

**SB**

**86**

<TARGET><BILL>SB 86</BILL><SUBJECT>SB  
86</SUBJECT><COMM>SFIN29</COMM></TARGET>

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/27/15

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

**Finance Committee** considered SENATE BILL NO. 86

SB 86 REFINED FUEL SURCHARGE; MOTOR FUEL TAX

"An Act relating to a refined fuel surcharge; relating to the motor fuel tax; relating to a qualified dealer license; and providing for an effective date."

and recommends:

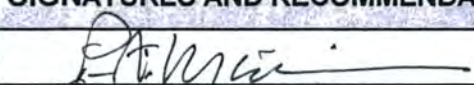
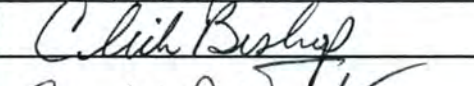
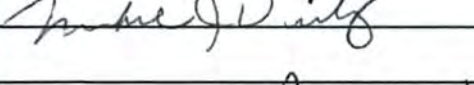
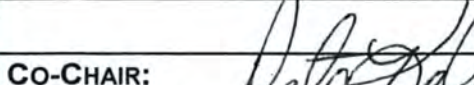
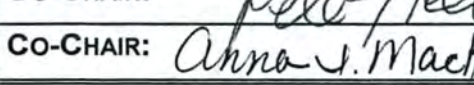
- be replaced with CS SB 86 ( FIN )  Same Title [ ] New Title
- adopt previous CS \_\_\_\_\_ ( \_\_\_\_\_ ) [ ] Same Title [ ] New Title
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

Dept Abbr.	
ADM	LWF
CED	LAW
COR	LEG
EED	MVA
DEC	DNR
DFG	DPS
GOV	REV
DHS	DOT
AJS	UA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV	✓			
SFIN/DEC	✓			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
DEC			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	MICHELLE	✓			
	BISHOP			✓	
	DUNBAR				✓
	Kelly			✓	
CO-CHAIR: 	Mackinnon			✓	

# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version:	CSSB 86(L&C)
Fiscal Note Number:	1
(S) Publish Date:	3/27/2015

Identifier: SB086-DEC-SPAR-03-20-15  
 Title: REFINED FUEL SURCHARGE; MOTOR FUEL TAX  
 Sponsor: MICCICHE  
 Requester: Labor & Commerce Committee

Department: Department of Environmental Conservation  
 Appropriation: Spill Prevention and Response  
 Allocation: Spill Prevention and Response  
 OMB Component Number: 3094

**Expenditures/Revenues**

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

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>OPERATING EXPENDITURES</b>	<b>FY 2016</b>	<b>FY 2016</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

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**Estimated SUPPLEMENTAL (FY2015) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2016) 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:	Kristin Ryan, Director	Phone:	(907)269-7604
Division:	Spill Prevention and Response	Date:	03/20/2015 08:30 AM
Approved By:	Alice Edwards, Deputy Commissioner	Date:	03/20/2015
Agency:	Department of Environmental Conservation		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

**Analysis**

This bill addresses a recognized funding shortfall in the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund. The Division anticipates that the new revenue generated through this bill, if appropriated, would alleviate a projected revenue shortfall for FY16 operations that is estimated to be around \$7 million.

There will be no fiscal impact to the Division Spill Prevention and Response for implementation of the legislation.

# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version: SB 86  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB086-DOR-TAX-04-03-15  
Title: REFINED FUEL SURCHARGE; MOTOR FUEL TAX  
Sponsor: MICCICHE  
Requester: Senate Finance Committee

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)

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates					
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>	7,600.0		7,750.0	7,900.0	8,050.0	8,200.0	8,350.0
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**Estimated SUPPLEMENTAL (FY2015) cost:** 50.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2016) 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? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 07/01/15

**Why this fiscal note differs from previous version:**

Third version. Changes in F S(FIN) committee substitute added exemption for aviation fuel sales while raising the surcharge rate to balance the reduction in the volume of taxable fuel.

Prepared By: <u>Ken Alper, Director</u>	Phone: <u>(907)465-8221</u>
Division: <u>Tax</u>	Date: <u>04/03/2015 09:00 AM</u>
Approved By: <u>Jerry Burnett, Deputy Commissioner</u>	Date: <u>04/03/15</u>
Agency: <u>Department of Revenue</u>	

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

BILL NO. CS SB 86(FIN)

### Analysis

#### Bill Analysis

The legislation creates a new surcharge of 0.95 cents per gallon on certain refined fuels sold in Alaska. The funds are intended, subject to appropriation, to provide an additional source of revenue for the Oil and Hazardous Substance Release Prevention Account. This account, which has historically been funded by the Oil and Gas Conservation Surcharge (also known as the "nickel a barrel tax,") funds the operations of the Spill Prevention and Response (SPAR) division at the Department of Environmental Conservation.

The surcharge will be collected from qualified fuel dealers, who are generally importers and wholesalers of fuel as well as some in-state refiners. This is the same group of companies who currently file Alaska's motor fuel excise tax. That tax, which varies from 3.2 to 8 cents per gallon, is only paid on certain types of fuel with a broad list of exemptions defined in statute. The intent of this bill is to apply the surcharge to a wider range of refined fuel, including some products exempted from the motor fuel tax.

#### Revenue Impact

In Fiscal Years 2012 through 2014, the motor fuel tax was paid on an average of 620 million gallons of various fuels. In those years, the taxpayers reported total fuel sales of nearly 1,600 million gallons, with the difference being either tax-off sales or tax-on sales later refunded because the fuel was used for an exempt purpose.

Due largely to constitutional concerns (e.g. commerce clause) as well as concern over federal grant restrictions, several categories of fuel sales are also exempt from the new surcharge in this legislation. These include sales to the federal and state government, fuel exported out of the country, fuel used in aviation, and transfers among qualified dealers. With these adjustments, it is estimated that the surcharge will apply to about 800 million gallons of refined fuel in the first year. At 0.95 cent per gallon, this represents annual revenue of approximately \$7.6 million in FY16, with an estimated 2% increase per year afterwards.

#### Implementation Cost

This legislation creates a new fuel type within the motor fuel tax system, which will require the Department of Revenue to update its Tax Revenue Management System and Revenue Online System which allows a taxpayer to file a return online. The update would consist of redesigning, developing, and testing the system to add the new fuel type with its exemptions. We would also need to redesign the current tax return to add the surcharge.

The supplemental fiscal note figure of \$50.0 in FY15 is to cover the costs of updating the systems and form as well as to draft regulations for this new surcharge on a relatively fast track in advance of the sponsor's desired effective date of July 1, 2015. This may require the department to hire temporary or contract staff to assist in drafting regulations and making adjustments to our system and tax forms. We do not anticipate any continuing costs or additional staff needs the tax administration and audit functions will be absorbed within our existing Excise Tax group. Should the number and complexity of tax filings exceed our initial expectations, we may need to revisit this in a future budget year.

# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version: SB 86  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB 86 SFIN 4-6-2015  
Title: REFINED FUEL SURCHARGE; MOTOR FUEL TAX  
Sponsor: MICCICHE  
Requester: Sen Finance

Department: Fund Transfers  
Appropriation: OpSys DGF Transfers (non-add)  
Allocation: Oil and Hazardous Substance Release Prevention Account  
OMB Component Number: 2499

**Expenditures/Revenues**

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

	FY2016	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2016 Request	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
<b>OPERATING EXPENDITURES</b>	<b>FY 2016</b>	<b>FY 2016</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous	7,500.0		7,500.0	7,500.0	7,500.0	7,500.0	7,500.0
<b>Total Operating</b>	<b>7,500.0</b>	<b>0.0</b>	<b>7,500.0</b>	<b>7,500.0</b>	<b>7,500.0</b>	<b>7,500.0</b>	<b>7,500.0</b>

**Fund Source (Operating Only)**

1004 Gen Fund	7,500.0		7,500.0	7,500.0	7,500.0	7,500.0	7,500.0
<b>Total</b>	<b>7,500.0</b>	<b>0.0</b>	<b>7,500.0</b>	<b>7,500.0</b>	<b>7,500.0</b>	<b>7,500.0</b>	<b>7,500.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>	7,600.0		7,750.0	7,900.0	8,050.0	8,200.0	8,350.0
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**Estimated SUPPLEMENTAL (FY2015) cost:** 800.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2016) 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?  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Initial Version - this Fund Transfer note correlates to the Department of Revenue's fiscal note which includes revenue projections associated with this legislation.

Prepared By: Senator Kelly Phone: (907)465-3709  
Senate Finance Committee Date: 04/06/2015  
Senator MacKinnon  
Senate Finance Committee

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

BILL NO. SB 86

**Analysis**

This bill addresses a recognized funding shortfall in the Spill Prevention and Response (SPAR) division of the Department of Environmental Conservation. SPAR is funded through the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund (O&H fund). The amount deposited in the prevention account depends on the amount of oil produced--there is a 4 cent per barrel tax on oil produced in Alaska. As oil production has declined, SPAR expenditures have exceeded revenue and reduced the balance of the fund. This long process has depleted the balance of the prevention account.

This bill implements a surcharge on sales of refined fuel and identifies the resultant UGF revenue as available for appropriation to the O&H Fund.

Annual appropriations will be required to deposit UGF into the O&H Fund--the \$7.5 million annual costs shown on this fiscal note are estimates that are subject to annual legislative action.

Because the Constitution generally prevents dedication of revenue, there is no firm link between the amount of revenue generated by the surcharge and the amount the legislature decides to appropriate to the O&H Fund. Revenue in excess of deposits may remain in the general fund, and deposits may exceed the amount of revenue generated.

In short, the numbers in this fiscal note are arbitrary. A FY15 supplemental appropriation of at least \$800.0 is required to maintain operations at the current level (and a positive fund balance).

As legislators deliberate the timing and amount of appropriations to the O&H Fund, they should be aware that the amount of annual appropriation determines the stability of the fund balance (by balancing annual cash flow) and the sum of FY15 and FY16 appropriations determine the level at which the fund balance stabilizes after FY16.

A deposit larger than the \$800.0 shown in this fiscal note could reduce the FY16 deposit and eliminate the near zero FY15 ending balance. If FY17 (and later) deposits are sufficient to balance cash flow, the fund balance will stabilize at about \$1.5 million below the sum of the amounts deposited in FY15 and FY16.

The table below shows projected cash flows and fund balances under the assumption that \$800.0 and \$7.5 million are deposited in the O&H Fund in FY15 and FY16, respectively. As noted above, the timing and amount of the deposits are somewhat arbitrary--they could be reversed or reduced if desired.

	FY15	FY16	FY17	FY18	FY19
Beginning Balance	\$6,913.20	\$2.40	\$614.20	\$6,080.00	\$6,705.80
Crude Oil Revenue plus Cost Recovery	\$7,949.90	\$8,526.00	\$8,380.00	\$8,540.00	\$8,060.00
Aniak Settlement	\$0.00	\$0.00	\$5,000.00	\$0.00	\$0.00
Deposit from Refined Product Tax	\$800.00	\$7,500.00	\$7,500.00	\$7,500.00	\$7,500.00
Total Annual Expenses	\$15,660.70	\$15,414.20	\$15,414.20	\$15,414.20	\$15,414.20
Ending Balance	\$2.40	\$614.20	\$6,080.00	\$6,705.80	\$6,851.60

# SENATOR PETER A. MICCICHE

Alaska State Legislature

## SESSION ADDRESS:

Alaska State Capitol, Rm. 514  
Juneau, Alaska 99801-1182  
Phone: (907) 465-2828  
Fax: (907) 465-4779  
Toll Free: (800) 964-5733



## INTERIM ADDRESS:

145 Main Street Loop, Suite #226  
Kenai, Alaska 99611-7771  
Phone: (907) 283-7996  
Fax: (907) 283-8127  
Toll Free: (800) 964-5733

## Sponsor Statement

SB 86 "An Act Relating to a refined fuel surcharge; relating to the motor fuel tax; relating to a qualified dealer license; and providing for an effective date."

### DISTRICT Q

#### *Bear Creek*

The Oil and Hazardous Substance Release Prevention and Response Fund (Response Fund) was created to provide a reliable source of funding for the Department of Environmental Conservation's (DEC) activities related to oil spill response and prevention.

#### *Cooper Landing*

#### *Crown Point*

#### *Funny River*

The Response Fund has been financed with a five cent per-barrel surcharge on oil produced. Decreasing oil production has resulted in a decline of revenue available to pay for spill prevention and cleanup work. The prevention account which receives \$.04 cents per barrel, no longer has enough revenue to cover essential activities resulting in the need for an immediate solution that fixes the problem for future years as well.

#### *Hope*

#### *Kalifornsky*

#### *Kenai*

#### *Lowell Point*

A variety of industries and individuals spill oil and hazardous substances, including private homeowners, mines, fuel shippers, boat owners, village tank farms and the aviation industry to name a few. The majority of spills the State responds to are refined fuels. For example, in fiscal year 2014, of the 2,028 spills reported, 1,525 were refined fuel spills. According to Kristin Ryan, the Director for the Division of Spill Prevention and Response, 75-80% of active contaminated sites in Alaska are also the result of refined fuel spills. This bill distributes prevention and response costs across all users of refined fuel that are causing these response and cleanup efforts.

#### *Mackey Lake*

#### *Moose Pass*

#### *Nikiski*

#### *Prinrose*

#### *Ridgeway*

#### *Salamatof*

This bill proposes a surcharge of .8 cent per gallon on refined fuels distributed in the state. Fuel distributors already file and pay taxes on motor fuels each month. This bill anticipates that the surcharge will be collected from the same distributors and reported on the same forms, reducing implementation costs and maximizing efficiency for both the payers and the State. All funds collected will be deposited in the Response Fund's Prevention Account.

#### *Seward*

#### *Soldotna*

#### *Sterling*

It is very important to the protection of Alaska's human and environmental health to have adequate funds available for spill prevention and response activities. This is the right time to broaden the base of support for this critical program. An eight tenths of a cent per gallon surcharge is a reasonable price to pay to fund these activities. Please join me in passing this bill.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 20, 2015

**SUBJECT:** Sectional Summary of (SB 86; Work Order No. 29-LS0675\I)

**TO:** Senator Peter Micciche  
Attn: Larry Semmens

**FROM:** Emily Nauman   
Legislative Counsel

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1 amends AS 43.05.230(g) by adding qualified dealer license information to the list of license information that is public.

Section 2 adds a new surcharge, a refined fuel surcharge, to AS 43.40, lists exemptions to the surcharge, and states that legislature may appropriate the balance of the surcharge to the oil and hazardous substance release prevention account of the oil and hazardous substance release prevention and response fund.

Section 3 amends AS 43.40.010(a), the motor fuel tax, to conform to the addition of the refined fuel surcharge in sec. 2.

Section 4 amends AS 43.40.010(b), the motor fuel tax, to conform to the addition of the refined fuel surcharge in sec. 2.

Section 5 amends AS 43.40.010(e) to specify that AS 43.40.010(e) applies only to the motor fuel tax and not to the refined fuel surcharge.

Section 6 replaces repealed AS 43.40.010(c), that applied only to the motor fuel tax, with a new statutory section AS 43.40.013, that sets the schedule for remittance of the refined fuel surcharge and the motor fuel tax, and allows a deduction from the amount owed for the expense of filing a return.

Section 7 amends AS 43.40.015(c) to specify that the certificate of use requirement in 43.40.015 applies only to the motor fuel tax.

Section 8 amends AS 43.40.015(d) to specify that the certificate of use requirement in AS 43.40.015 applies only to the motor fuel tax.

Section 9 amends AS 43.40.030, related to the refund of the motor fuel tax for nonhighway use, to clarify that AS 43.40.030 applies only to the motor fuel tax.

Section 10 amends AS 43.40.035(a), relating to refunds for resales, to include the new refined fuel surcharge in AS 43.40.

Section 11 amends AS 43.40.035(c), relating to federal fuel purchase with a credit card to include the new refined fuel surcharge in AS 43.40.

Section 12 amends AS 43.40.050(b), relating to the timing and waiver of a tax or surcharge refund to include the new refined fuel surcharge in AS 43.40.

Section 13 amends AS 43.40.060, relating to the issuance of separate invoices related to a refund claim, to include the new refined fuel surcharge in AS 43.40.

Section 14 amends AS 43.40.070, related to the refund of the motor fuel tax from the highway fuel tax account, to clarify that AS 43.40.070 only applies to the motor fuel tax.

Section 15 adds a new subsection to AS 43.40.070 requiring that the department refund the refined fuel surcharge from the oil and hazardous substance release prevention account of the oil and hazardous substance release prevention and response fund.

Section 16 amends AS 43.40.080(a), relating to determining the validity of a refund claim to include the new refined fuel surcharge in AS 43.40.

Section 17 amends AS 43.40.085, requiring dealers and users of fuel to maintain records relating to sales of fuel for three years, to include the new refined fuel surcharge in AS 43.40.

Section 18 amends AS 43.40.092(a), relating to a motor fuel exemption for certain jet fuels, to specify that the subsection applies only to the motor fuel tax.

Section 19 adds a new section, AS 43.40.094, creating a qualified dealer license in statute.

Section 20 amends the definition of "dealer" AS 43.40.100(1) to include the new refined fuel surcharge in AS 43.40.

Senator Peter Micciche  
March 20, 2015  
Page 3

Section 21 amends the definition of "qualified dealer" AS 43.40.100(3) to include the new refined fuel surcharge in AS 43.40.

Section 22 amends the definition of "user" AS 43.40.100(4) to include the new refined fuel surcharge in AS 43.40.

Section 23 adds a definition for "refined fuel" to AS 43.40.100.

Section 24 repeals AS 43.40.010(c).

Section 25 provides transition language for regulations related to qualified dealer licenses.

Section 26 provides an effective date of July 1, 2015.

ELN:dla  
15-200.dla

Adopted 2/3/15

29-LS0675\F  
Nauman  
4/1/15

CS FOR SENATE BILL NO. 86(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATORS MICCICHE, Giessel

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a refined fuel surcharge; relating to the motor fuel tax; relating to a  
2 qualified dealer license; and providing for an effective date."

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

4 \* Section 1. AS 43.05.230(g) is amended to read:

5 (g) The information contained in a license issued by the commissioner of  
6 revenue or the commissioner of commerce, community, and economic development  
7 under AS 43.40, AS 43.50, AS 43.60, AS 43.65, AS 43.70, and AS 43.75 is public  
8 information.

9 \* Sec. 2. AS 43.40 is amended by adding new sections to read:

10 Sec. 43.40.005. Refined fuel surcharge levied. (a) Every dealer or user of  
11 refined fuels shall pay a surcharge of \$.0095 a gallon on refined fuel sold, transferred,  
12 or used in the state.

13 (b) The following refined fuels are exempt from the surcharge imposed under  
14 this section:

- 1 (1) fuel sold to a federal or state government agency for official use;
- 2 (2) fuel refined and used outside the United States;
- 3 (3) liquefied petroleum gas;
- 4 (4) aviation fuel;
- 5 (5) fuel sold or transferred between qualified dealers.

6 **Sec. 43.40.007. Use of revenue derived from the refined fuel surcharge.**

7 The legislature may appropriate the annual estimated balance of the surcharge levied  
8 under AS 43.40.005 to the oil and hazardous substance release prevention account of  
9 the oil and hazardous substance release prevention and response fund established in  
10 AS 46.08.010. Nothing in this section creates a dedicated fund.

11 \* **Sec. 3.** AS 43.40.010(a) is amended to read:

12 (a) In addition to the surcharge levied under AS 43.40.005, there [THERE]  
13 is levied a tax of eight cents a gallon on all motor fuel sold or otherwise transferred  
14 within the state, except that

- 15 (1) the tax on aviation gasoline is four and seven-tenths cents a gallon;
- 16 (2) the tax on motor fuel used in and on watercraft of all descriptions is  
17 five cents a gallon;
- 18 (3) the tax on all aviation fuel other than gasoline is three and two-  
19 tenths cents a gallon; and
- 20 (4) the tax rate on motor fuel that is blended with alcohol is the same  
21 tax rate a gallon as other motor fuel; however,

22 [(A)] in an area and during the months in which fuel containing  
23 alcohol is required to be sold, transferred, or used in an effort to attain air  
24 quality standards for carbon monoxide as required by federal or state law or  
25 regulation, the tax rate on motor fuel that is blended with alcohol is six cents a  
26 gallon less than the tax on other motor fuel not described in (1) - (3) of this  
27 subsection [;

28 (B) NOTWITHSTANDING (A) OF THIS PARAGRAPH,  
29 THROUGH JUNE 30, 2004, THE TAX ON MOTOR FUEL SOLD OR  
30 OTHERWISE TRANSFERRED WITHIN THE STATE IS EIGHT CENTS A  
31 GALLON LESS THAN THE TAX ON OTHER MOTOR FUEL NOT

1 DESCRIBED IN (1) - (3) OF THIS SUBSECTION IF THE MOTOR FUEL

2 (i) IS AT LEAST 10 PERCENT ALCOHOL BY  
3 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF  
4 LIGNOCELLULOSE DERIVED FROM WOOD, AND WAS  
5 PRODUCED IN A FACILITY THAT PROCESSES  
6 LIGNOCELLULOSE FROM WOOD, BUT THIS REDUCTION IN  
7 THE RATE OF TAX APPLIES TO MOTOR FUEL SOLD OR  
8 TRANSFERRED THAT CONTAINS ALCOHOL THAT WAS  
9 PRODUCED ONLY DURING THE FIRST FIVE YEARS OF THE  
10 FACILITY'S PROCESSING OF LIGNOCELLULOSE FROM  
11 WOOD; OR

12 (ii) IS AT LEAST 10 PERCENT ALCOHOL BY  
13 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF  
14 WASTE SEAFOOD, AND WAS PRODUCED IN A FACILITY  
15 THAT PROCESSES ALCOHOL FROM WASTE SEAFOOD, BUT  
16 THIS REDUCTION IN THE RATE OF TAX APPLIES TO MOTOR  
17 FUEL SOLD OR TRANSFERRED THAT CONTAINS ALCOHOL  
18 THAT WAS PRODUCED ONLY DURING THE FIRST FIVE  
19 YEARS OF THE FACILITY'S PROCESSING OF ALCOHOL FROM  
20 WASTE SEAFOOD].

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

22 (b) **In addition to the surcharge levied under AS 43.40.005, there**  
23 [THERE] is levied a tax of eight cents a gallon on all motor fuel consumed by a user,  
24 except that

25 (1) the tax on aviation gasoline consumed is four and seven-tenths  
26 cents a gallon;

27 (2) the tax on motor fuel used in and on watercraft of all descriptions is  
28 five cents a gallon;

29 (3) the tax on all aviation fuel other than gasoline is three and two-  
30 tenths cents a gallon; and

31 (4) the tax rate on motor fuel that is blended with alcohol is the same

1 tax rate a gallon as other motor fuel; however,

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

8 (B) NOTWITHSTANDING (A) OF THIS PARAGRAPH,  
9 THROUGH JUNE 30, 2004, THE TAX ON MOTOR FUEL CONSUMED  
10 BY A USER WITHIN THE STATE IS EIGHT CENTS A GALLON LESS  
11 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1) -  
12 (3) OF THIS SUBSECTION IF THE MOTOR FUEL

13 (i) IS AT LEAST 10 PERCENT ALCOHOL BY  
14 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF  
15 LIGNOCELLULOSE DERIVED FROM WOOD, AND WAS  
16 PRODUCED IN A FACILITY THAT PROCESSES  
17 LIGNOCELLULOSE FROM WOOD, BUT THIS REDUCTION IN  
18 THE RATE OF TAX APPLIES TO MOTOR FUEL CONSUMED BY  
19 A USER THAT CONTAINS ALCOHOL THAT WAS PRODUCED  
20 ONLY DURING THE FIRST FIVE YEARS OF THE FACILITY'S  
21 PROCESSING OF LIGNOCELLULOSE FROM WOOD; OR

22 (ii) IS AT LEAST 10 PERCENT ALCOHOL BY  
23 VOLUME, HAS BEEN PRODUCED FROM THE PROCESSING OF  
24 WASTE SEAFOOD, AND WAS PRODUCED IN A FACILITY  
25 THAT PROCESSES ALCOHOL FROM WASTE SEAFOOD, BUT  
26 THIS REDUCTION IN THE RATE OF TAX APPLIES TO MOTOR  
27 FUEL CONSUMED BY A USER THAT CONTAINS ALCOHOL  
28 THAT WAS PRODUCED ONLY DURING THE FIRST FIVE  
29 YEARS OF THE FACILITY'S PROCESSING OF ALCOHOL FROM  
30 WASTE SEAFOOD].

31 \* **Sec. 5.** AS 43.40.010(e) is amended to read:

1 (e) Sixty percent of the proceeds of the revenue from the motor fuel taxes on  
2 aviation fuel, excluding the amount determined to have been spent by the state in its  
3 collection, shall be refunded to a municipality owning and operating or leasing and  
4 operating an airport in the proportion that the revenue was collected at the municipal  
5 airport. All other proceeds of the motor fuel taxes on aviation fuel shall be paid into a  
6 special aviation fuel tax account in the state general fund. The legislature may  
7 appropriate funds from this account for capital or operating costs of airports  
8 [AVIATION FACILITIES].

9 \* **Sec. 6.** AS 43.40 is amended by adding a new section to read:

10 **Sec. 43.40.013. Collection of the refined fuel surcharge and the motor fuel**  
11 **tax.** Every dealer who sells or otherwise transfers refined or motor fuel in the state  
12 shall collect the surcharge and tax required in this chapter at the time of sale, and remit  
13 the total surcharge and tax collected during each calendar month of each year to the  
14 department by the last day of each succeeding month. Every user shall likewise remit  
15 the surcharge and tax required in this chapter and accrued on fuel actually used by the  
16 user during each month. If the monthly return is timely filed, one percent of the total  
17 monthly surcharge and tax due, limited to a maximum of \$100, may be deducted and  
18 retained to cover the expense of accounting and filing the monthly return. At the time  
19 the remittance is made, each dealer or user shall submit a statement to the department  
20 showing all fuel that the dealer or user has distributed or used during the month.

21 \* **Sec. 7.** AS 43.40.015(c) is amended to read:

22 (c) A certificate of use obtained under this section must be renewed annually  
23 for exemptions listed under AS 43.40.100(2).

24 \* **Sec. 8.** AS 43.40.015(d) is amended to read:

25 (d) A certificate of use is not required under this section  
26 (1) for fuel exempted under AS 43.40.100(2)(C) or (J); and  
27 (2) for fuel exempted under AS 43.40.100(2)(I) other than fuel sold or  
28 transferred under this exemption to a person who is engaged in construction or mining  
29 activity.

30 \* **Sec. 9.** AS 43.40.030 is amended to read:

31 **Sec. 43.40.030. Refund of the motor fuel tax for nonhighway use.** (a)

1 Except as specified in AS 43.40.010(j), a person who uses motor fuel to operate an  
2 internal combustion engine is entitled to a motor fuel tax refund of six cents a gallon  
3 if

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

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

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

9 (b) The entire amount of the motor fuel tax levied by this chapter shall be  
10 refunded to the purchaser on that part of the motor fuel used in a foreign country on  
11 which the tax has been paid when the fuel is sold and delivered in the state for non-  
12 highway use in a foreign country.

13 (c) The department shall establish the necessary regulations and prescribe the  
14 appropriate forms to prove that, for purposes of the motor fuel tax, the motor fuel is  
15 taken to and used in foreign countries.

16 (d) If a person obtains motor fuel on which the motor fuel tax levied by this  
17 chapter has been paid and the motor fuel is exempt from the motor fuel tax, the  
18 person is entitled to a refund of the motor fuel tax paid.

19 \* **Sec. 10.** AS 43.40.035(a) is amended to read:

20 (a) A person who resells fuel on which a surcharge under AS 43.40.005 or  
21 the tax under AS 43.40.010(a) or (b) was previously paid is entitled to a credit or  
22 refund of the (1) motor fuel tax if [(1)] the resold fuel is not motor fuel and the  
23 requirements of AS 43.40.015 have been fulfilled; or (2) the amount of surcharge or  
24 tax previously paid exceeds the surcharge or tax due on the resale. The amount of the  
25 credit or refund under this section is equal to the amount of the surcharge or tax  
26 previously paid on the resold fuel less the amount of the surcharge or tax prescribed  
27 by AS 43.40.005 or 43.40.010(a) or (b), respectively [AS 43.40.010(a) OR (b)].

28 \* **Sec. 11.** AS 43.40.035(c) is amended to read:

29 (c) For motor fuel sold to federal, state, and local government agencies for  
30 official use and purchased with a government credit card, the credit card issuer may  
31 apply for a refund of any motor fuel tax assessed on the purchase if the tax is not

1 billed by the credit card issuer to the government agency making the purchase. For  
2 refined fuel sold to federal agencies for official use and purchased with a  
3 government credit card, the credit card issuer may apply for a refund of any  
4 refined fuel surcharge assessed on the purchase if the surcharge is not billed by  
5 the credit card issuer to the government agency making the purchase.

6 \* **Sec. 12.** AS 43.40.050(b) is amended to read:

7 (b) A claim for refund under AS 43.40.030 or 43.40.035 shall be filed within  
8 one year after [FROM] the date of the purchase of the refined or motor fuel as  
9 indicated on the invoice, and failure to file within the one-year period is a waiver of  
10 the right to the refund. A claim is considered to be filed when the claim is mailed or  
11 personally presented to an office of the department.

12 \* **Sec. 13.** AS 43.40.060 is amended to read:

13 **Sec. 43.40.060. Separate invoices.** The department may require the issuance  
14 of separate invoices for refined or motor fuel sold, distributed, or transferred when  
15 the invoices will be the basis for a refund claim.

16 \* **Sec. 14.** AS 43.40.070 is amended to read:

17 **Sec. 43.40.070. Refund warrants.** Upon approval of a refund claim of the  
18 motor fuel tax by the department, a disbursement shall be made from the highway  
19 fuel tax account in the general fund in favor of the applicant in the amount of the  
20 claim.

21 \* **Sec. 15.** AS 43.40.070 is amended by adding a new subsection to read:

22 (b) Upon approval of a refund claim of the refined fuel surcharge by the  
23 department, a disbursement shall be made from the oil and hazardous substance  
24 release prevention account of the oil and hazardous substance release prevention and  
25 response fund established in AS 46.08.010 in favor of the applicant in the amount of  
26 the claim.

27 \* **Sec. 16.** AS 43.40.080(a) is amended to read:

28 (a) To determine the validity of a claim for refund, the department may  
29 examine the books and records of the claimant and the books and records of a  
30 distributor of the refined or motor fuel. The department may cancel the refund  
31 [PERMIT] of a [THE] claimant relying on [UPON] a fraudulent invoice [FOR A

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PERIOD OF NOT MORE THAN ONE YEAR].

\* **Sec. 17.** AS 43.40.085 is amended to read:

**Sec. 43.40.085. Preservation of books and records.** Dealers and users shall preserve for three years all books and records pertaining to sales, transfers, and uses of refined or motor fuel that are subject to a surcharge or tax [TAXED] under this chapter.

\* **Sec. 18.** AS 43.40.092(a) is amended to read:

(a) The provisions of this section apply to disallow the exemption from the motor fuel tax for motor fuel sold for use by a dealer or used by a user in jet propulsion aircraft operating in flights that continue from foreign countries if, for motor fuel produced by a refiner,

(1) the refiner determines, on or after July 1, 1997, that the refiner will expand capacity or expand the refinery to produce more residual fuel oil used in watercraft;

(2) on or after the July 1, 1997, the refiner has voluntarily committed by agreement entered into with the commissioner that, if the refiner expands its oil refining capacity in order to produce additional supplies of fuel for use in jet propulsion aircraft that qualify for the tax exemption, when the refiner expands capacity, the refiner will

(A) use the refiner's best efforts to advertise for, recruit, and employ in the construction activities associated with expanding refinery capacity resident workers who have experience in the specific fields in which they are hired to work;

(B) contract with licensed Alaska firms to prepare materials that are used in construction activities and to provide services in conjunction with activities associated with expanded refinery capacity and, in contracting with those firms, to encourage the refiner's contractors to employ and, when necessary, train state residents; and

(C) enter into contracts with Alaska-licensed vendors, contractors, and suppliers for the provision of supplies and services used in conjunction with activities associated with expanding refinery capacity; and

1 (3) the commissioner determines that a dealer or user claiming the  
2 exemption for motor fuel acquired from a refiner who has entered into an agreement  
3 described in (2) of this subsection acquired the motor fuel for which the exemption is  
4 claimed from a refiner who has not complied with the requirements of the agreement  
5 in completing expansion of its oil refining capacity under the agreement described in  
6 (1) of this subsection.

7 \* **Sec. 19.** AS 43.40 is amended by adding a new section to read:

8 **Sec. 43.40.094. Qualified dealer license.** (a) A dealer is eligible for a qualified  
9 dealer license if the dealer sells at least 50 percent of fuel acquired to unrelated  
10 persons for any combination of the following purposes:

- 11 (1) resale;
- 12 (2) use in heating private or commercial buildings or facilities;
- 13 (3) use in jet propulsion aircraft;
- 14 (4) motor fuel.

15 (b) A person applying for a qualified dealer license must use a form or format  
16 prescribed by the department. At the time of application, the applicant must provide an  
17 estimate of the average number of gallons of fuel subject to surcharge or tax each  
18 month during a calendar year, and state the estimated amount of surcharge and tax on  
19 those gallons. A license issued under this section is not transferable.

20 (c) The department may not issue or renew a qualified dealer license if

21 (1) the department finds that the applicant or qualified dealer has  
22 withheld information required in the application or that the information submitted in  
23 the application is false or misleading;

24 (2) the applicant, or a responsible person of a business organization  
25 that is applying for the license, has been convicted within the last 10 years, in this state  
26 or in any other taxing jurisdiction, of crimes involving a fuel surcharge or tax;

27 (3) the qualified dealer fails to comply with a requirement of this  
28 chapter;

29 (4) the qualified dealer has failed to pay in full the surcharge, taxes,  
30 interest, and penalties levied under AS 43.05 or this chapter.

31 (d) The department may

- 1 (1) issue only one qualified dealer license to each person;  
2 (2) put additional limitations on the applicant or holder of a qualified  
3 dealer license.

4 (e) A license issued under this section expires on June 30 following the date of  
5 issue. Before a license issued under this section expires, the licensee may apply to  
6 renew the license, on a form or in a format prescribed by the department, for one year  
7 after the expiration date of the license.

8 (f) If the department determines a qualified dealer license may not be issued or  
9 renewed under this section, the department shall mail or electronically deliver a notice  
10 of license denial or nonrenewal to the person whose license was denied or not  
11 renewed. The person may appeal a notice of license denial or nonrenewal not later  
12 than 10 days after the date the notice was mailed or electronically delivered.

13 (g) The department may, at the time an applicant applies for a qualified dealer  
14 license, require the applicant to file a bond or other security with the department in an  
15 amount equal to twice the estimated surcharge and tax due to the department in one  
16 month, or \$5,000, whichever is greater.

17 (h) The department may adopt regulations to implement this section, including  
18 regulations relating to the revocation of a license.

19 \* **Sec. 20.** AS 43.40.100(1) is amended to read:

20 (1) "dealer" means a person who sells or otherwise transfers in this  
21 state refined or motor fuel on [UPON] which the surcharge or tax [TAXES]  
22 imposed by this chapter has [HAVE] not been paid;

23 \* **Sec. 21.** AS 43.40.100(3) is amended to read:

24 (3) "qualified dealer" means a person who (A) refines, (B) imports, (C)  
25 manufactures, (D) produces, (E) compounds, or (F) wholesales refined or motor fuel  
26 [, WHO SATISFIES CRITERIA FOR QUALIFIED DEALERS ESTABLISHED BY  
27 THE DEPARTMENT BY REGULATION, AND WHO OBTAINS A QUALIFIED  
28 DEALER'S LICENSE FROM THE DEPARTMENT];

29 \* **Sec. 22.** AS 43.40.100(4) is amended to read:

30 (4) "user" means a person consuming or using refined or motor fuel,  
31 who

1 (A) purchases the fuel out of the state and ships it into the state  
2 for personal use in the state;

3 (B) manufactures the fuel in the state; or

4 (C) purchases or receives fuel in the state that is not subject to  
5 the surcharge or tax under this chapter [TAXED] at the time of purchase or  
6 receipt or is subject to a surcharge or tax [TAXED AT A RATE] that is less  
7 than the rate prescribed by AS 43.40.005 or 43.40.010 [AS 43.40.010].

8 \* **Sec. 23.** AS 43.40.100 is amended by adding a new paragraph to read:

9 (5) "refined fuel" means fuel produced from oil that is used in an  
10 engine, machine, or contrivance that creates heat, energy, or power.

11 \* **Sec. 24.** AS 43.40.010(c) is repealed.

12 \* **Sec. 25.** The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14 **QUALIFIED DEALER LICENSE; REGULATIONS.** To the extent current  
15 regulations are consistent with this Act, the regulations previously adopted by the Department  
16 of Revenue relating to qualified dealers and qualified dealer licenses under AS 43.40.100  
17 shall apply to qualified dealers and qualified dealer licenses until the regulations are amended  
18 to be consistent with this Act.

19 \* **Sec. 26.** This Act takes effect July 1, 2015.



*"The mission of the Council is to represent the citizens of Cook Inlet in promoting environmentally safe marine transportation and oil facility operations in Cook Inlet."*

**Members**

**Alaska State Chamber of Commerce**

**Alaska Native Groups**

**Environmental Groups**

**Recreational Groups**

**Aquaculture Associations**

**Fishing Organizations**

**City of Kodiak**

**City of Kenai**

**City of Seldovia**

**City of Homer**

**Kodiak Island Borough**

**Kenai Peninsula Borough**

**Municipality of Anchorage**

March 26, 2015

Senator Peter Micciche  
Alaska State Legislature  
Alaska State Capitol, Rm. 514  
Juneau, AK 99801-1182

Dear Senator Micciche:

The Cook Inlet Regional Citizens Advisory Council (CIRCAC) is an independent non-profit organization organized under the provisions of Section 5002 of the Oil Pollution Act of 1990. Our thirteen-member Board of Directors represents seven cities and boroughs within the region, along with commercial fishing groups, aquaculture associations, Alaska Native organizations, recreational groups, State Chamber of Commerce and environmental interests, and is dedicated to the mission of representing the citizens of Cook Inlet in promoting environmentally safe marine transportation and oil facility operations in Cook Inlet.

CIRCAC supports Senate Bill 86 (SB 86), relating to a refined fuel surcharge and the motor fuel tax. For 25 years, we have worked together with our partners at the Alaska Department of Environmental Conservation (ADEC) to put into practice robust oil spill prevention and response measures for the Cook Inlet region. While doing so, we have witnessed the Response (470) Fund continue to decline to the point that we believe now jeopardizes the Division of Spill Prevention and Response's (SPAR) ability to accomplish the work with which it has been charged: to prevent, respond to and ensure the cleanup of oil and hazardous substances spills.

Oil spill prevention and response costs money. We believe SB 86, through proposing a surcharge of .8 cents per gallon on refined fuels, would provide the revenue necessary to stabilize and sustain the 470 Fund so that SPAR has the required resources to support a strong oil spill prevention program and its ability to meaningfully conduct response activities.

In closing and on behalf of our Council, I appreciate your effort in dealing with this critical issue. If you need additional information regarding our support of this legislation, feel free to contact me.

Sincerely,

Michael Munger  
Executive Director

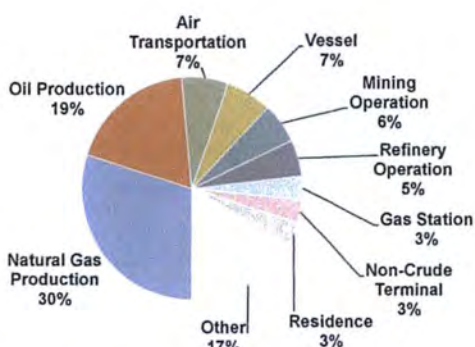
cc  
Commissioner Larry Hartig  
Kristen Ryan



## All Products Spilled in FY 2014

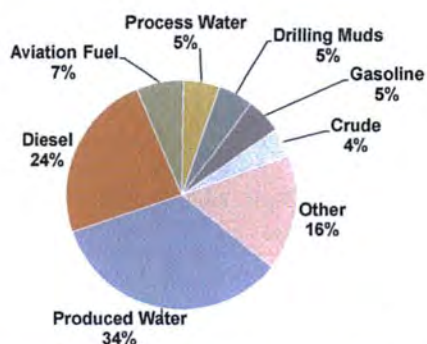
Number of Spills Reported 2,028  
 Total Gallons 284,729

### Volume Released by Facility Type



'Other' includes facility categories comprising 3% or less of the total volume released.

### Volume Released by Product

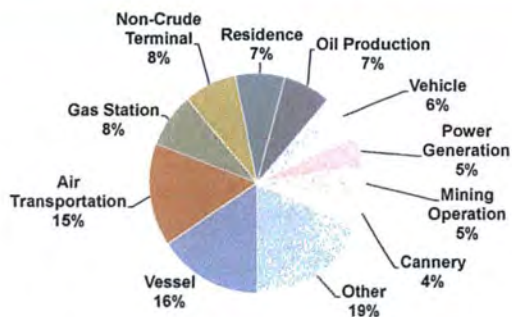


'Other' includes product categories comprising 3% or less of the total volume released.

## Non-crude Oil or Refined Products Spilled in FY 2014

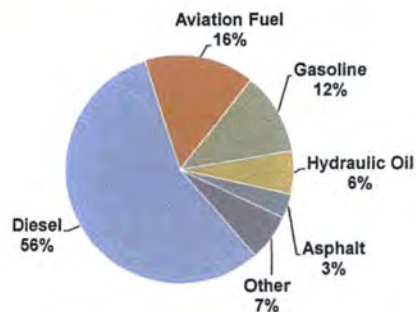
Number of Spills Reported 1,525  
 Total Gallons 121,517

### Volume Released by Facility Type



'Other' includes facility categories comprising 4% or less of the total volume released.

### Volume Released by Product



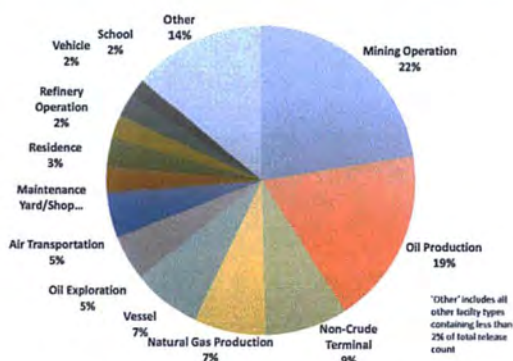
'Other' includes product categories comprising 2% or less of the total volume released.



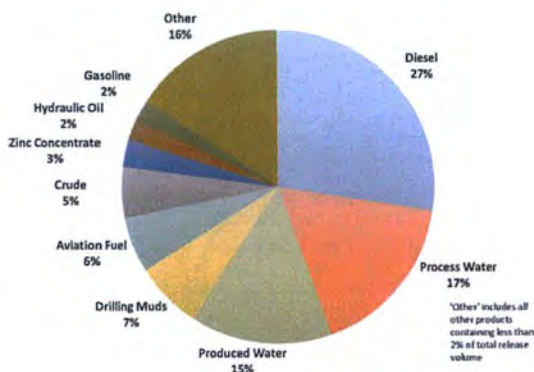
## All Products Spilled, FY10-14

Number of Spills Reported 9,434  
 Total Gallons 1,258,731

Volume Released by Facility Type



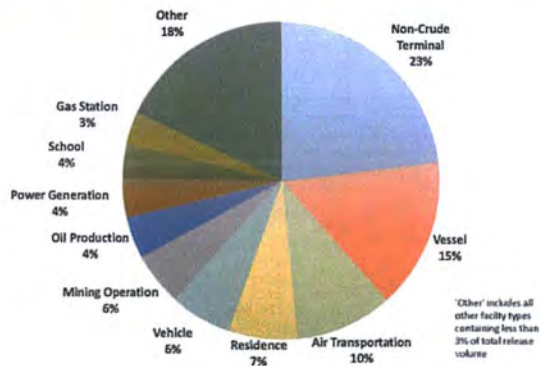
Volume Released by Product



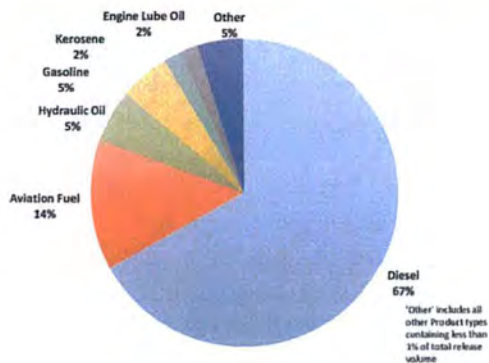
## Non-crude Oil or Refined Products Spilled, FY10-14

Number of Spills Reported 6,971  
 Total Gallons 516,792

Volume Released by Facility Type



Volume Released by Product

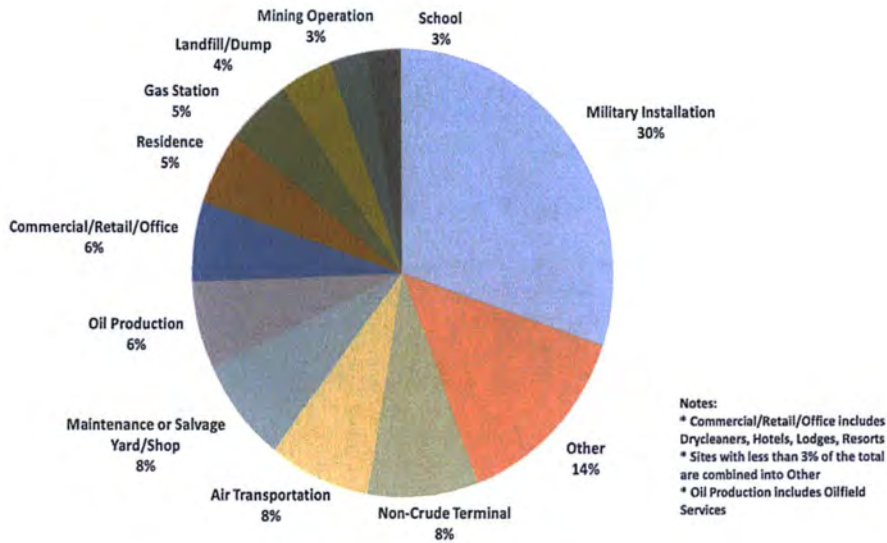




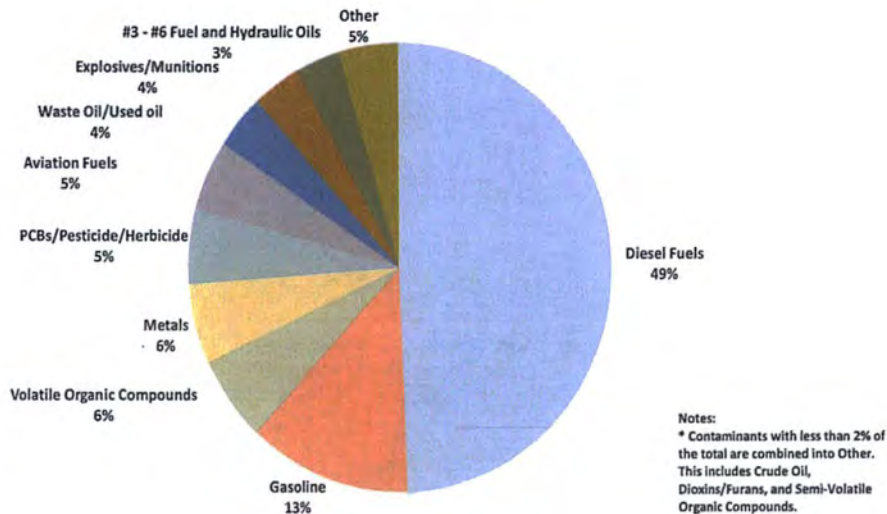
# Division of Spill Prevention and Response Contaminated Sites Program

## Active Contaminated Sites by Facility Type

Number of Active Sites 2,288 (as of March 3, 2015)



## Active Contaminated Sites by Contaminant Type





Council of  
**Alaska Producers**

**Comments on SB86 and funding for the  
Spill Prevention and Response Division,  
Alaska Department of Environmental Conservation**

March 31, 2015

Senator Pete Kelly, Co-Chair  
Senator Anna MacKinnon, Co-Chair  
Senate Finance Committee  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801

Dear Senator Kelly and Senator MacKinnon:

The Council of Alaska Producers (CAP) is writing to provide comment on SB86 as well as information about the Alaska Department of Environmental Conservation's Spill Response and Recovery (SPAR) activities in the metal mining sector.

CAP, a non-profit trade association formed in 1992, serves as a spokesperson for the large metal mines and major metal developmental projects in the state. Bringing together mining companies with interest in Alaska, the Council represents and informs members on legislative and regulatory issues, supports and advances the mining industry, educates members, the media, and the general public on mining related issues, and promotes economic opportunity and environmentally sound mining practices.

While the Council does not object to SB86, we question the amount of funding SPAR needs to fulfill its mandate. We would like to see the SPAR division undergo the same tough organizational and fiscal scrutiny as all other parts of state government. In addition to finding budget efficiencies, SPAR must improve the cost-recovery efforts for the services they provide.

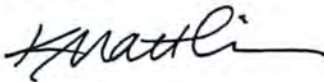
As part of a regulated industry, the large metal mines in Alaska are closely monitored and are responsible for immediately reporting, monitoring and cleaning up any release. While the companies must also pay SPAR's costs for any involvement in administering and verifying cleanup, we have found that SPAR has not been consistent in sending invoices to recover those administrative costs.

According to presentations made by SPAR's Director, Kristin Ryan, most of SPAR's cleanup costs involve spills of home heating fuel, marine diesel, and hazardous substances at small businesses, yet there is little cost recovery from these incidents. The Council would like to see SPAR make more consistent cost recovery efforts for the spills that require the majority of SPAR's resources.

The Council also recommends changes to SPAR's annual report which currently focuses entirely on the volume of spills rather than the amount of state resources that are expended per spill. Even the supporting documents SPAR has provided for SB86 focus on volume: the 2014 document indicates oil and gas production, exploration, refineries and mining accounted for 60% of spills by volume<sup>1</sup>. This implies incorrectly that regulated industries are a large part of SPAR's cleanup budget.

The SPAR reports should note whether the cleanup was managed by the state, what it cost and whether those costs were recovered. Since the issue is SPAR funding, information about the costs is essential to determine equitable funding solutions.

Sincerely,

A handwritten signature in black ink, appearing to read "K. Matthias", with a stylized flourish at the end.

Karen Matthias  
Managing Consultant

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<sup>1</sup> Supporting Documents - DEC All Products Spilled FY14 submitted to SL&C, March 24, 2015