of this grant agreement and to have the power, authority, and financial resources to carry out all such obligations, the sponsor shall insert in the contract or document transferring or disposing of the sponsor's interest, and make binding upon the transferee all of the terms, conditions, and assurances contained in this grant agreement.
- c. For all noise compatibility program projects which are to be carried out by another unit of local government or are on property owned by a unit of local government other than the sponsor, it will enter into an agreement with that government. Except as otherwise specified by the Secretary, that agreement shall obligate that government to the same terms, conditions, and assurances that would be applicable to it if it applied directly to the FAA for a grant to undertake the noise compatibility program project. That agreement and changes thereto must be satisfactory to the Secretary. It will take steps to enforce this agreement against the local government if there is substantial non-compliance with the terms of the agreement.
- d. For noise compatibility program projects to be carried out on privately owned property, it will enter into an agreement with the owner of that property which includes provisions specified by the Secretary. It will take steps to enforce this agreement against the property owner whenever there is substantial non-compliance with the terms of the agreement.
- e. If the sponsor is a private sponsor, it will take steps satisfactory to the Secretary to ensure that the airport will continue to function as a public-use airport in accordance with these assurances for the duration of these assurances.
- f. If an arrangement is made for management and operation of the airport by any agency or person other than the sponsor or an employee of the sponsor, the sponsor will reserve sufficient rights and authority to insure that the airport will be operated and maintained in accordance Title 49, United States Code, the regulations and the terms, conditions and assurances in this grant agreement and shall insure that such arrangement also requires compliance therewith.
- g. Sponsors of commercial service airports will not permit or enter into any arrangement that results in permission for the owner or tenant of a property used as a residence, or zoned for residential use, to taxi an aircraft between that property and any location on airport. Sponsors of general aviation airports entering into any arrangement that results in permission for the owner of residential real property adjacent to or near the airport must comply with the requirements of Sec. 136 of Public Law 112-95 and the sponsor assurances.

6. Consistency with Local Plans.

The project is reasonably consistent with plans (existing at the time of submission of this application) of public agencies that are authorized by the State in which the project is located to plan for the development of the area surrounding the airport.

7. Consideration of Local Interest.

It has given fair consideration to the interest of communities in or near where the project may be located.

8. Consultation with Users.

In making a decision to undertake any airport development project under Title 49, United States Code, it has undertaken reasonable consultations with affected parties using the airport at which project is proposed.

9. Public Hearings.

In projects involving the location of an airport, an airport runway, or a major runway extension, it has afforded the opportunity for public hearings for the purpose of considering the economic, social, and environmental effects of the airport or runway location and its consistency with goals and objectives of such planning as has been carried out by the community and it shall, when requested by the Secretary, submit a copy of the transcript of such hearings to the Secretary. Further, for such projects, it has on its management board either voting representation from the communities where the project is located or has advised the communities that they have the right to petition the Secretary concerning a proposed project.

10. Metropolitan Planning Organization.

In projects involving the location of an airport, an airport runway, or a major runway extension at a medium or large hub airport, the sponsor has made available to and has provided upon request to the metropolitan planning organization in the area in which the airport is located, if any, a copy of the proposed amendment to the airport layout plan to depict the project and a copy of any airport master plan in which the project is described or depicted.

11. Pavement Preventive Maintenance.

With respect to a project approved after January 1, 1995, for the replacement or reconstruction of pavement at the airport, it assures or certifies that it has implemented an effective airport pavement maintenance-management program and it assures that it will use such program for the useful life of any pavement constructed, reconstructed or repaired with Federal financial assistance at the airport. It will provide such reports on pavement condition and pavement management programs as the Secretary determines may be useful.

12. Terminal Development Prerequisites.

For projects which include terminal development at a public use airport, as defined in Title 49, it has, on the date of submittal of the project grant application, all the safety equipment required for certification of such airport under section 44706 of Title 49, United States Code, and all the security equipment required by rule or regulation, and

has provided for access to the passenger enplaning and deplaning area of such airport to passengers enplaning and deplaning from aircraft other than air carrier aircraft.

13. Accounting System, Audit, and Record Keeping Requirements.

- a. It shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of this grant, the total cost of the project in connection with which this grant is given or used, and the amount or nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project. The accounts and records shall be kept in accordance with an accounting system that will facilitate an effective audit in accordance with the Single Audit Act of 1984.
- b. It shall make available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for the purpose of audit and examination, any books, documents, papers, and records of the recipient that are pertinent to this grant. The Secretary may require that an appropriate audit be conducted by a recipient. In any case in which an independent audit is made of the accounts of a sponsor relating to the disposition of the proceeds of a grant or relating to the project in connection with which this grant was given or used, it shall file a certified copy of such audit with the Comptroller General of the United States not later than six (6) months following the close of the fiscal year for which the audit was made.

14. Minimum Wage Rates.

It shall include, in all contracts in excess of \$2,000 for work on any projects funded under this grant agreement which involve labor, provisions establishing minimum rates of wages, to be predetermined by the Secretary of Labor, in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5), which contractors shall pay to skilled and unskilled labor, and such minimum rates shall be stated in the invitation for bids and shall be included in proposals or bids for the work.

15. Veteran's Preference.

It shall include in all contracts for work on any project funded under this grant agreement which involve labor, such provisions as are necessary to insure that, in the employment of labor (except in executive, administrative, and supervisory positions), preference shall be given to Vietnam era veterans, Persian Gulf veterans, Afghanistan-Iraq war veterans, disabled veterans, and small business concerns owned and controlled by disabled veterans as defined in Section 47112 of Title 49, United States Code. However, this preference shall apply only where the individuals are available and qualified to perform the work to which the employment relates.

16. Conformity to Plans and Specifications.

It will execute the project subject to plans, specifications, and schedules approved by the Secretary. Such plans, specifications, and schedules shall be submitted to the Secretary prior to commencement of site preparation, construction, or other performance under this grant agreement, and, upon approval of the Secretary, shall be incorporated into this grant agreement. Any modification to the approved plans,

specifications, and schedules shall also be subject to approval of the Secretary, and incorporated into this grant agreement.

17. Construction Inspection and Approval.

It will provide and maintain competent technical supervision at the construction site throughout the project to assure that the work conforms to the plans, specifications, and schedules approved by the Secretary for the project. It shall subject the construction work on any project contained in an approved project application to inspection and approval by the Secretary and such work shall be in accordance with regulations and procedures prescribed by the Secretary. Such regulations and procedures shall require such cost and progress reporting by the sponsor or sponsors of such project as the Secretary shall deem necessary.

18. Planning Projects.

In carrying out planning projects:

- a. It will execute the project in accordance with the approved program narrative contained in the project application or with the modifications similarly approved.
- b. It will furnish the Secretary with such periodic reports as required pertaining to the planning project and planning work activities.
- c. It will include in all published material prepared in connection with the planning project a notice that the material was prepared under a grant provided by the United States.
- d. It will make such material available for examination by the public, and agrees that no material prepared with funds under this project shall be subject to copyright in the United States or any other country.
- e. It will give the Secretary unrestricted authority to publish, disclose, distribute, and otherwise use any of the material prepared in connection with this grant.
- f. It will grant the Secretary the right to disapprove the sponsor's employment of specific consultants and their subcontractors to do all or any part of this project as well as the right to disapprove the proposed scope and cost of professional services.
- g. It will grant the Secretary the right to disapprove the use of the sponsor's employees to do all or any part of the project.
- h. It understands and agrees that the Secretary's approval of this project grant or the Secretary's approval of any planning material developed as part of this grant does not constitute or imply any assurance or commitment on the part of the Secretary to approve any pending or future application for a Federal airport grant.

19. Operation and Maintenance.

- a. The airport and all facilities which are necessary to serve the aeronautical users of the airport, other than facilities owned or controlled by the United States, shall be operated at all times in a safe and serviceable condition and in accordance with the minimum standards as may be required or prescribed by applicable Federal,

state and local agencies for maintenance and operation. It will not cause or permit any activity or action thereon which would interfere with its use for airport purposes. It will suitably operate and maintain the airport and all facilities thereon or connected therewith, with due regard to climatic and flood conditions. Any proposal to temporarily close the airport for non-aeronautical purposes must first be approved by the Secretary. In furtherance of this assurance, the sponsor will have in effect arrangements for-

- 1) Operating the airport's aeronautical facilities whenever required;
 - 2) Promptly marking and lighting hazards resulting from airport conditions, including temporary conditions; and
 - 3) Promptly notifying airmen of any condition affecting aeronautical use of the airport. Nothing contained herein shall be construed to require that the airport be operated for aeronautical use during temporary periods when snow, flood or other climatic conditions interfere with such operation and maintenance. Further, nothing herein shall be construed as requiring the maintenance, repair, restoration, or replacement of any structure or facility which is substantially damaged or destroyed due to an act of God or other condition or circumstance beyond the control of the sponsor.
- b. It will suitably operate and maintain noise compatibility program items that it owns or controls upon which Federal funds have been expended.

20. Hazard Removal and Mitigation.

It will take appropriate action to assure that such terminal airspace as is required to protect instrument and visual operations to the airport (including established minimum flight altitudes) will be adequately cleared and protected by removing, lowering, relocating, marking, or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards.

21. Compatible Land Use.

It will take appropriate action, to the extent reasonable, including the adoption of zoning laws, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft. In addition, if the project is for noise compatibility program implementation, it will not cause or permit any change in land use, within its jurisdiction, that will reduce its compatibility, with respect to the airport, of the noise compatibility program measures upon which Federal funds have been expended.

22. Economic Nondiscrimination.

- a. It will make the airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport.
- b. In any agreement, contract, lease, or other arrangement under which a right or privilege at the airport is granted to any person, firm, or corporation to conduct or

to engage in any aeronautical activity for furnishing services to the public at the airport, the sponsor will insert and enforce provisions requiring the contractor to-

- 1) furnish said services on a reasonable, and not unjustly discriminatory, basis to all users thereof, and
 - 2) charge reasonable, and not unjustly discriminatory, prices for each unit or service, provided that the contractor may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.
- c. Each fixed-based operator at the airport shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar uses of such airport and utilizing the same or similar facilities.
 - d. Each air carrier using such airport shall have the right to service itself or to use any fixed-based operator that is authorized or permitted by the airport to serve any air carrier at such airport.
 - e. Each air carrier using such airport (whether as a tenant, non-tenant, or subtenant of another air carrier tenant) shall be subject to such nondiscriminatory and substantially comparable rules, regulations, conditions, rates, fees, rentals, and other charges with respect to facilities directly and substantially related to providing air transportation as are applicable to all such air carriers which make similar use of such airport and utilize similar facilities, subject to reasonable classifications such as tenants or non-tenants and signatory carriers and non-signatory carriers. Classification or status as tenant or signatory shall not be unreasonably withheld by any airport provided an air carrier assumes obligations substantially similar to those already imposed on air carriers in such classification or status.
 - f. It will not exercise or grant any right or privilege which operates to prevent any person, firm, or corporation operating aircraft on the airport from performing any services on its own aircraft with its own employees [including, but not limited to maintenance, repair, and fueling] that it may choose to perform.
 - g. In the event the sponsor itself exercises any of the rights and privileges referred to in this assurance, the services involved will be provided on the same conditions as would apply to the furnishing of such services by commercial aeronautical service providers authorized by the sponsor under these provisions.
 - h. The sponsor may establish such reasonable, and not unjustly discriminatory, conditions to be met by all users of the airport as may be necessary for the safe and efficient operation of the airport.
 - i. The sponsor may prohibit or limit any given type, kind or class of aeronautical use of the airport if such action is necessary for the safe operation of the airport or necessary to serve the civil aviation needs of the public.

23. Exclusive Rights.

It will permit no exclusive right for the use of the airport by any person providing, or intending to provide, aeronautical services to the public. For purposes of this paragraph, the providing of the services at an airport by a single fixed-based operator shall not be construed as an exclusive right if both of the following apply:

- a. It would be unreasonably costly, burdensome, or impractical for more than one fixed-based operator to provide such services, and
- b. If allowing more than one fixed-based operator to provide such services would require the reduction of space leased pursuant to an existing agreement between such single fixed-based operator and such airport. It further agrees that it will not, either directly or indirectly, grant or permit any person, firm, or corporation, the exclusive right at the airport to conduct any aeronautical activities, including, but not limited to charter flights, pilot training, aircraft rental and sightseeing, aerial photography, crop dusting, aerial advertising and surveying, air carrier operations, aircraft sales and services, sale of aviation petroleum products whether or not conducted in conjunction with other aeronautical activity, repair and maintenance of aircraft, sale of aircraft parts, and any other activities which because of their direct relationship to the operation of aircraft can be regarded as an aeronautical activity, and that it will terminate any exclusive right to conduct an aeronautical activity now existing at such an airport before the grant of any assistance under Title 49, United States Code.

24. Fee and Rental Structure.

It will maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport, taking into account such factors as the volume of traffic and economy of collection. No part of the Federal share of an airport development, airport planning or noise compatibility project for which a grant is made under Title 49, United States Code, the Airport and Airway Improvement Act of 1982, the Federal Airport Act or the Airport and Airway Development Act of 1970 shall be included in the rate basis in establishing fees, rates, and charges for users of that airport.

25. Airport Revenues.

- a. All revenues generated by the airport and any local taxes on aviation fuel established after December 30, 1987, will be expended by it for the capital or operating costs of the airport; the local airport system; or other local facilities which are owned or operated by the owner or operator of the airport and which are directly and substantially related to the actual air transportation of passengers or property; or for noise mitigation purposes on or off the airport. The following exceptions apply to this paragraph:
 - 1) If covenants or assurances in debt obligations issued before September 3, 1982, by the owner or operator of the airport, or provisions enacted before September 3, 1982, in governing statutes controlling the owner or operator's financing, provide for the use of the revenues from any of the airport owner or

operator's facilities, including the airport, to support not only the airport but also the airport owner or operator's general debt obligations or other facilities, then this limitation on the use of all revenues generated by the airport (and, in the case of a public airport, local taxes on aviation fuel) shall not apply.

- 2) If the Secretary approves the sale of a privately owned airport to a public sponsor and provides funding for any portion of the public sponsor's acquisition of land, this limitation on the use of all revenues generated by the sale shall not apply to certain proceeds from the sale. This is conditioned on repayment to the Secretary by the private owner of an amount equal to the remaining unamortized portion (amortized over a 20-year period) of any airport improvement grant made to the private owner for any purpose other than land acquisition on or after October 1, 1996, plus an amount equal to the federal share of the current fair market value of any land acquired with an airport improvement grant made to that airport on or after October 1, 1996.
 - 3) Certain revenue derived from or generated by mineral extraction, production, lease, or other means at a general aviation airport (as defined at Section 47102 of title 49 United States Code), if the FAA determines the airport sponsor meets the requirements set forth in Sec. 813 of Public Law 112-95.
- b. As part of the annual audit required under the Single Audit Act of 1984, the sponsor will direct that the audit will review, and the resulting audit report will provide an opinion concerning, the use of airport revenue and taxes in paragraph (a), and indicating whether funds paid or transferred to the owner or operator are paid or transferred in a manner consistent with Title 49, United States Code and any other applicable provision of law, including any regulation promulgated by the Secretary or Administrator.
 - c. Any civil penalties or other sanctions will be imposed for violation of this assurance in accordance with the provisions of Section 47107 of Title 49, United States Code.

26. Reports and Inspections.

It will:

- a. submit to the Secretary such annual or special financial and operations reports as the Secretary may reasonably request and make such reports available to the public; make available to the public at reasonable times and places a report of the airport budget in a format prescribed by the Secretary;
- b. for airport development projects, make the airport and all airport records and documents affecting the airport, including deeds, leases, operation and use agreements, regulations and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request;
- c. for noise compatibility program projects, make records and documents relating to the project and continued compliance with the terms, conditions, and assurances of this grant agreement including deeds, leases, agreements, regulations, and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request; and

- d. in a format and time prescribed by the Secretary, provide to the Secretary and make available to the public following each of its fiscal years, an annual report listing in detail:
 - 1) all amounts paid by the airport to any other unit of government and the purposes for which each such payment was made; and
 - 2) all services and property provided by the airport to other units of government and the amount of compensation received for provision of each such service and property.

27. Use by Government Aircraft.

It will make available all of the facilities of the airport developed with Federal financial assistance and all those usable for landing and takeoff of aircraft to the United States for use by Government aircraft in common with other aircraft at all times without charge, except, if the use by Government aircraft is substantial, charge may be made for a reasonable share, proportional to such use, for the cost of operating and maintaining the facilities used. Unless otherwise determined by the Secretary, or otherwise agreed to by the sponsor and the using agency, substantial use of an airport by Government aircraft will be considered to exist when operations of such aircraft are in excess of those which, in the opinion of the Secretary, would unduly interfere with use of the landing areas by other authorized aircraft, or during any calendar month that –

- a. Five (5) or more Government aircraft are regularly based at the airport or on land adjacent thereto; or
- b. The total number of movements (counting each landing as a movement) of Government aircraft is 300 or more, or the gross accumulative weight of Government aircraft using the airport (the total movement of Government aircraft multiplied by gross weights of such aircraft) is in excess of five million pounds.

28. Land for Federal Facilities.

It will furnish without cost to the Federal Government for use in connection with any air traffic control or air navigation activities, or weather-reporting and communication activities related to air traffic control, any areas of land or water, or estate therein, or rights in buildings of the sponsor as the Secretary considers necessary or desirable for construction, operation, and maintenance at Federal expense of space or facilities for such purposes. Such areas or any portion thereof will be made available as provided herein within four months after receipt of a written request from the Secretary.

29. Airport Layout Plan.

- a. It will keep up to date at all times an airport layout plan of the airport showing
 - 1) boundaries of the airport and all proposed additions thereto, together with the boundaries of all offsite areas owned or controlled by the sponsor for airport purposes and proposed additions thereto;
 - 2) the location and nature of all existing and proposed airport facilities and structures (such as runways, taxiways, aprons, terminal buildings, hangars and

roads), including all proposed extensions and reductions of existing airport facilities;

- 3) the location of all existing and proposed nonaviation areas and of all existing improvements thereon; and
 - 4) all proposed and existing access points used to taxi aircraft across the airport's property boundary. Such airport layout plans and each amendment, revision, or modification thereof, shall be subject to the approval of the Secretary which approval shall be evidenced by the signature of a duly authorized representative of the Secretary on the face of the airport layout plan. The sponsor will not make or permit any changes or alterations in the airport or any of its facilities which are not in conformity with the airport layout plan as approved by the Secretary and which might, in the opinion of the Secretary, adversely affect the safety, utility or efficiency of the airport.
- b. If a change or alteration in the airport or the facilities is made which the Secretary determines adversely affects the safety, utility, or efficiency of any federally owned, leased, or funded property on or off the airport and which is not in conformity with the airport layout plan as approved by the Secretary, the owner or operator will, if requested, by the Secretary (1) eliminate such adverse effect in a manner approved by the Secretary; or (2) bear all costs of relocating such property (or replacement thereof) to a site acceptable to the Secretary and all costs of restoring such property (or replacement thereof) to the level of safety, utility, efficiency, and cost of operation existing before the unapproved change in the airport or its facilities except in the case of a relocation or replacement of an existing airport facility due to a change in the Secretary's design standards beyond the control of the airport sponsor.

30. Civil Rights.

It will promptly take any measures necessary to ensure that no person in the United States shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in any activity conducted with, or benefiting from, funds received from this grant.

- a. Using the definitions of activity, facility and program as found and defined in §§ 21.23 (b) and 21.23 (e) of 49 CFR § 21, the sponsor will facilitate all programs, operate all facilities, or conduct all programs in compliance with all non-discrimination requirements imposed by, or pursuant to these assurances.
- b. Applicability
 - 1) Programs and Activities. If the sponsor has received a grant (or other federal assistance) for any of the sponsor's program or activities, these requirements extend to all of the sponsor's programs and activities.
 - 2) Facilities. Where it receives a grant or other federal financial assistance to construct, expand, renovate, remodel, alter or acquire a facility, or part of a facility, the assurance extends to the entire facility and facilities operated in connection therewith.

- 3) Real Property. Where the sponsor receives a grant or other Federal financial assistance in the form of, or for the acquisition of real property or an interest in real property, the assurance will extend to rights to space on, over, or under such property.

c. Duration.

The sponsor agrees that it is obligated to this assurance for the period during which Federal financial assistance is extended to the program, except where the Federal financial assistance is to provide, or is in the form of, personal property, or real property, or interest therein, or structures or improvements thereon, in which case the assurance obligates the sponsor, or any transferee for the longer of the following periods:

- 1) So long as the airport is used as an airport, or for another purpose involving the provision of similar services or benefits; or
- 2) So long as the sponsor retains ownership or possession of the property.

d. Required Solicitation Language. It will include the following notification in all solicitations for bids, Requests For Proposals for work, or material under this grant agreement and in all proposals for agreements, including airport concessions, regardless of funding source:

“The **(Name of Sponsor)**, in accordance with the provisions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252, 42 U.S.C. §§ 2000d to 2000d-4) and the Regulations, hereby notifies all bidders that it will affirmatively ensure that any contract entered into pursuant to this advertisement, disadvantaged business enterprises and airport concession disadvantaged business enterprises will be afforded full and fair opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, or national origin in consideration for an award.”

e. Required Contract Provisions.

- 1) It will insert the non-discrimination contract clauses requiring compliance with the acts and regulations relative to non-discrimination in Federally-assisted programs of the DOT, and incorporating the acts and regulations into the contracts by reference in every contract or agreement subject to the non-discrimination in Federally-assisted programs of the DOT acts and regulations.
- 2) It will include a list of the pertinent non-discrimination authorities in every contract that is subject to the non-discrimination acts and regulations.
- 3) It will insert non-discrimination contract clauses as a covenant running with the land, in any deed from the United States effecting or recording a transfer of real property, structures, use, or improvements thereon or interest therein to a sponsor.
- 4) It will insert non-discrimination contract clauses prohibiting discrimination on the basis of race, color, national origin, creed, sex, age, or handicap as a

covenant running with the land, in any future deeds, leases, license, permits, or similar instruments entered into by the sponsor with other parties:

- a) For the subsequent transfer of real property acquired or improved under the applicable activity, project, or program; and
 - b) For the construction or use of, or access to, space on, over, or under real property acquired or improved under the applicable activity, project, or program.
- f. It will provide for such methods of administration for the program as are found by the Secretary to give reasonable guarantee that it, other recipients, sub-recipients, sub-grantees, contractors, subcontractors, consultants, transferees, successors in interest, and other participants of Federal financial assistance under such program will comply with all requirements imposed or pursuant to the acts, the regulations, and this assurance.
- g. It agrees that the United States has a right to seek judicial enforcement with regard to any matter arising under the acts, the regulations, and this assurance.

31. Disposal of Land.

- a. For land purchased under a grant for airport noise compatibility purposes, including land serving as a noise buffer, it will dispose of the land, when the land is no longer needed for such purposes, at fair market value, at the earliest practicable time. That portion of the proceeds of such disposition which is proportionate to the United States' share of acquisition of such land will be, at the discretion of the Secretary, (1) reinvested in another project at the airport, or (2) transferred to another eligible airport as prescribed by the Secretary. The Secretary shall give preference to the following, in descending order, (1) reinvestment in an approved noise compatibility project, (2) reinvestment in an approved project that is eligible for grant funding under Section 47117(e) of title 49 United States Code, (3) reinvestment in an approved airport development project that is eligible for grant funding under Sections 47114, 47115, or 47117 of title 49 United States Code, (4) transferred to an eligible sponsor of another public airport to be reinvested in an approved noise compatibility project at that airport, and (5) paid to the Secretary for deposit in the Airport and Airway Trust Fund. If land acquired under a grant for noise compatibility purposes is leased at fair market value and consistent with noise buffering purposes, the lease will not be considered a disposal of the land. Revenues derived from such a lease may be used for an approved airport development project that would otherwise be eligible for grant funding or any permitted use of airport revenue.
- b. For land purchased under a grant for airport development purposes (other than noise compatibility), it will, when the land is no longer needed for airport purposes, dispose of such land at fair market value or make available to the Secretary an amount equal to the United States' proportionate share of the fair market value of the land. That portion of the proceeds of such disposition which is proportionate to the United States' share of the cost of acquisition of such land will, (1) upon application to the Secretary, be reinvested or transferred to another

eligible airport as prescribed by the Secretary. The Secretary shall give preference to the following, in descending order: (1) reinvestment in an approved noise compatibility project, (2) reinvestment in an approved project that is eligible for grant funding under Section 47117(e) of title 49 United States Code, (3) reinvestment in an approved airport development project that is eligible for grant funding under Sections 47114, 47115, or 47117 of title 49 United States Code, (4) transferred to an eligible sponsor of another public airport to be reinvested in an approved noise compatibility project at that airport, and (5) paid to the Secretary for deposit in the Airport and Airway Trust Fund.

- c. Land shall be considered to be needed for airport purposes under this assurance if (1) it may be needed for aeronautical purposes (including runway protection zones) or serve as noise buffer land, and (2) the revenue from interim uses of such land contributes to the financial self-sufficiency of the airport. Further, land purchased with a grant received by an airport operator or owner before December 31, 1987, will be considered to be needed for airport purposes if the Secretary or Federal agency making such grant before December 31, 1987, was notified by the operator or owner of the uses of such land, did not object to such use, and the land continues to be used for that purpose, such use having commenced no later than December 15, 1989.
- d. Disposition of such land under (a) (b) or (c) will be subject to the retention or reservation of any interest or right therein necessary to ensure that such land will only be used for purposes which are compatible with noise levels associated with operation of the airport.

32. Engineering and Design Services.

It will award each contract, or sub-contract for program management, construction management, planning studies, feasibility studies, architectural services, preliminary engineering, design, engineering, surveying, mapping or related services with respect to the project in the same manner as a contract for architectural and engineering services is negotiated under Title IX of the Federal Property and Administrative Services Act of 1949 or an equivalent qualifications-based requirement prescribed for or by the sponsor of the airport.

33. Foreign Market Restrictions.

It will not allow funds provided under this grant to be used to fund any project which uses any product or service of a foreign country during the period in which such foreign country is listed by the United States Trade Representative as denying fair and equitable market opportunities for products and suppliers of the United States in procurement and construction.

34. Policies, Standards, and Specifications.

It will carry out the project in accordance with policies, standards, and specifications approved by the Secretary including but not limited to the advisory circulars listed in the Current FAA Advisory Circulars for AIP projects, dated _____ (the latest approved version as of this grant offer) and included in this grant, and in accordance

with applicable state policies, standards, and specifications approved by the Secretary.

35. Relocation and Real Property Acquisition.

- a. It will be guided in acquiring real property, to the greatest extent practicable under State law, by the land acquisition policies in Subpart B of 49 CFR Part 24 and will pay or reimburse property owners for necessary expenses as specified in Subpart B.
- b. It will provide a relocation assistance program offering the services described in Subpart C and fair and reasonable relocation payments and assistance to displaced persons as required in Subpart D and E of 49 CFR Part 24.
- c. It will make available within a reasonable period of time prior to displacement, comparable replacement dwellings to displaced persons in accordance with Subpart E of 49 CFR Part 24.

36. Access By Intercity Buses.

The airport owner or operator will permit, to the maximum extent practicable, intercity buses or other modes of transportation to have access to the airport; however, it has no obligation to fund special facilities for intercity buses or for other modes of transportation.

37. Disadvantaged Business Enterprises.

The sponsor shall not discriminate on the basis of race, color, national origin or sex in the award and performance of any DOT-assisted contract covered by 49 CFR Part 26, or in the award and performance of any concession activity contract covered by 49 CFR Part 23. In addition, the sponsor shall not discriminate on the basis of race, color, national origin or sex in the administration of its DBE and ACDBE programs or the requirements of 49 CFR Parts 23 and 26. The sponsor shall take all necessary and reasonable steps under 49 CFR Parts 23 and 26 to ensure nondiscrimination in the award and administration of DOT-assisted contracts, and/or concession contracts. The sponsor's DBE and ACDBE programs, as required by 49 CFR Parts 26 and 23, and as approved by DOT, are incorporated by reference in this agreement. Implementation of these programs is a legal obligation and failure to carry out its terms shall be treated as a violation of this agreement. Upon notification to the sponsor of its failure to carry out its approved program, the Department may impose sanctions as provided for under Parts 26 and 23 and may, in appropriate cases, refer the matter for enforcement under 18 U.S.C. 1001 and/or the Program Fraud Civil Remedies Act of 1936 (31 U.S.C. 3801).

38. Hangar Construction.

If the airport owner or operator and a person who owns an aircraft agree that a hangar is to be constructed at the airport for the aircraft at the aircraft owner's expense, the airport owner or operator will grant to the aircraft owner for the hangar a long term lease that is subject to such terms and conditions on the hangar as the airport owner or operator may impose.

39. Competitive Access.

- a. If the airport owner or operator of a medium or large hub airport (as defined in section 47102 of title 49, U.S.C.) has been unable to accommodate one or more requests by an air carrier for access to gates or other facilities at that airport in order to allow the air carrier to provide service to the airport or to expand service at the airport, the airport owner or operator shall transmit a report to the Secretary that-
 - 1) Describes the requests;
 - 2) Provides an explanation as to why the requests could not be accommodated; and
 - 3) Provides a time frame within which, if any, the airport will be able to accommodate the requests.
- b. Such report shall be due on either February 1 or August 1 of each year if the airport has been unable to accommodate the request(s) in the six month period prior to the applicable due date.

29-GH2912\E
Nauman
2/17/16

CS FOR HOUSE BILL NO. 249()

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the motor fuel tax; relating to the duties of the commissioner of**
2 **revenue; relating to the disposition of revenue from the motor fuel tax; and providing**
3 **for an effective date."**

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

5 *** Section 1.** AS 29.60.800(a) is amended to read:

6 (a) There is established the harbor facility grant fund consisting of money
7 appropriated to the fund. Each fiscal year, the legislature may appropriate money to
8 the fund from the watercraft fuel tax fund [ACCOUNT] (AS 43.40.010(f)) and from
9 the fisheries business tax collected under AS 43.75.015 after payments to
10 municipalities are made under AS 43.75.130. The legislature may make other
11 appropriations to the fund. The legislature may appropriate to the fund income earned
12 on money in the fund.

13 *** Sec. 2.** AS 43.40.010(a) is amended to read:

14 (a) In addition to the surcharge levied under AS 43.40.005,

1 **(1) if the average price per barrel for Alaska North Slope crude oil**
2 **for sale on the United States West Coast during the previous calendar year is**
3 **more than \$85,** there is levied a tax of eight cents a gallon on all motor fuel sold or
4 otherwise transferred within the state, except that **the tax on**

5 **(A) [(1) THE TAX ON]** aviation gasoline is four and seven-
6 tenths cents a gallon;

7 **(B) [(2) THE TAX ON]** motor fuel used in and on watercraft of
8 all descriptions is five cents a gallon;

9 **(C) [(3) THE TAX ON]** all aviation fuel other than gasoline is
10 three and two-tenths cents a gallon; and

11 **(D) [(4) THE TAX RATE ON]** motor fuel that is blended with
12 alcohol is the same tax rate a gallon as other motor fuel; however, in an area
13 and during the months in which fuel containing alcohol is required to be sold,
14 transferred, or used in an effort to attain air quality standards for carbon
15 monoxide as required by federal or state law or regulation, the tax rate on
16 motor fuel that is blended with alcohol is six cents a gallon less than the tax on
17 other motor fuel not described in **(A) - (C) [(1) - (3)]** of this **paragraph; or**

18 **(2) if the average price per barrel for Alaska North Slope crude oil**
19 **for sale on the United States West Coast during the previous calendar year is less**
20 **than or equal to \$85, there is levied a tax of 16 cents a gallon on all motor fuel**
21 **sold or otherwise transferred within the state, except that the tax on**

22 **(A) aviation gasoline is 10 cents a gallon;**

23 **(B) motor fuel used in and on watercraft of all descriptions**
24 **is 10 cents a gallon;**

25 **(C) all aviation fuel other than gasoline is 10 cents a gallon;**
26 **and**

27 **(D) motor fuel that is blended with alcohol is the same tax**
28 **rate a gallon as other motor fuel; however, in an area and during the**
29 **months in which fuel containing alcohol is required to be sold,**
30 **transferred, or used in an effort to attain air quality standards for carbon**
31 **monoxide as required by federal or state law or regulation, the tax rate on**

1 motor fuel that is blended with alcohol is six cents a gallon less than the
2 tax on other motor fuel not described in (A) - (C) of this paragraph
3 [SUBSECTION].

4 * **Sec. 3.** AS 43.40.010(a), as amended by sec. 2 of this Act, is amended to read:

5 (a) In addition to the surcharge levied under AS 43.40.005, [(1) IF THE
6 AVERAGE PRICE PER BARREL FOR ALASKA NORTH SLOPE CRUDE OIL
7 FOR SALE ON THE UNITED STATES WEST COAST DURING THE PREVIOUS
8 CALENDAR YEAR IS MORE THAN \$85,] there is levied a tax of eight cents a
9 gallon on all motor fuel sold or otherwise transferred within the state, except that the
10 tax on

11 (1) [(A)] aviation gasoline is four and seven-tenths cents a gallon;

12 (2) [(B)] motor fuel used in and on watercraft of all descriptions is five
13 cents a gallon;

14 (3) [(C)] all aviation fuel other than gasoline is three and two-tenths
15 cents a gallon; and

16 (4) [(D)] motor fuel that is blended with alcohol is the same tax rate a
17 gallon as other motor fuel; however, in an area and during the months in which fuel
18 containing alcohol is required to be sold, transferred, or used in an effort to attain air
19 quality standards for carbon monoxide as required by federal or state law or
20 regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon
21 less than the tax on other motor fuel not described in (1) - (3) [(A) - (C)] of this
22 subsection [PARAGRAPH; OR

23 (2) IF THE AVERAGE PRICE PER BARREL FOR ALASKA
24 NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST
25 COAST DURING THE PREVIOUS CALENDAR YEAR IS LESS THAN OR
26 EQUAL TO \$85, THERE IS LEVIED A TAX OF 16 CENTS A GALLON ON ALL
27 MOTOR FUEL SOLD OR OTHERWISE TRANSFERRED WITHIN THE STATE,
28 EXCEPT THAT THE TAX ON

29 (A) AVIATION GASOLINE IS 10 CENTS A GALLON;

30 (B) MOTOR FUEL USED IN AND ON WATERCRAFT OF
31 ALL DESCRIPTIONS IS 10 CENTS A GALLON;

1 (C) ALL AVIATION FUEL OTHER THAN GASOLINE IS
2 10 CENTS A GALLON; AND

3 (D) MOTOR FUEL THAT IS BLENDED WITH ALCOHOL
4 IS THE SAME TAX RATE A GALLON AS OTHER MOTOR FUEL;
5 HOWEVER, IN AN AREA AND DURING THE MONTHS IN WHICH
6 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,
7 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY
8 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL
9 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL
10 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS
11 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (A) -
12 (C) OF THIS PARAGRAPH].

13 * **Sec. 4.** AS 43.40.010(b) is amended to read:

14 (b) In addition to the surcharge levied under AS 43.40.005,

15 **(1) if the average price per barrel for Alaska North Slope crude oil**
16 **for sale on the United States West Coast during the previous calendar year is**
17 **more than \$85,** there is levied a tax of eight cents a gallon on all motor fuel consumed
18 by a user, except that **the tax on**

19 **(A)** [(1) THE TAX ON] aviation gasoline consumed is four and
20 seven-tenths cents a gallon;

21 **(B)** [(2) THE TAX ON] motor fuel used in and on watercraft of
22 all descriptions is five cents a gallon;

23 **(C)** [(3) THE TAX ON] all aviation fuel other than gasoline is
24 three and two-tenths cents a gallon; and

25 **(D)** [(4) THE TAX RATE ON] motor fuel that is blended with
26 alcohol is the same tax rate a gallon as other motor fuel; however, in an area
27 and during the months in which fuel containing alcohol is required to be sold,
28 transferred, or used in an effort to attain air quality standards for carbon
29 monoxide as required by federal or state law or regulation, the tax rate on
30 motor fuel that is blended with alcohol is six cents a gallon less than the tax on
31 other motor fuel not described in **(A) - (C)** [(1) - (3)] of this **paragraph; or**

1 (2) if the average price per barrel for Alaska North Slope crude oil
 2 for sale on the United States West Coast during the previous calendar year is less
 3 than or equal to \$85, there is levied a tax of 16 cents a gallon on all motor fuel
 4 sold or otherwise transferred within the state, except that the tax on

5 (A) aviation gasoline consumed is 10 cents a gallon;

6 (B) motor fuel used in and on watercraft of all descriptions
 7 is 10 cents a gallon;

8 (C) all aviation fuel other than gasoline is 10 cents a gallon;

9 and

10 (D) motor fuel that is blended with alcohol is the same tax
 11 rate a gallon as other motor fuel; however, in an area and during the
 12 months in which fuel containing alcohol is required to be sold,
 13 transferred, or used in an effort to attain air quality standards for carbon
 14 monoxide as required by federal or state law or regulation, the tax rate on
 15 motor fuel that is blended with alcohol is six cents a gallon less than the
 16 tax on other motor fuel not described in (A) - (C) of this paragraph
 17 [SUBSECTION].

18 * **Sec. 5.** AS 43.40.010(b), as amended by sec. 4 of this Act, is amended to read:

19 (b) In addition to the surcharge levied under AS 43.40.005, [(1) IF THE
 20 AVERAGE PRICE PER BARREL FOR ALASKA NORTH SLOPE CRUDE OIL
 21 FOR SALE ON THE UNITED STATES WEST COAST DURING THE PREVIOUS
 22 CALENDAR YEAR IS MORE THAN \$85,] there is levied a tax of eight cents a
 23 gallon on all motor fuel consumed by a user, except that the tax on

24 (1) [(A)] aviation gasoline consumed is four and seven-tenths cents a
 25 gallon;

26 (2) [(B)] motor fuel used in and on watercraft of all descriptions is five
 27 cents a gallon;

28 (3) [(C)] all aviation fuel other than gasoline is three and two-tenths
 29 cents a gallon; and

30 (4) [(D)] motor fuel that is blended with alcohol is the same tax rate a
 31 gallon as other motor fuel; however, in an area and during the months in which fuel

1 containing alcohol is required to be sold, transferred, or used in an effort to attain air
2 quality standards for carbon monoxide as required by federal or state law or
3 regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon
4 less than the tax on other motor fuel not described in (1) - (3) [(A) - (C)] of this
5 subsection [PARAGRAPH; OR

6 (2) IF THE AVERAGE PRICE PER BARREL FOR ALASKA
7 NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST
8 COAST DURING THE PREVIOUS CALENDAR YEAR IS LESS THAN OR
9 EQUAL TO \$85, THERE IS LEVIED A TAX OF 16 CENTS A GALLON ON ALL
10 MOTOR FUEL SOLD OR OTHERWISE TRANSFERRED WITHIN THE STATE,
11 EXCEPT THAT THE TAX ON

12 (A) AVIATION GASOLINE CONSUMED IS 10 CENTS A
13 GALLON;

14 (B) MOTOR FUEL USED IN AND ON WATERCRAFT OF
15 ALL DESCRIPTIONS IS 10 CENTS A GALLON;

16 (C) ALL AVIATION FUEL OTHER THAN GASOLINE IS
17 10 CENTS A GALLON; AND

18 (D) MOTOR FUEL THAT IS BLENDED WITH ALCOHOL
19 IS THE SAME TAX RATE A GALLON AS OTHER MOTOR FUEL;
20 HOWEVER, IN AN AREA AND DURING THE MONTHS IN WHICH
21 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,
22 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY
23 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL
24 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL
25 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS
26 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1)(A)
27 - (C) OF THIS SUBSECTION].

28 * **Sec. 6.** AS 43.40.010(e) is amended to read:

29 (e) Sixty percent of the proceeds of the revenue from the motor fuel taxes on
30 aviation fuel, excluding the amount determined to have been spent by the state in its
31 collection, shall be refunded to a municipality owning and operating or leasing and

1 operating an airport in the proportion that the revenue was collected at the municipal
2 airport. All other proceeds of the motor fuel taxes on aviation fuel shall be paid into a
3 special aviation fuel tax fund [ACCOUNT] in the state general fund. The legislature
4 may appropriate funds from this fund [ACCOUNT] for direct capital, [OR] operating,
5 or maintenance costs of airport infrastructure [AIRPORTS].

6 * **Sec. 7.** AS 43.40.010(f) is amended to read:

7 (f) The proceeds from the revenue from the tax on motor fuel used in boats
8 and watercraft of all descriptions shall be deposited in a special watercraft fuel tax
9 fund [ACCOUNT] in the general fund. The legislature may appropriate from this
10 fund [ACCOUNT] for direct capital, operating, or maintenance costs of water and
11 harbor infrastructure [FACILITIES].

12 * **Sec. 8.** AS 43.40.010(g) is amended to read:

13 (g) The proceeds of the revenue from the tax on all motor fuels, except as
14 provided in (e), (f), and (j) of this section, shall be deposited in a special highway fuel
15 tax fund [ACCOUNT] in the state general fund. The legislature may appropriate funds
16 from the fund [IT] for expenditure by the Department of Transportation and Public
17 Facilities directly or as matched with available federal-aid highway money for direct
18 capital, operating, or maintenance costs of highways and highway infrastructure,
19 construction of highway projects and ferries included in the program provided for in
20 AS 19.10.150, including approaches, appurtenances and related facilities and
21 acquisition of rights-of-way or easements, or surveys [AND OTHER HIGHWAY
22 COSTS INCLUDING SURVEYS, ADMINISTRATION, AND RELATED
23 MATTERS]. All departments of the state government authorized to spend funds
24 collected from taxes imposed by this chapter shall perform, when feasible, all
25 construction or reconstruction projects by contract after the projects have been
26 advertised for competitive bids, except that, when feasible, arrangements shall be
27 made with political subdivisions to carry out the construction or reconstruction
28 projects. If it is not feasible for the work to be performed by state engineering forces,
29 the commissioner of transportation and public facilities may contract on a professional
30 basis with private engineering firms for road design, bridge design, and services in
31 connection with surveys. If more than one private engineering firm is available for the

1 work the contracts shall be entered into on a negotiated basis.

2 * **Sec. 9.** AS 43.40.010(h) is amended to read:

3 (h) All motor fuel tax receipts shall be paid into the general fund and
4 distributed to the proper **funds** [ACCOUNTS] in the general fund. Valid motor fuel
5 tax refund claims shall be paid from the highway fuel tax **fund** [ACCOUNT] in the
6 general fund.

7 * **Sec. 10.** AS 43.40.010(j) is amended to read:

8 (j) The proceeds from the tax on motor fuel used in snow vehicles and, unless
9 a tax refund is applied for under AS 43.40.050(a), other internal combustion engines
10 not used in or in conjunction with a motor vehicle licensed to be operated on public
11 ways shall be deposited in a special nonpublic highway use **fund** [ACCOUNT] in the
12 general fund. The legislature may appropriate from this **fund** [ACCOUNT] to the
13 Department of Transportation and Public Facilities for trail staking and shelter **direct**
14 **capital, operating, or** [CONSTRUCTION AND] maintenance **costs**.

15 * **Sec. 11.** AS 43.40.010 is amended by adding new subsections to read:

16 (m) The following motor fuel is exempt from taxation under this section:

17 (1) fuel consigned to foreign countries;

18 (2) fuel sold for use in jet propulsion aircraft operating in flights

19 (A) to foreign countries; or

20 (B) that continue from foreign countries, unless exemption of

21 the motor fuel from taxation is disallowed because of the refiner's failure to
22 comply with the provisions of a voluntary agreement under AS 43.40.092 in
23 conjunction with expansion of refinery capacity;

24 (3) fuel used in stationary power plants operating as public utility
25 plants and generating electrical energy for sale to the general public;

26 (4) fuel used by nonprofit power associations or corporations for
27 generating electric energy for resale;

28 (5) fuel used by charitable institutions;

29 (6) fuel sold or transferred between qualified dealers;

30 (7) fuel sold to federal, state, and local government agencies for

31 official use;

1 (8) fuel used in stationary power plants that generate electrical energy
2 for private residential consumption;

3 (9) fuel used to heat private or commercial buildings or facilities;

4 (10) fuel used for other nontaxable purposes as prescribed by
5 regulations adopted by the department;

6 (11) fuel used in stationary power plants of 100 kilowatts or less that
7 generate electrical power for commercial enterprises not for resale;

8 (12) residual fuel oil used in and on watercraft if the residual fuel oil is
9 sold or transferred in the state or consumed by a user; in this paragraph, "residual fuel
10 oil" means the heavy refined hydrocarbon known as number 6 fuel oil that is the
11 residue from crude oil after refined petroleum products have been extracted by the
12 refining process and that may be consumed or used only when sufficient heat is
13 provided to the oil to reduce its viscosity rated by kinetic unit and to give it fluid
14 properties sufficient for pumping and combustion;

15 (13) fuel used in an emergency vehicle, as defined in AS 11.56.825; or

16 (14) fuel used for student transportation services for which a school
17 district receives funding under AS 14.09.010.

18 (n) If revenue from the motor fuel tax is expended or appropriated for a
19 purpose other than a purpose described in (e) - (g) or (j) of this section, the
20 commissioner shall give public notice within 10 days after the expenditure or
21 appropriation.

22 * **Sec. 12.** AS 43.40.015(c) is amended to read:

23 (c) A certificate of use obtained under this section must be renewed annually
24 for exemptions listed under AS 43.40.010(m) [AS 43.40.100(2)].

25 * **Sec. 13.** AS 43.40.015(d) is amended to read:

26 (d) A certificate of use is not required under this section

27 (1) for fuel exempted under AS 43.40.010(m)(3) or (10)
28 [AS 43.40.100(2)(C) OR (J)]; and

29 (2) for fuel exempted under AS 43.40.010(m)(9) [AS 43.40.100(2)(I)]
30 other than fuel sold or transferred under this exemption to a person who is engaged in
31 construction or mining activity.

1 * **Sec. 14.** AS 43.40.030(a) is amended to read:

2 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
3 operate an internal combustion engine is entitled to a motor fuel tax refund of six cents
4 a gallon if the tax was paid under AS 43.40.010(a)(1) or (b)(1) or 12 cents a gallon
5 if the tax was paid under AS 43.40.010(a)(2) or (b)(2), and if

6 (1) the tax on the motor fuel has been paid;

7 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
8 watercraft; and

9 (3) the internal combustion engine is not used in or in conjunction with
10 a motor vehicle licensed to be operated on public ways.

11 * **Sec. 15.** AS 43.40.030(a), as amended by sec. 14 of this Act, is amended to read:

12 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
13 operate an internal combustion engine is entitled to a motor fuel tax refund of six cents
14 a gallon [IF THE TAX WAS PAID UNDER AS 43.40.010(a)(1) OR (b)(1) OR 12
15 CENTS A GALLON IF THE TAX WAS PAID UNDER AS 43.40.010(a)(2) OR
16 (b)(2), AND] if

17 (1) the tax on the motor fuel has been paid;

18 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
19 watercraft; and

20 (3) the internal combustion engine is not used in or in conjunction with
21 a motor vehicle licensed to be operated on public ways.

22 * **Sec. 16.** AS 43.40.070(a) is amended to read:

23 (a) Upon approval of a refund claim of the motor fuel tax by the department, a
24 disbursement shall be made from the highway fuel tax **fund** [ACCOUNT] in the
25 general fund in favor of the applicant in the amount of the claim.

26 * **Sec. 17.** AS 43.40.100(2) is amended to read:

27 (2) "motor fuel" means fuel used in an engine for the propulsion of a
28 motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a
29 stationary engine, machine, or mechanical contrivance that is run by an internal
30 combustion motor; ["MOTOR FUEL" DOES NOT INCLUDE

31 (A) FUEL CONSIGNED TO FOREIGN COUNTRIES;

1 (B) FUEL SOLD FOR USE IN JET PROPULSION
2 AIRCRAFT OPERATING IN FLIGHTS

3 (i) TO FOREIGN COUNTRIES; OR

4 (ii) THAT CONTINUE FROM FOREIGN
5 COUNTRIES, UNLESS EXEMPTION OF THE MOTOR FUEL
6 FROM TAXATION IS DISALLOWED BECAUSE OF THE
7 REFINER'S FAILURE TO COMPLY WITH THE PROVISIONS OF
8 A VOLUNTARY AGREEMENT UNDER AS 43.40.092 IN
9 CONJUNCTION WITH EXPANSION OF REFINERY CAPACITY;

10 (C) FUEL USED IN STATIONARY POWER PLANTS
11 OPERATING AS PUBLIC UTILITY PLANTS AND GENERATING
12 ELECTRICAL ENERGY FOR SALE TO THE GENERAL PUBLIC;

13 (D) FUEL USED BY NONPROFIT POWER
14 ASSOCIATIONS OR CORPORATIONS FOR GENERATING ELECTRIC
15 ENERGY FOR RESALE;

16 (E) FUEL USED BY CHARITABLE INSTITUTIONS;

17 (F) FUEL SOLD OR TRANSFERRED BETWEEN
18 QUALIFIED DEALERS;

19 (G) FUEL SOLD TO FEDERAL, STATE, AND LOCAL
20 GOVERNMENT AGENCIES FOR OFFICIAL USE;

21 (H) FUEL USED IN STATIONARY POWER PLANTS
22 THAT GENERATE ELECTRICAL ENERGY FOR PRIVATE
23 RESIDENTIAL CONSUMPTION;

24 (I) FUEL USED TO HEAT PRIVATE OR COMMERCIAL
25 BUILDINGS OR FACILITIES;

26 (J) FUEL USED FOR OTHER NONTAXABLE PURPOSES
27 AS PRESCRIBED BY REGULATIONS ADOPTED BY THE
28 DEPARTMENT;

29 (K) FUEL USED IN STATIONARY POWER PLANTS OF
30 100 KILOWATTS OR LESS THAT GENERATE ELECTRICAL POWER
31 FOR COMMERCIAL ENTERPRISES NOT FOR RESALE; OR

1 (L) RESIDUAL FUEL OIL USED IN AND ON
2 WATERCRAFT IF THE RESIDUAL FUEL OIL IS SOLD OR
3 TRANSFERRED IN THE STATE OR CONSUMED BY A USER; FOR
4 PURPOSES OF THIS SUBPARAGRAPH, "RESIDUAL FUEL OIL"
5 MEANS THE HEAVY REFINED HYDROCARBON KNOWN AS
6 NUMBER 6 FUEL OIL THAT IS THE RESIDUE FROM CRUDE OIL
7 AFTER REFINED PETROLEUM PRODUCTS HAVE BEEN EXTRACTED
8 BY THE REFINING PROCESS AND THAT MAY BE CONSUMED OR
9 USED ONLY WHEN SUFFICIENT HEAT IS PROVIDED TO THE OIL TO
10 REDUCE ITS VISCOSITY RATED BY KINETIC UNIT AND TO GIVE IT
11 FLUID PROPERTIES SUFFICIENT FOR PUMPING AND
12 COMBUSTION;]

13 * **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 APPLICABILITY. AS 43.40.030(a), as amended by sec. 15 of this Act, applies to a
16 motor fuel tax refund on motor fuel used, transferred, or sold on or after the effective date of
17 sec. 15 of this Act.

18 * **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to
19 read:

20 TRANSITIONAL PROVISION: REGULATIONS. The Department of Revenue may
21 adopt regulations necessary to implement the changes made by this Act. The regulations take
22 effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
23 law implemented by the regulation.

24 * **Sec. 20.** Section 19 of this Act takes effect immediately under AS 01.10.070(c).

25 * **Sec. 21.** Sections 3, 5, and 15 of this Act take effect July 1, 2018.

26 * **Sec. 22.** Except as provided in secs. 20 and 21 of this Act, this Act takes effect July 1,
27 2016.

REPRESENTATIVE
SHELLEY HUGHES

Transportation
Co-Chair
Labor and Commerce
Vice Chair
Unmanned Aircraft Systems Legislative Task Force
Co-Chair
Military & Veterans' Affairs Committee
Community & Regional Affairs Committee
Transportation Finance Subcommittee
Corrections Finance Subcommittee
Fish & Game Subcommittee

ALASKA STATE LEGISLATURE



HOUSE OF REPRESENTATIVES District 11 – Greater Palmer

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CS HB 249 Motor Fuel Tax Version E

Section Analysis

Section	Action	Comments
Removed the old Section 1 (43.05.220) and 2 (43.05.222)	Removed the electronic submission of the tax return and report with the department of revenue	
Section 1 Page 1, Line 8	Changing the word "Account" to "Fund"	This is done throughout the bill whenever addressing the specific fuel tax funds.
Section 2 Page 2	Line 1: Trigger figure has been added. If the average price per barrel of oil in the previous calendar year is more than \$85, the tax returns to current amount of 8 cents per gallon for dealers Line 18: Tax as proposed by the bill sponsor	
Section 3 Page 3	Sunset of Section 2	
Section 4 Page 4, Line 15 Page 5, Line 1	Trigger figure has been added. If the average price per barrel of oil in the previous calendar year is more than \$85, the tax returns to current amount of 8 cents per gallon for consumers Tax as proposed by the bill sponsor	
Section 5 Page 5	Sunset of Section 4	

Sections 6, 7, 8, 9, 10,	<p>Tightens and aligns the language of these sections: Replaces the word "Account" with "Fund"</p> <p>Adds "direct capital, operating, or maintenance costs"</p> <p>Specifies "infrastructure" for airport, marine, and highway</p>	By including the word "direct" we are eliminating the possibility of these funds being utilized for administrative purposes.
Sections 11, 12, 13	<p>Page 9, Line 15 adds two new fuel tax exemptions: (13) fuel used in an emergency vehicle as defined in AS 11.56.825</p> <p>(14) fuel used for student transportation services for which a school or district receives funding under AS 14.09.010</p>	
Section 14 Page 10	Refund rate for "off road use" as proposed by the bill sponsor	
Section 15 Page 10, Line 10	Sunset Section 14	
Section 16 Page 10	Replace the word "Account" with "Fund"	
Section 17 Page 10	Moves the exemptions from the motor fuel tax out of the definition of "motor fuel," appearing at AS 43.10.100(2) and into the body of the motor fuel tax law. The 2015 Manual of Legislative Drafting states "substantive provisions of law must not be hidden in definitions." The current motor fuel tax exemptions are in direct violation of that rule.	
Section 18 Page 12	Applicability	
Section 19 Page 12	Transitional language allowing for regulations to implement the changes	
Section 20 Page 12	Immediate effective date of Section 19	
Section 21 Page 12	Effective date of July 1, 2018 for Sections 3, 5, and 15	
Section 22 Page 12	Effective date of July 1, 2016 for the bill except Sections 20 and 21	

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE STUTES

TO: CSHB 249(), Draft Version "E"

1 Page 2, line 23:

2 Delete "of all descriptions"

3 Insert "operating for

4 (i) the purpose of commercial fishing is five cents a
5 gallon; in this sub-subparagraph, "commercial fishing" has the
6 meaning given in AS 16.05.940;

7 (ii) a purpose other than the purpose described in (i)
8 of this subparagraph"

9

10 Page 3, lines 30 - 31:

11 Delete "OF ALL DESCRIPTIONS"

12 Insert "OPERATING FOR

13 (i) THE PURPOSE OF COMMERCIAL FISHING IS
14 FIVE CENTS A GALLON; IN THIS SUB-SUBPARAGRAPH,
15 "COMMERCIAL FISHING" HAS THE MEANING GIVEN IN
16 AS 16.05.940;

17 (ii) A PURPOSE OTHER THAN THE PURPOSE
18 DESCRIBED IN (i) OF THIS SUBPARAGRAPH"

19

20 Page 5, line 6:

21 Delete "of all descriptions"

22 Insert "operating for

23 (i) the purpose of commercial fishing is five cents a

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HUGHES

TO: CSHB 249(), Draft Version "E"

- 1 Page 9, line 15:
- 2 Delete "emergency vehicle, as defined in AS 11.56.825"
- 3 Insert "aircraft, watercraft, or ground transportation vehicle operated by an entity that
- 4 provides an emergency or ambulance service"



Statement of the Cargo Airline Association Fuel Tax Bill (HB 249)

The Cargo Airline Association is the nationwide trade organization representing the interests of United States all-cargo air carriers.¹ On behalf of our members, we appreciate the opportunity to submit a statement on the proposed Fuel Tax Bill (HB 249) before the Alaska House Transportation Committee. As detailed below, all-cargo airlines depend on the State of Alaska as a critical piece of our international cargo network. Our members have made significant investments in the state. And, as we continue to grow our operations in Alaska we cannot support a bill that proposes to triple our tax burden. Therefore, the Cargo Airline Association opposes HB 249.

CARGO AIRLINE ASSOCIATION

The State of Alaska plays a vital role in the movement of cargo throughout our global network. Our members have consistently had good working relationships with the State of Alaska and the airports throughout the region. All-cargo airlines have made significant investments in Alaska, including moving hub operations to Anchorage. Additionally, one of our members has testified to employing over 1,110 people in Alaska, including 489 pilots who are domiciled there. The city of Anchorage is an especially important gateway to the Asia-Pacific region and service to the area will only continue to grow as international cargo operations expands. Our dependence on this vital region and long-standing relationships here has allowed our members to bring products into and out of even the most remote regions in the state.

1620 L Street NW
Suite 610
Washington, DC 20036
Tel 202 293 1030
Fax 202 293 4377
www.cargoair.org

We are concerned that bill HB 249 as proposed would negatively impact the service our members provide to Alaska. Tripling the aviation fuel tax to \$0.10 per gallon would move Alaska to within the top 20 of the most burdensome aviation-related tax states. The Cargo Airline Association certainly appreciates the need for the legislatures to continue to invest in the infrastructure in Alaska, but we feel that this goal can be accomplished through the taxes and fees we currently pay. We respectfully request that the House reject HB249.

Thank you for the opportunity to provide our comments.

Respectfully submitted,

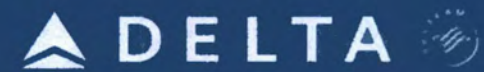
Stephen A. Alterman
President

February 25, 2016

¹ Airline members are: ABX Air, Atlas Air, Inc., FedEx Express, Kalitta Air and UPS Airlines.

Delta in Alaska

Dana Debel, Director of Government Affairs



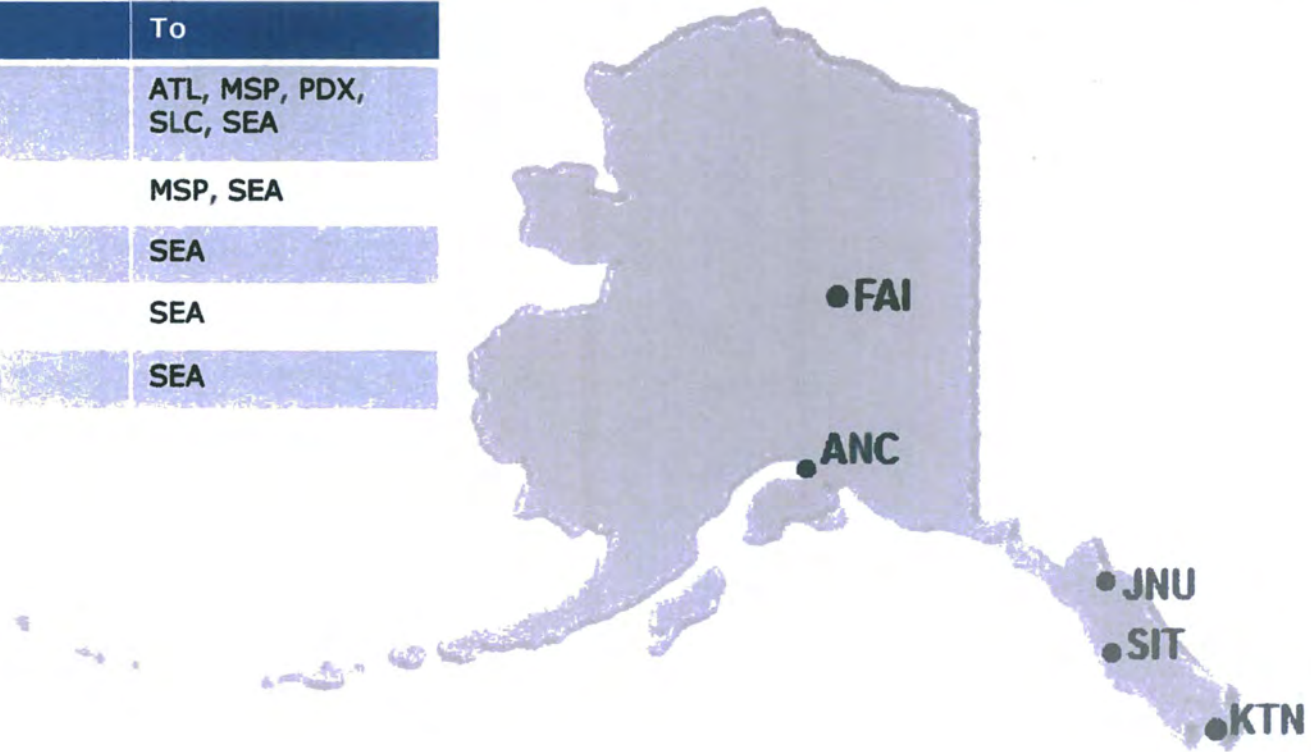
Delta Air Lines in Alaska

- 19 flights per day in and out of Alaska
- \$19.1 Million in annual spend in Alaska on goods and services, not including payroll
- Total employment = 161
 - JNU - 42
 - FAI - 35
 - KTN - 8
 - SIT - 15
 - ANC - 61
- \$1.4 Million in annual landing fees in Alaska

Delta Service in Alaska

DL Serves 5 stations in Alaska

From	To
ANC	ATL, MSP, PDX, SLC, SEA
FAI	MSP, SEA
JNU	SEA
KTN	SEA
SIT	SEA



Impact of the 312% fuel tax increase

- Greater barrier to entry, which leads to limited competition
- Under this proposal, commercial airports and passengers will be subsidizing private aviation and airports they don't use
- Landing fees, rental rates and concession fees are the better way to pay improvements and operations at commercial airports
- Delta wants to serve Alaska as economically and efficiently as possible

29-GH2912\N
Nauman
2/24/16

CS FOR HOUSE BILL NO. 249(TRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE HOUSE TRANSPORTATION COMMITTEE

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the motor fuel tax; relating to the duties of the commissioner of
2 revenue; relating to the disposition of revenue from the motor fuel tax; and providing
3 for an effective date."

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

5 * **Section 1.** AS 29.60.800(a) is amended to read:

6 (a) There is established the harbor facility grant fund consisting of money
7 appropriated to the fund. Each fiscal year, the legislature may appropriate money to
8 the fund from the watercraft fuel tax **fund** [ACCOUNT] (AS 43.40.010(f)) and from
9 the fisheries business tax collected under AS 43.75.015 after payments to
10 municipalities are made under AS 43.75.130. The legislature may make other
11 appropriations to the fund. The legislature may appropriate to the fund income earned
12 on money in the fund.

13 * **Sec. 2.** AS 43.40.010(a) is amended to read:

14 (a) In addition to the surcharge levied under AS 43.40.005,

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(1) if the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the previous calendar year is more than \$85, there is levied a tax of eight cents a gallon on all motor fuel sold or otherwise transferred within the state, except that **the tax on**

(A) [(1) THE TAX ON] aviation gasoline is four and seven-tenths cents a gallon;

(B) [(2) THE TAX ON] motor fuel used in and on watercraft of all descriptions is five cents a gallon;

(C) [(3) THE TAX ON] all aviation fuel other than gasoline is three and two-tenths cents a gallon; and

(D) [(4) THE TAX RATE ON] motor fuel that is blended with alcohol is the same tax rate a gallon as other motor fuel; however, in an area and during the months in which fuel containing alcohol is required to be sold, transferred, or used in an effort to attain air quality standards for carbon monoxide as required by federal or state law or regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon less than the tax on other motor fuel not described in **(A) - (C) [(1) - (3)]** of this **paragraph; or**

(2) if the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the previous calendar year is less than or equal to \$85, there is levied a tax of 16 cents a gallon on all motor fuel sold or otherwise transferred within the state, except that **the tax on**

(A) aviation gasoline is 10 cents a gallon;

(B) motor fuel used in and on watercraft of all descriptions is 10 cents a gallon;

(C) all aviation fuel other than gasoline is 10 cents a gallon;

and

(D) motor fuel that is blended with alcohol is the same tax rate a gallon as other motor fuel; however, in an area and during the months in which fuel containing alcohol is required to be sold, transferred, or used in an effort to attain air quality standards for carbon monoxide as required by federal or state law or regulation, the tax rate on

1 motor fuel that is blended with alcohol is six cents a gallon less than the
2 tax on other motor fuel not described in (A) - (C) of this paragraph
3 [SUBSECTION].

4 * **Sec. 3.** AS 43.40.010(a), as amended by sec. 2 of this Act, is amended to read:

5 (a) In addition to the surcharge levied under AS 43.40.005, [(1) IF THE
6 AVERAGE PRICE PER BARREL FOR ALASKA NORTH SLOPE CRUDE OIL
7 FOR SALE ON THE UNITED STATES WEST COAST DURING THE PREVIOUS
8 CALENDAR YEAR IS MORE THAN \$85,] there is levied a tax of eight cents a
9 gallon on all motor fuel sold or otherwise transferred within the state, except that the
10 tax on

11 (1) [(A)] aviation gasoline is four and seven-tenths cents a gallon;

12 (2) [(B)] motor fuel used in and on watercraft of all descriptions is five
13 cents a gallon;

14 (3) [(C)] all aviation fuel other than gasoline is three and two-tenths
15 cents a gallon; and

16 (4) [(D)] motor fuel that is blended with alcohol is the same tax rate a
17 gallon as other motor fuel; however, in an area and during the months in which fuel
18 containing alcohol is required to be sold, transferred, or used in an effort to attain air
19 quality standards for carbon monoxide as required by federal or state law or
20 regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon
21 less than the tax on other motor fuel not described in (1) - (3) [(A) - (C)] of this
22 subsection [PARAGRAPH; OR

23 (2) IF THE AVERAGE PRICE PER BARREL FOR ALASKA
24 NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST
25 COAST DURING THE PREVIOUS CALENDAR YEAR IS LESS THAN OR
26 EQUAL TO \$85, THERE IS LEVIED A TAX OF 16 CENTS A GALLON ON ALL
27 MOTOR FUEL SOLD OR OTHERWISE TRANSFERRED WITHIN THE STATE,
28 EXCEPT THAT THE TAX ON

29 (A) AVIATION GASOLINE IS 10 CENTS A GALLON;

30 (B) MOTOR FUEL USED IN AND ON WATERCRAFT OF
31 ALL DESCRIPTIONS IS 10 CENTS A GALLON;

1 (C) ALL AVIATION FUEL OTHER THAN GASOLINE IS
2 10 CENTS A GALLON; AND

3 (D) MOTOR FUEL THAT IS BLENDED WITH ALCOHOL
4 IS THE SAME TAX RATE A GALLON AS OTHER MOTOR FUEL;
5 HOWEVER, IN AN AREA AND DURING THE MONTHS IN WHICH
6 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,
7 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY
8 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL
9 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL
10 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS
11 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (A) -
12 (C) OF THIS PARAGRAPH].

13 * **Sec. 4.** AS 43.40.010(b) is amended to read:

14 (b) In addition to the surcharge levied under AS 43.40.005,

15 **(1) if the average price per barrel for Alaska North Slope crude oil**
16 **for sale on the United States West Coast during the previous calendar year is**
17 **more than \$85,** there is levied a tax of eight cents a gallon on all motor fuel consumed
18 by a user, except that **the tax on**

19 **(A)** [(1) THE TAX ON] aviation gasoline consumed is four and
20 seven-tenths cents a gallon;

21 **(B)** [(2) THE TAX ON] motor fuel used in and on watercraft of
22 all descriptions is five cents a gallon;

23 **(C)** [(3) THE TAX ON] all aviation fuel other than gasoline is
24 three and two-tenths cents a gallon; and

25 **(D)** [(4) THE TAX RATE ON] motor fuel that is blended with
26 alcohol is the same tax rate a gallon as other motor fuel; however, in an area
27 and during the months in which fuel containing alcohol is required to be sold,
28 transferred, or used in an effort to attain air quality standards for carbon
29 monoxide as required by federal or state law or regulation, the tax rate on
30 motor fuel that is blended with alcohol is six cents a gallon less than the tax on
31 other motor fuel not described in **(A) - (C)** [(1) - (3)] of this **paragraph; or**

1 (2) if the average price per barrel for Alaska North Slope crude oil
2 for sale on the United States West Coast during the previous calendar year is less
3 than or equal to \$85, there is levied a tax of 16 cents a gallon on all motor fuel
4 sold or otherwise transferred within the state, except that the tax on

5 (A) aviation gasoline consumed is 10 cents a gallon;

6 (B) motor fuel used in and on watercraft of all descriptions
7 is 10 cents a gallon;

8 (C) all aviation fuel other than gasoline is 10 cents a gallon;

9 and

10 (D) motor fuel that is blended with alcohol is the same tax
11 rate a gallon as other motor fuel; however, in an area and during the
12 months in which fuel containing alcohol is required to be sold,
13 transferred, or used in an effort to attain air quality standards for carbon
14 monoxide as required by federal or state law or regulation, the tax rate on
15 motor fuel that is blended with alcohol is six cents a gallon less than the
16 tax on other motor fuel not described in (A) - (C) of this paragraph
17 [SUBSECTION].

18 * **Sec. 5.** AS 43.40.010(b), as amended by sec. 4 of this Act, is amended to read:

19 (b) In addition to the surcharge levied under AS 43.40.005, [(1) IF THE
20 AVERAGE PRICE PER BARREL FOR ALASKA NORTH SLOPE CRUDE OIL
21 FOR SALE ON THE UNITED STATES WEST COAST DURING THE PREVIOUS
22 CALENDAR YEAR IS MORE THAN \$85,] there is levied a tax of eight cents a
23 gallon on all motor fuel consumed by a user, except that the tax on

24 (1) [(A)] aviation gasoline consumed is four and seven-tenths cents a
25 gallon;

26 (2) [(B)] motor fuel used in and on watercraft of all descriptions is five
27 cents a gallon;

28 (3) [(C)] all aviation fuel other than gasoline is three and two-tenths
29 cents a gallon; and

30 (4) [(D)] motor fuel that is blended with alcohol is the same tax rate a
31 gallon as other motor fuel; however, in an area and during the months in which fuel

1 containing alcohol is required to be sold, transferred, or used in an effort to attain air
2 quality standards for carbon monoxide as required by federal or state law or
3 regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon
4 less than the tax on other motor fuel not described in (1) - (3) [(A) - (C)] of this
5 subsection [PARAGRAPH; OR

6 (2) IF THE AVERAGE PRICE PER BARREL FOR ALASKA
7 NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST
8 COAST DURING THE PREVIOUS CALENDAR YEAR IS LESS THAN OR
9 EQUAL TO \$85, THERE IS LEVIED A TAX OF 16 CENTS A GALLON ON ALL
10 MOTOR FUEL SOLD OR OTHERWISE TRANSFERRED WITHIN THE STATE,
11 EXCEPT THAT THE TAX ON

12 (A) AVIATION GASOLINE CONSUMED IS 10 CENTS A
13 GALLON;

14 (B) MOTOR FUEL USED IN AND ON WATERCRAFT OF
15 ALL DESCRIPTIONS IS 10 CENTS A GALLON;

16 (C) ALL AVIATION FUEL OTHER THAN GASOLINE IS
17 10 CENTS A GALLON; AND

18 (D) MOTOR FUEL THAT IS BLENDED WITH ALCOHOL
19 IS THE SAME TAX RATE A GALLON AS OTHER MOTOR FUEL;
20 HOWEVER, IN AN AREA AND DURING THE MONTHS IN WHICH
21 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,
22 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY
23 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL
24 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL
25 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS
26 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1)(A)
27 - (C) OF THIS SUBSECTION].

28 * **Sec. 6.** AS 43.40.010(e) is amended to read:

29 (e) Sixty percent of the proceeds of the revenue from the motor fuel taxes on
30 aviation fuel, excluding the amount determined to have been spent by the state in its
31 collection, shall be refunded to a municipality owning and operating or leasing and

1 operating an airport in the proportion that the revenue was collected at the municipal
2 airport. All other proceeds of the motor fuel taxes on aviation fuel shall be paid into a
3 special aviation fuel tax **fund** [ACCOUNT] in the state general fund. The legislature
4 may appropriate funds from this **fund** [ACCOUNT] for **direct** capital, [OR] operating,
5 **or maintenance** costs of **airport infrastructure** [AIRPORTS].

6 * **Sec. 7.** AS 43.40.010(f) is amended to read:

7 (f) The proceeds from the revenue from the tax on motor fuel used in boats
8 and watercraft of all descriptions shall be deposited in a special watercraft fuel tax
9 **fund** [ACCOUNT] in the general fund. The legislature may appropriate from this
10 **fund** [ACCOUNT] for **direct capital, operating, or maintenance costs of** water and
11 harbor **infrastructure** [FACILITIES].

12 * **Sec. 8.** AS 43.40.010(g) is amended to read:

13 (g) The proceeds of the revenue from the tax on all motor fuels, except as
14 provided in (e), (f), and (j) of this section, shall be deposited in a special highway fuel
15 tax **fund** [ACCOUNT] in the state general fund. The legislature may appropriate funds
16 from **the fund** [IT] for expenditure by the Department of Transportation and Public
17 Facilities directly or as matched with available federal-aid highway money for **direct**
18 **capital, operating, or maintenance costs** of highways **and highway infrastructure**,
19 construction of highway projects and ferries included in the program provided for in
20 AS 19.10.150, including approaches, appurtenances and related facilities and
21 acquisition of rights-of-way or easements, **or surveys** [AND OTHER HIGHWAY
22 COSTS INCLUDING SURVEYS, ADMINISTRATION, AND RELATED
23 MATTERS]. All departments of the state government authorized to spend funds
24 collected from taxes imposed by this chapter shall perform, when feasible, all
25 construction or reconstruction projects by contract after the projects have been
26 advertised for competitive bids, except that, when feasible, arrangements shall be
27 made with political subdivisions to carry out the construction or reconstruction
28 projects. If it is not feasible for the work to be performed by state engineering forces,
29 the commissioner of transportation and public facilities may contract on a professional
30 basis with private engineering firms for road design, bridge design, and services in
31 connection with surveys. If more than one private engineering firm is available for the

1 work the contracts shall be entered into on a negotiated basis.

2 * **Sec. 9.** AS 43.40.010(h) is amended to read:

3 (h) All motor fuel tax receipts shall be paid into the general fund and
4 distributed to the proper **funds** [ACCOUNTS] in the general fund. Valid motor fuel
5 tax refund claims shall be paid from the highway fuel tax **fund** [ACCOUNT] in the
6 general fund.

7 * **Sec. 10.** AS 43.40.010(j) is amended to read:

8 (j) The proceeds from the tax on motor fuel used in snow vehicles and, unless
9 a tax refund is applied for under AS 43.40.050(a), other internal combustion engines
10 not used in or in conjunction with a motor vehicle licensed to be operated on public
11 ways shall be deposited in a special nonpublic highway use **fund** [ACCOUNT] in the
12 general fund. The legislature may appropriate from this **fund** [ACCOUNT] to the
13 Department of Transportation and Public Facilities for trail staking and shelter **direct**
14 **capital, operating, or** [CONSTRUCTION AND] maintenance **costs**.

15 * **Sec. 11.** AS 43.40.010 is amended by adding new subsections to read:

16 (m) The following motor fuel is exempt from taxation under this section:

17 (1) fuel consigned to foreign countries;

18 (2) fuel sold for use in jet propulsion aircraft operating in flights

19 (A) to foreign countries; or

20 (B) that continue from foreign countries, unless exemption of

21 the motor fuel from taxation is disallowed because of the refiner's failure to
22 comply with the provisions of a voluntary agreement under AS 43.40.092 in
23 conjunction with expansion of refinery capacity;

24 (3) fuel used in stationary power plants operating as public utility
25 plants and generating electrical energy for sale to the general public;

26 (4) fuel used by nonprofit power associations or corporations for
27 generating electric energy for resale;

28 (5) fuel used by charitable institutions;

29 (6) fuel sold or transferred between qualified dealers;

30 (7) fuel sold to federal, state, and local government agencies for

31 official use;

1 (8) fuel used in stationary power plants that generate electrical energy
2 for private residential consumption;

3 (9) fuel used to heat private or commercial buildings or facilities;

4 (10) fuel used for other nontaxable purposes as prescribed by
5 regulations adopted by the department;

6 (11) fuel used in stationary power plants of 100 kilowatts or less that
7 generate electrical power for commercial enterprises not for resale;

8 (12) residual fuel oil used in and on watercraft if the residual fuel oil is
9 sold or transferred in the state or consumed by a user; in this paragraph, "residual fuel
10 oil" means the heavy refined hydrocarbon known as number 6 fuel oil that is the
11 residue from crude oil after refined petroleum products have been extracted by the
12 refining process and that may be consumed or used only when sufficient heat is
13 provided to the oil to reduce its viscosity rated by kinetic unit and to give it fluid
14 properties sufficient for pumping and combustion;

15 (13) fuel used in an emergency vehicle, as defined in AS 11.56.825; or

16 (14) fuel used for student transportation services for which a school
17 district receives funding under AS 14.09.010.

18 (n) If revenue from the motor fuel tax is expended or appropriated for a
19 purpose other than a purpose described in (e) - (g) or (j) of this section, the
20 commissioner shall give public notice within 10 days after the expenditure or
21 appropriation.

22 * **Sec. 12.** AS 43.40.015(c) is amended to read:

23 (c) A certificate of use obtained under this section must be renewed annually
24 for exemptions listed under AS 43.40.010(m) [AS 43.40.100(2)].

25 * **Sec. 13.** AS 43.40.015(d) is amended to read:

26 (d) A certificate of use is not required under this section

27 (1) for fuel exempted under AS 43.40.010(m)(3) or (10)
28 [AS 43.40.100(2)(C) OR (J)]; and

29 (2) for fuel exempted under AS 43.40.010(m)(9) [AS 43.40.100(2)(I)]
30 other than fuel sold or transferred under this exemption to a person who is engaged in
31 construction or mining activity.

1 * **Sec. 14.** AS 43.40.030(a) is amended to read:

2 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
3 operate an internal combustion engine is entitled to a motor fuel tax refund of six cents
4 a gallon **if the tax was paid under AS 43.40.010(a)(1) or (b)(1) or 12 cents a gallon**
5 **if the tax was paid under AS 43.40.010(a)(2) or (b)(2), and** if

6 (1) the tax on the motor fuel has been paid;

7 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
8 watercraft; and

9 (3) the internal combustion engine is not used in or in conjunction with
10 a motor vehicle licensed to be operated on public ways.

11 * **Sec. 15.** AS 43.40.030(a), as amended by sec. 14 of this Act, is amended to read:

12 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
13 operate an internal combustion engine is entitled to a motor fuel tax refund of six cents
14 a gallon [IF THE TAX WAS PAID UNDER AS 43.40.010(a)(1) OR (b)(1) OR 12
15 CENTS A GALLON IF THE TAX WAS PAID UNDER AS 43.40.010(a)(2) OR
16 (b)(2), AND] if

17 (1) the tax on the motor fuel has been paid;

18 (2) the motor fuel is not aviation fuel, or motor fuel used in or on
19 watercraft; and

20 (3) the internal combustion engine is not used in or in conjunction with
21 a motor vehicle licensed to be operated on public ways.

22 * **Sec. 16.** AS 43.40.070(a) is amended to read:

23 (a) Upon approval of a refund claim of the motor fuel tax by the department, a
24 disbursement shall be made from the highway fuel tax **fund** [ACCOUNT] in the
25 general fund in favor of the applicant in the amount of the claim.

26 * **Sec. 17.** AS 43.40.100(2) is amended to read:

27 (2) "motor fuel" means fuel used in an engine for the propulsion of a
28 motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a
29 stationary engine, machine, or mechanical contrivance that is run by an internal
30 combustion motor; ["MOTOR FUEL" DOES NOT INCLUDE

31 (A) FUEL CONSIGNED TO FOREIGN COUNTRIES;

1 (B) FUEL SOLD FOR USE IN JET PROPULSION
2 AIRCRAFT OPERATING IN FLIGHTS

3 (i) TO FOREIGN COUNTRIES; OR

4 (ii) THAT CONTINUE FROM FOREIGN
5 COUNTRIES, UNLESS EXEMPTION OF THE MOTOR FUEL
6 FROM TAXATION IS DISALLOWED BECAUSE OF THE
7 REFINER'S FAILURE TO COMPLY WITH THE PROVISIONS OF
8 A VOLUNTARY AGREEMENT UNDER AS 43.40.092 IN
9 CONJUNCTION WITH EXPANSION OF REFINERY CAPACITY;

10 (C) FUEL USED IN STATIONARY POWER PLANTS
11 OPERATING AS PUBLIC UTILITY PLANTS AND GENERATING
12 ELECTRICAL ENERGY FOR SALE TO THE GENERAL PUBLIC;

13 (D) FUEL USED BY NONPROFIT POWER
14 ASSOCIATIONS OR CORPORATIONS FOR GENERATING ELECTRIC
15 ENERGY FOR RESALE;

16 (E) FUEL USED BY CHARITABLE INSTITUTIONS;

17 (F) FUEL SOLD OR TRANSFERRED BETWEEN
18 QUALIFIED DEALERS;

19 (G) FUEL SOLD TO FEDERAL, STATE, AND LOCAL
20 GOVERNMENT AGENCIES FOR OFFICIAL USE;

21 (H) FUEL USED IN STATIONARY POWER PLANTS
22 THAT GENERATE ELECTRICAL ENERGY FOR PRIVATE
23 RESIDENTIAL CONSUMPTION;

24 (I) FUEL USED TO HEAT PRIVATE OR COMMERCIAL
25 BUILDINGS OR FACILITIES;

26 (J) FUEL USED FOR OTHER NONTAXABLE PURPOSES
27 AS PRESCRIBED BY REGULATIONS ADOPTED BY THE
28 DEPARTMENT;

29 (K) FUEL USED IN STATIONARY POWER PLANTS OF
30 100 KILOWATTS OR LESS THAT GENERATE ELECTRICAL POWER
31 FOR COMMERCIAL ENTERPRISES NOT FOR RESALE; OR

1 (L) RESIDUAL FUEL OIL USED IN AND ON
2 WATERCRAFT IF THE RESIDUAL FUEL OIL IS SOLD OR
3 TRANSFERRED IN THE STATE OR CONSUMED BY A USER; FOR
4 PURPOSES OF THIS SUBPARAGRAPH, "RESIDUAL FUEL OIL"
5 MEANS THE HEAVY REFINED HYDROCARBON KNOWN AS
6 NUMBER 6 FUEL OIL THAT IS THE RESIDUE FROM CRUDE OIL
7 AFTER REFINED PETROLEUM PRODUCTS HAVE BEEN EXTRACTED
8 BY THE REFINING PROCESS AND THAT MAY BE CONSUMED OR
9 USED ONLY WHEN SUFFICIENT HEAT IS PROVIDED TO THE OIL TO
10 REDUCE ITS VISCOSITY RATED BY KINETIC UNIT AND TO GIVE IT
11 FLUID PROPERTIES SUFFICIENT FOR PUMPING AND
12 COMBUSTION;]

13 * **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 APPLICABILITY. AS 43.40.030(a), as amended by sec. 15 of this Act, applies to a
16 motor fuel tax refund on motor fuel used, transferred, or sold on or after the effective date of
17 sec. 15 of this Act.

18 * **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to
19 read:

20 TRANSITIONAL PROVISION: REGULATIONS. The Department of Revenue may
21 adopt regulations necessary to implement the changes made by this Act. The regulations take
22 effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
23 law implemented by the regulation.

24 * **Sec. 20.** Section 19 of this Act takes effect immediately under AS 01.10.070(c).

25 * **Sec. 21.** Sections 3, 5, and 15 of this Act take effect July 1, 2018.

26 * **Sec. 22.** Except as provided in secs. 20 and 21 of this Act, this Act takes effect July 1,
27 2016.



Airlines for America®

THE AIRCRAFT OWNERS ASSOCIATION

February 25, 2016

Rep. Shelley Hughes
Co-Chair House Transportation Committee
Alaska State Legislature
Juneau, AK 99801

RE: HB 249

Dear Rep. Hughes:

On behalf of Airlines for America (A4A)¹ – the oldest and largest trade association of domestic passenger and cargo airlines – I am writing to respectfully express our opposition to HB 249, currently before your committee. A4A believes this bill, which would raise Alaska's excise tax on jet fuel to 10 cents per gallon (cpg), would not only place an unfair burden on our carriers but also harm Alaska's economy and competitiveness.

As you know, commercial aviation is vital to the economic health of Alaska. According to the Federal Aviation Administration, approximately 12 percent of the state's jobs (about 56,000), are tied to commercial aviation – ranking third in the country (behind Hawaii and Nevada). Further, approximately 7 percent of the state's economy is tied to commercial aviation – ranking fourth in the country (behind Hawaii, Nevada, and Arizona).

While Alaska's current excise tax of 3.2 cpg seems relatively low, there are 19 states that tax jet fuel at overall rates lower than Alaska's. The state's nearest neighbors in the Pacific Northwest impose similar effective tax rates on jet fuel: 3 cpg in Oregon and 4 cpg in Washington. Meanwhile, Delaware, Ohio, and Texas do not tax jet fuel at all, and another 6 states do not impose sales or excise taxes on jet fuel.

Raising the excise tax to 10 cpg would make Alaska's jet fuel tax the 15th most burdensome in the country, which could have a devastating impact to a state so heavily reliant on travel and tourism. As airline costs – like taxes – increase, the number of departing seats can decrease. Air service reductions typically lead to reduced travel and trade – and ultimately fewer jobs – thereby damaging the economy.

¹ A4A members include: Alaska Airlines, Inc., American Airlines, Inc., Atlas Air, Inc., Federal Express Corp., Hawaiian Airlines, JetBlue Airways Corp., Southwest Airlines Co., United Continental Holdings, Inc., UPS Airlines, US Airways, Inc., Air Canada is an associate member.

In addition to general opposition to a tax hike, A4A has concerns that parts of this proposal could violate federal policy on the use of fuel tax revenue. Violating this policy could result in a substantial reduction in federal funds sent to Alaska. For over 30 years, Congress has prohibited taxes on aviation fuels unless the proceeds are used for airport capital or operating costs or state aviation programs (49 USC 47133). The only exception to the law applies to fuel-related taxes that were levied prior to 1987, which are grandfathered. However, if a tax existed before 1987 and afterward the tax is raised, that increase is not grandfathered. A4A is concerned that if the fuel excise tax is increased, the increased revenue will not be used for aviation because of the state's fiscal situation.

A4A greatly appreciates the chance to comment on this important matter. We would be happy to speak or meet with you or any members of the committee if you would like to discuss this further. Thank you for your time and consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jon Almeras", with a long horizontal flourish extending to the right.

Jon Almeras
Managing Director, Taxes
Airlines for America