

HB

60

<TARGET><BILL>HB 60</BILL><SUBJECT>HB
60</SUBJECT><COMM>HTRA30</COMM></TARGET>

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Governor Bill Walker
STATE OF ALASKA

January 17, 2017

The Honorable Bryce Edgmon
Speaker of the House
Alaska State Legislature
State Capitol Room 208
Juneau, AK 99801

Dear Speaker Edgmon:

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rates on the categories of motor fuel currently taxed under AS 43.40.010 (motor fuel tax) by increasing the currently outdated tax rates on motor fuels, including all motor fuel sold or transferred within the state, aviation gasoline, aviation fuel other than gasoline and motor fuel used in and on watercraft. The tax increase would be phased in, with a first increase effective July 1, 2017, and the second increase effective July 1, 2018. The two-part implementation approach in the bill will assist in easing the transition to a more practical tax base.

While the proposed tax increase may 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 very close to the current national average of 25 cents a gallon.

Further, this bill would establish as AS 43.40.040 the transportation maintenance fund in the general fund. Included in this fund would be the existing special highway fuel tax account (AS 43.40.010(g)), the special nonpublic highway use account (AS 43.40.010(j)), and the special watercraft fuel tax account (AS 43.40.010(f)) for revenue generated by the tax. This approach clarifies how motor fuels taxes are accounted for in order to allow the Legislature to appropriate funds for the purposes set out in each account in the transportation maintenance fund, including the direct capital, operating, or maintenance costs of water and harbor, and highway infrastructure.

Thank you for your consideration of this measure.

Sincerely,

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

Bill Walker
Governor

Enclosure

Sectional Analysis

HB 60

- Sec. 1.** Amends the harbor facility grant fund statute (AS 29.60.800(a)) to specify that the Legislature may appropriate money from the transportation maintenance fund to the fund
- Sec. 2.** 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 \$0.094; and jet fuel from \$0.032 to \$0.064.
- Sec. 3.** Changes the per-gallon tax rates for users for all categories of motor fuel: highway fuel and gasohol from \$0.16 to \$0.24; marine fuel from \$0.10 to \$0.15; aviation gasoline from \$0.094 to \$0.141; and jet fuel from \$0.064 to \$0.096.
- Sec 4.** 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 \$0.094; and jet fuel from \$0.032 to \$0.064.
- Sec. 5.** Changes the per-gallon tax rates for users for all categories of motor fuel: highway fuel and gasohol from \$0.16 to \$0.24; marine fuel from \$0.10 to \$0.15; aviation gasoline from \$0.094 to \$0.141; and jet fuel from \$0.064 to \$0.096.
- Sec. 6.** Provides that proceeds of the motor fuel taxes on aviation fuel deposited into the aviation fuel tax account may be used for **direct capital, maintenance cost of airport infrastructure**
- Sec. 7.** Provides that the revenue from the tax on motor fuel used in boats will be deposited into a special watercraft fuel account in the **transportation maintenance fund**. This account be used for **direct capital, operating or maintenance costs** of water and harbor **infrastructure and** facilities.
- Sec. 8.** Creates a "**transportation maintenance fund**" as a designated general fund for the purpose of funding **direct capital, operating or maintenance costs** of highways and **highway infrastructure**
- Sec. 9.** Provides that motor fuel tax receipts under AS 43.40.010(f)(g)(j) shall be paid into the proper accounts in the transportation maintenance fund. Refund claims shall be paid out of the transportation maintenance fund.
- Sec. 10 .** Provides that tax from fuel used in snow vehicles and other internal combustion engines not used on highways be placed in a special account in the transportation maintenance fund.
- Sec. 11.** Changes the refund for non-road use of taxed motor fuel from 6 to 12 cents effective July 1, 2017
- Sec. 12.** Changes the refund for non-road use of taxed motor fuel from 12 to 18 cents effective July 1, 2017

- Sec. 13.** Transportation maintenance fund as a sub-fund of the general fund
- Sec. 14.** Provides that motor fuel refunds are made from the transportation maintenance fund
- Sec. 14.** Provides that motor fuel refunds are made from the transportation maintenance fund
- Sec. 15.** Provides that provisions of this bill apply to motor fuel sold after the effective dates of the act.
- Sec. 16.** Transition language allowing for the Department of Revenue to adopt regulations
- Sec. 17.** Immediate effective date for Section 16
- Sec. 18** July 1, 2018 effective date for Sections 3, 5 and 12
- Sec. 19** July 1, 2017 effective date for all other provisions of bill

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	HB 60
Fiscal Note Number:	2
(H) Publish Date:	1/18/2017

Identifier: DOR-TAX-1-12-17
 Title: MOTOR FUEL TAX;TRANSPORTATION MAINT.
 FUND
 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)

	FY2018	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2018 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	FY 2018	FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
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	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

1250 UGF Rev (UGF)		(35,700.0)	(36,000.0)	(36,200.0)	(36,500.0)	(36,900.0)	(37,200.0)
1251 Non-UGF (Other)		76,000.0	117,100.0	117,900.0	118,900.0	119,800.0	120,900.0
Total	0.0	40,300.0	81,100.0	81,700.0	82,400.0	82,900.0	83,700.0

Estimated SUPPLEMENTAL (FY2017) cost: 50.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2018) 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:

Initial Version

Prepared By:	Ken Alper, Director	Phone:	(907)465-8221
Division:	Tax Division	Date:	01/12/2017 01:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	01/12/17
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Analysis

Bill Analysis

Alaska has had an excise tax on motor fuel since 1945, which 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. Additionally, a surcharge of slightly less than 1 cent per gallon is added to the tax on most refined fuels as of July 1, 2015 to support Spill Prevention and Response.

The primary change in this legislation would be to increase the tax rates of all categories of motor fuel in two steps: On July 1, 2017, the tax rate for highway fuel would rise from \$0.08 to \$0.16 per gallon; for marine fuel, from \$0.05 to \$0.10 per gallon; for jet fuel, from \$0.032 to \$0.064 per gallon; and for aviation gasoline, from \$0.047 to \$0.094. On July 1, 2018, the tax rate for highway fuel would rise to \$0.24; for marine fuel to \$0.15; for jet fuel to \$0.096; and for aviation gasoline to \$0.141.

DOR estimates that increasing the motor fuel tax rates approximately double tax collections in FY18 and triple tax collections in FY19 and beyond, with eventual additional revenue of approximately \$80 million per year. Of this, approximately \$0.4 million would be shared with municipally owned airports.

Estimates are based on annual statewide taxable consumption of approximately 370 million gallons of highway fuel, 120 million gallons of marine fuel, 130 million gallons of jet fuel, and 10 million gallons of aviation gasoline. Estimates are based on the fall 2016 revenue forecast. 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 one-time fiscal note figure of \$50.0 in FY17 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.

Fund Changes

Currently, aviation motor fuel taxes are considered Other Restricted funds for budget purposes, and remaining motor fuel taxes are considered Unrestricted General Fund revenue. This legislation maintains aviation fuel taxes as Other Restricted and changes the remaining motor fuel taxes from unrestricted to designated general funds. In doing so, it creates several new funds within the general fund. The legislature may use these funds to support highway maintenance, water and harbor infrastructure, and similar needs.

In the table on page 1 of this document, this change in designation is reflected by reducing the current forecasted revenue from Unrestricted General Funds by the fall forecast for non-aviation motor fuel taxes. Meanwhile, for non-aviation motor fuel taxes, the entire revenue amount (both current forecast and the tax increases contained within this bill) are added as designated general funds. For aviation motor fuel taxes, the amount of the tax increase is added as Non-UGF (designated) revenue.

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	HB 60
Fiscal Note Number:	1
(H) Publish Date:	1/18/2017

Identifier: DOT-COM-12-1-16
 Title: MOTOR FUEL TAX;TRANSPORTATION MAINT.
 FUND
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: Governor

Department: Department of Transportation and Public Facilities
 Appropriation: Administration and Support
 Allocation: Commissioner's Office
 OMB Component Number: 530

Expenditures/Revenues

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

	FY2018	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2018 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	FY 2018	FY 2018					
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

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

Estimated CAPITAL (FY2018) 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:

Initial version.

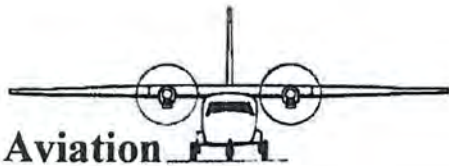
Prepared By:	Mike Lesmann	Phone:	(907)465-4772
Division:	Commissioner's Office	Date:	12/01/2016 03:13 PM
Approved By:	Amanda Holland	Date:	12/01/16
Agency:	DOT&PF		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2017 LEGISLATIVE SESSION

Analysis

Establishing the Alaska Transportation Maintenance Fund provides the Legislature with the ability to directly appropriate increased transportation-generated revenues to transportation-related capital, operating, or maintenance expenditures.



**Aviation
Advisory
Board**

Alaska Department of Transportation and Public Facilities
P.O. Box 196900 • Anchorage, AK 99519-6900

Lee Ryan
Chair
Unalakleet
2nd Judicial District

Jim Dodson
Vice-Chair
Fairbanks
Mayor's of City of Fairbanks
and North Star Borough

Tom George
Fairbanks
Aircraft Owners and Pilots
Association

Robert Hajdukovich
Fairbanks
Alaska Air Carriers Association

Marilyn Romano
Anchorage
Alaska International Airports
System Operating Agreement
Signatory

Dennis Parrish
Anchorage
Non-Airline
Tenants

Gideon Garcia
Anchorage
All-Cargo Air Carrier

Frank Neitz
Bethel
Unorganized Borough

Earl Samuelson
Napaskiak
Public Users

Mike Stedman
Juneau
Regional Air Carrier

Steve Strait
Anchorage
Mayor of the Municipality of
Anchorage Representative

**Aviation Advisory
Board Resolution No.
2017-1**

**Resolution Supporting Revenue Enhancement for the Rural Alaska
Aviation System**

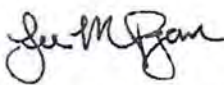
Whereas, the Alaska Department of Transportation and Public Facilities (ADOT&PF) has responsibility for operating and maintaining 240 rural public airports; and

Whereas, additional revenue is needed to support the operation and maintenance of the rural aviation system; and

Whereas, the Governor requested the Aviation Advisory Board to work with ADOT&PF leadership to explore various revenue opportunities for the rural aviation system

NOW THEREFORE BE IT RESOLVED: *In order to help support the sustained operations of the Alaska Rural Aviation System, the Aviation Advisory Board recommends increasing the motor fuel tax, as proposed by Governor Bill Walker's bill submitted to the Alaska Legislature on 15 December 2016.*

This recommendation is predicated and conditional upon on the revenues being used to support the rural aviation system outside the Alaska International Airport System, and further statewide revenue generation and increased operating efficiencies.

Signed: 

Date: January 25, 2017
Lee M. Ryan, Aviation Advisory Board Chair

Alaska's Motor Fuel Tax: A National and Historical Outlier

January 25, 2017 04:11 PM | [Permalink](#) | [SHARE](#) [f](#) [t](#) [e](#) [_](#)

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Alaska Gov. Bill Walker recently proposed tripling his state’s motor fuel tax rates.[1] Three-fourths (or \$60 million) of the revenue raised each year would come from higher taxes on gasoline and diesel fuel—sometimes referred to as highway fuels—purchased by Alaska motorists. Heating fuel would not be affected by the proposal but taxes would rise on marine, jet, and aviation fuel. This brief focuses specifically on Alaska’s gasoline and diesel taxes.

Absent any national or historical context, tripling Alaska’s gasoline and diesel fuel tax rates may sound like a radical policy change. But an adjustment of this size is necessary because Alaska lawmakers have not updated the state’s basic highway fuel tax rate since May 1970—almost 47 years ago.[2] Because of this inaction, Alaska’s highway fuel tax has become an outlier when compared to other states’ tax rates, or when compared to Alaska’s own history.

This brief discusses four ways in which Alaska’s highway fuel tax on gasoline and diesel fuel is an outlier:

- **Alaska's tax rate on gasoline and diesel fuel is the lowest in the nation.**
- **Alaska has waited longer than any state since last updating its gasoline and diesel tax rate.**
- **Adjusted for inflation, Alaska's tax rate on gasoline and diesel fuel has reached its lowest level in history.**
- **Alaska households are spending a smaller share of their earnings on state gasoline and diesel taxes than at almost any time since Alaska became a state.**

Lowest Rates in the Nation

Alaska’s base excise tax rate on gasoline and diesel fuel is 8 cents per gallon, with local sales taxes and the state’s spill prevention tax bringing the statewide average rate to 12.25 cents for gasoline and 12.75 cents for diesel fuel. These rates are the lowest in the nation and are less than half the national average state and local tax rate of 31 cents per gallon. [3] If Gov. Walker’s proposed highway fuel tax increase were enacted, Alaska’s gasoline and diesel tax rates would remain below the national average and below the tax rates levied in most states (see Figure 1).

Figure 1: Alaska's Current and Proposed Highway Fuel Tax Rates

	Current Tax Rate*	Rank Among 50 States	Proposed Tax Rate*	Rank Among 50 States
Gasoline	12.25 cents	50th	28.25 cents	28th
Diesel	12.75 cents	50th	28.75 cents	26th

* While Alaska’s base fuel tax rate is 8 cents per gallon, there is also a 0.95 cent spill prevention tax and some local sales taxes on fuel. Gov. Bill Walker has proposed tripling only the base fuel tax rate.

Source: ITEP analysis using data from the American Petroleum Institute

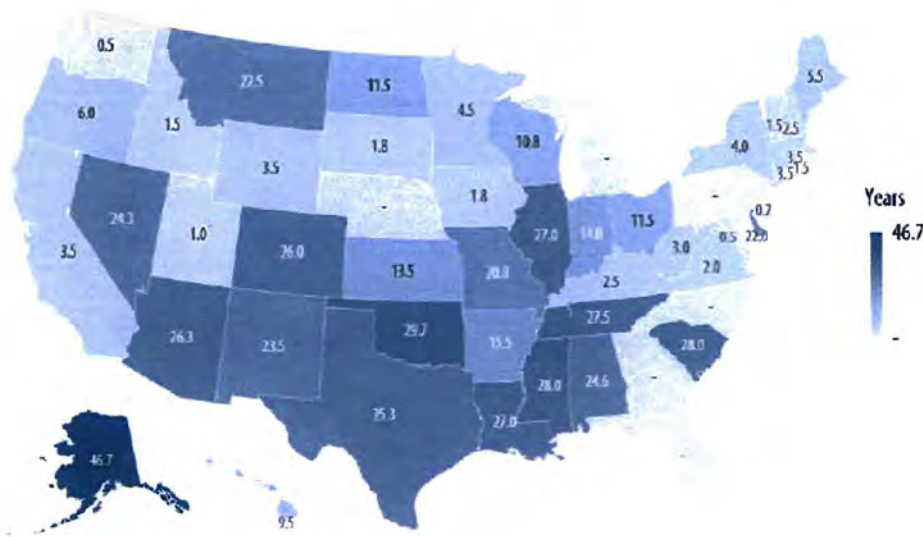
Most Outdated Rates in the Nation

Alaska’s highway fuel tax rate of eight cents per gallon was typical at the state level when it was enacted in 1970. Since then, however, every other state in the nation has opted to raise its gasoline and diesel tax rates while Alaska’s rate has stood still.

At almost 47 years of age, Alaska’s base fuel tax rate of eight cents per gallon is now far more outdated than any other state’s (see Figure 2 below as well as Figure 5 at the end of this brief). As of this writing only sixteen states have waited more than twenty years since last updating their fuel tax rates and no state other than Alaska has waited more than thirty years.[4]

Gov. Walker’s proposed fuel tax increase comes at a time when many states are contemplating similar increases. In just the last four years, nineteen states have either updated or reformed their motor fuel taxes.[5] Many of the states currently levying decades-old fuel tax rates—including Louisiana, Oklahoma, South Carolina, and Tennessee—will be debating their own increases during their 2017 legislative sessions.

Figure 2: Years Since Last Gasoline Tax Increase
As of January 1, 2017



Source: Institute on Taxation and Economic Policy (ITEP)

Lowest Rates in Alaska's History

While Alaska's eight cent fuel tax rate may appear to have held steady in recent decades, the economic reality is that its real value has declined significantly. After adjusting for inflation, an 8 cent fuel tax rate in 1970 was the equivalent of what would be a 49.5 cent tax today. In other words, Alaska's fuel tax rate has lost 81 percent of its purchasing power since 1970.

Looking back further to the tax's creation in 1945, Figure 3 shows that the eight cent rate in effect today is the lowest in Alaska's history. In inflation-adjusted terms, the one cent per gallon tax initially enacted in 1945 would have been the equivalent of 13.3 cents today. Sixteen years later in 1961, Alaska's highway fuel tax reached a peak value of 64.2 cents per gallon (adjusted for inflation) before beginning the long decline to its current eight cent rate.

Throughout its 72-year history, Alaska's real highway fuel tax rate has averaged 24.9 cents per gallon, when expressed at 2016 levels. Gov. Bill Walker's proposal to triple the state's 8 cent rate to 24 cents per gallon would bring the state's tax rate in rough alignment with this historic average.

Figure 3: Alaska's Highway Fuel Tax Rate Has Reached an All-Time Low

Cents per gallon tax rate, adjusted for inflation



Chart does not include the spill prevention tax, local sales taxes, or federal taxes. Note that Alaska's fuel tax was suspended from September 2008 through August 2009.

Source: Institute on Taxation and Economic Policy, January 2017

A Smaller Share of Personal Income

Alaska households are spending less of what they earn on state highway fuel taxes than at almost any time since Alaska became a state. In 1959 Alaska's highway fuel tax of 5 cents per gallon collected revenues equal to 0.48 percent of the state's personal income. After peaking at 0.71 percent of personal income in 1962, the state's highway fuel tax revenues underwent a long decline to just 0.08 percent of personal income today.

Put another way, Alaska households are spending less than one-tenth of a percent of their earnings on state highway fuel taxes. This is the lowest level on record aside from fiscal years 2009 and 2010, when revenue collections were impacted by the temporary suspension of the state's fuel taxes. Gov. Bill Walker's proposal to triple the state's base highway fuel tax rate would likely raise the share of income Alaskans are spending on fuel taxes to 0.24 percent, or less. This would remain below the levels paid by Alaska households in the 1960s and 1970s while also helping to bring about meaningful improvements in the state's ability to fund transportation maintenance, and in its general fiscal health.

Figure 4: Alaska Motor Fuel Tax Collections as a Share of Personal Income

Chart does not include the spill prevention tax, local sales taxes, or federal taxes. Note that Alaska's fuel tax was suspended from September 2008 through August 2009.

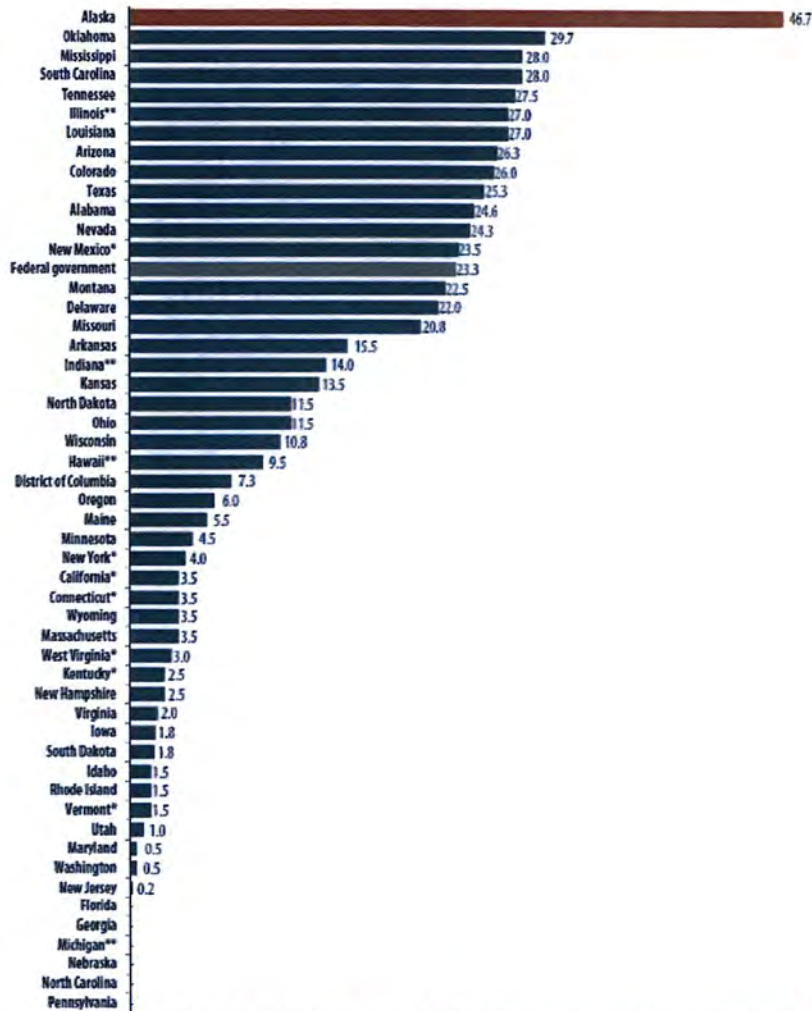
Source: Institute on Taxation and Economic Policy, January 2017

Conclusion

Alaska's highway fuel tax rates are badly outdated. Because they have not been updated for almost 47 years, the state's gasoline and diesel tax rates are now the lowest in the nation and have seen most of their purchasing power disappear in the face of inflation. Updating the state's fuel tax rates in the manner that Gov. Bill Walker has proposed would undo much of the decline witnessed in recent decades while making a meaningful contribution toward improving the state's fiscal health.

Figure 5: Years Since Last Gasoline Tax Increase

As of January 1, 2017

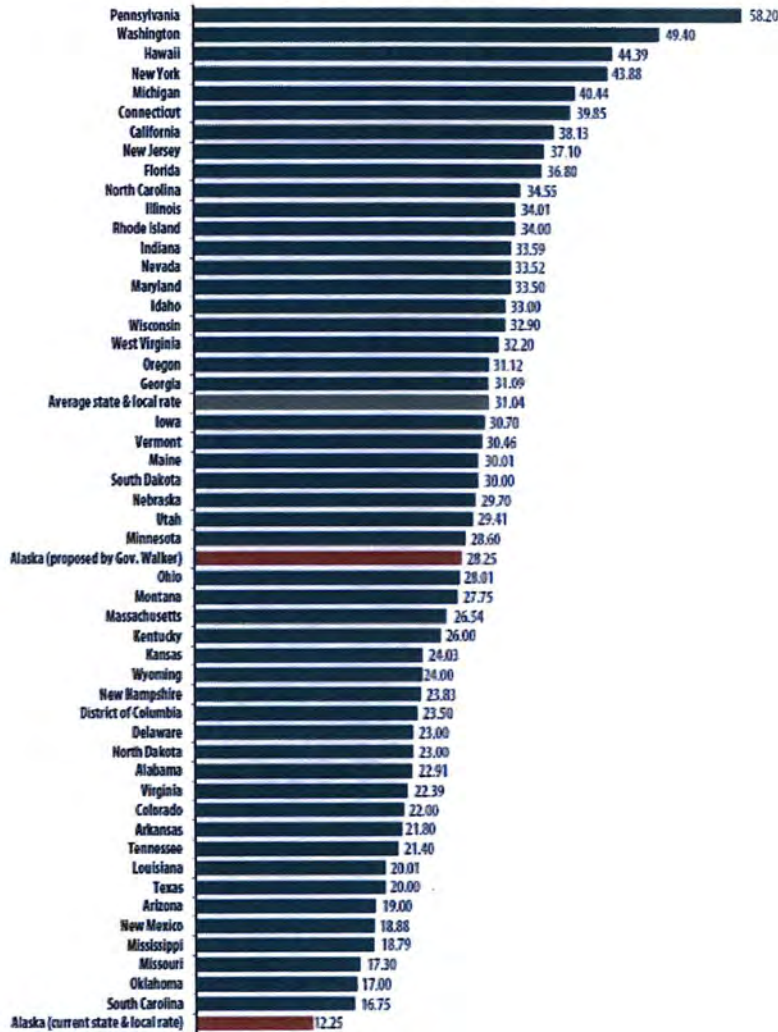


* These states have experienced gas tax rate cuts since their last increases were enacted. This typically occurs when the tax rate is tied to fluctuations in the price of fuel.
 ** Hawaii, Illinois, Indiana, and Michigan apply their general sales taxes to gasoline and thus see ongoing changes in their overall gas tax rates based on changes in the price of gas. This chart excludes these price-based fluctuations and instead looks only at these states' excise taxes on gasoline.

Source: Institute on Taxation and Economic Policy (ITEP)

Figure 6: State & Local Gasoline Tax Rates

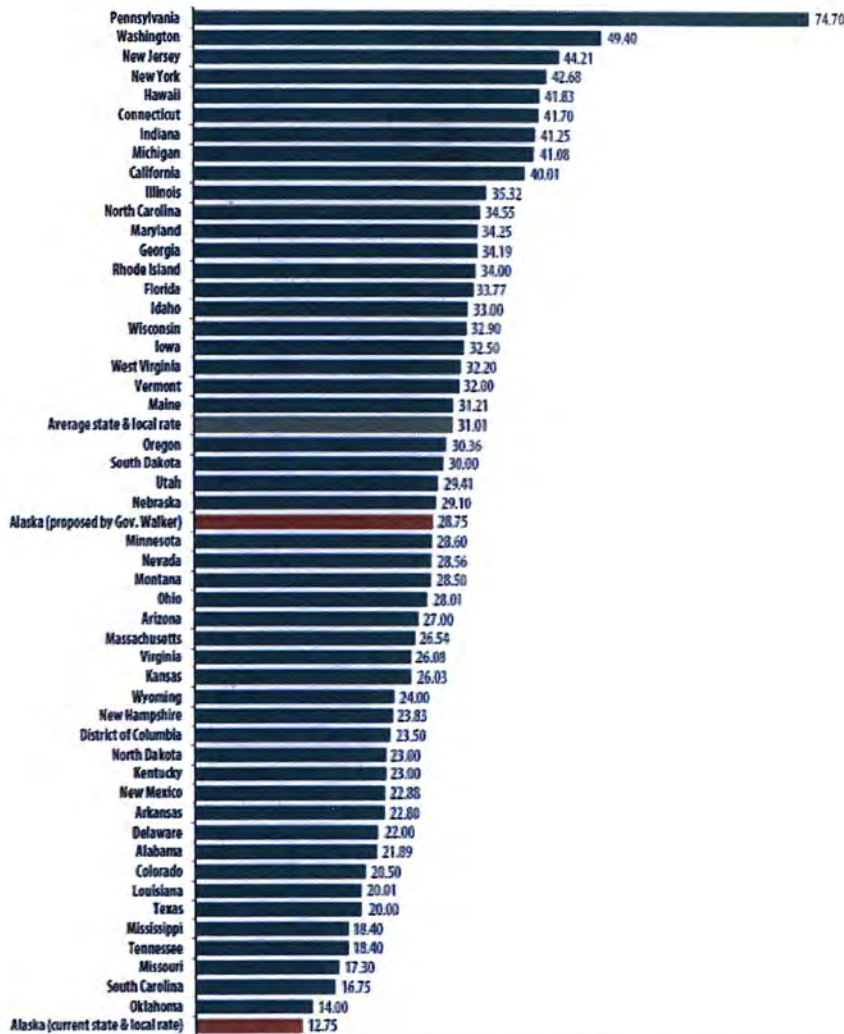
Cents per gallon as of January 1, 2017



Includes state taxes and fees plus the statewide average of local taxes and fees. The nationwide average state and local tax rate is a volume-weighted average.
 Source: Institute on Taxation and Economic Policy (ITEP) analysis of data from the American Petroleum Institute (API)

Figure 7: State & Local Diesel Fuel Tax Rates

Cents per gallon as of January 1, 2017



Includes state taxes and fees plus the statewide average of local taxes and fees. The nationwide average state and local tax rate is a volume-weighted average.
 Source: Institute on Taxation and Economic Policy (ITEP) analysis of data from the American Petroleum Institute (API)

[1] Governor Bill Walker. Letter to the Honorable Pete Kelly. Available at: https://www.omb.alaska.gov/ombfiles/18_budget/PDFs/12-15-16_Motor_Fuel_Tax_House_Senate.pdf

[2] ITEP. "How Long Has It Been Since Your State Raised Its Gas Tax?" January 2017. Available at: http://itep.org/itep_reports/2017/01/how-long-has-it-been-since-your-state-raised-its-gas-tax-3.php

[3] American Petroleum Institute. "Motor Fuel Taxes." January 2017. Available at: <http://www.api.org/oil-and-natural-gas/consumer-information/motor-fuel-taxes>

[4] See note 2.

[5] Davis, Carl. "Looking Back at Four Years of Gas Tax Reforms." Tax Justice Blog. October 2016. Available at: http://www.taxjusticeblog.org/archive/2016/10/looking_back_at_four_years_of.php

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State of Alaska Department of Revenue

**House Transportation Committee
January 31, 2017**

**Motor Fuel Tax
HB 60**



Motor Fuel Tax Increase

“An Act relating to the motor fuel tax; relating to the disposition of revenue from the motor fuel tax; relating to the transportation maintenance fund; 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
- 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

Relative Motor Fuel Tax Rate

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

¹ Per Institute on Taxation and Economic Policy 2017 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.

Motor Fuel Tax Proposal

Type of fuel	Current (per gallon)	Proposed (per gallon) July 1, 2017	Proposed (per gallon) July 1, 2018
Highway	\$0.08	\$0.16	\$0.24
Marine	\$0.05	\$0.10	\$0.15
Jet fuel	\$0.032	\$0.064	\$0.096
Aviation gas	\$0.047	\$0.094	\$0.141
“Off-road use” credit	-\$0.06	-\$0.12	-\$0.18

Motor Fuel Tax Impacts (examples)

Type of fuel	Cost Current (per gallon)	Cost Proposed (per gallon) July 1, 2017	Cost Proposed (per gallon) July 1, 2018
Highway fuel 25,000 miles @15 mpg = 1,666 gallons	\$0.08 \$133.00	\$0.16 \$266.00	\$0.24 \$399.00
Highway Fuel 30,000 lbs freight 360 miles @ 5 mpg = 72 gal	\$0.08 \$5.76 2 cents per 100 lbs	\$0.16 \$11.52 4 cents	\$0.24 \$17.28 6 cents
Marine 3,000 gal	\$0.05 \$150.00	\$0.10 \$300.00	\$0.15 \$450.00
Jet fuel 100,000 gal	\$0.032 \$3,200.00	\$0.064 \$6,400.00	\$0.096 \$9,600.00
Aviation gas 1,000	\$0.047 \$47.00	\$0.094 \$94.00	\$0.141 \$141.00

Disposition of Revenues

- Creates “Transportation Maintenance Fund” as a new fund within the General Fund.
 - Aviation fuel taxes are other funds (dedicated as required for participation in a federal program) under current law
 - HB 60 moves taxes on highway and marine fuel from Undesignated General Fund to Designated General Fund for budgeting
 - Creates confidence that revenues from motor fuel will be used to build and maintain transportation infrastructure

Revenue Impact

- Additional revenue about \$40 million first year, \$80 million per year thereafter
 - \$0.4 million will be shared with municipal-owned airports
 - Remainder: Transportation maintenance fund, special accounts for road, water transport, and aviation facilities

- Estimates based on fall 2016 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



State of Alaska Department of Revenue

Contact Information

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Marc Luiken
Commissioner
Department of Transportation
and Public Facilities
Marc.Luiken@Alaska.gov
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Alaska Department of Transportation & Public Facilities

House Bill 60

Marc Luiken, Commissioner

January 31, 2017

Keep Alaska Moving through service and infrastructure



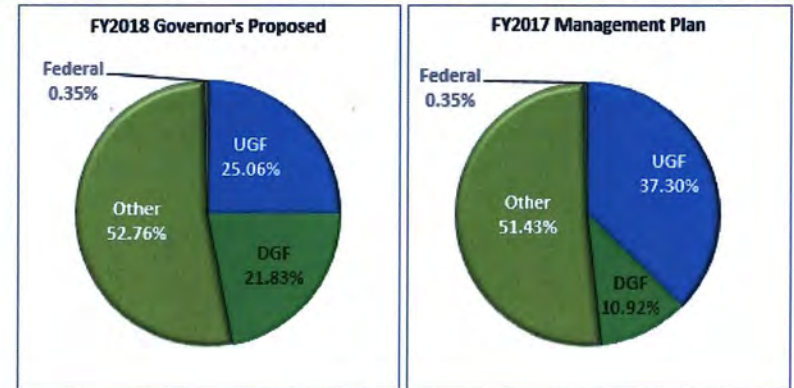
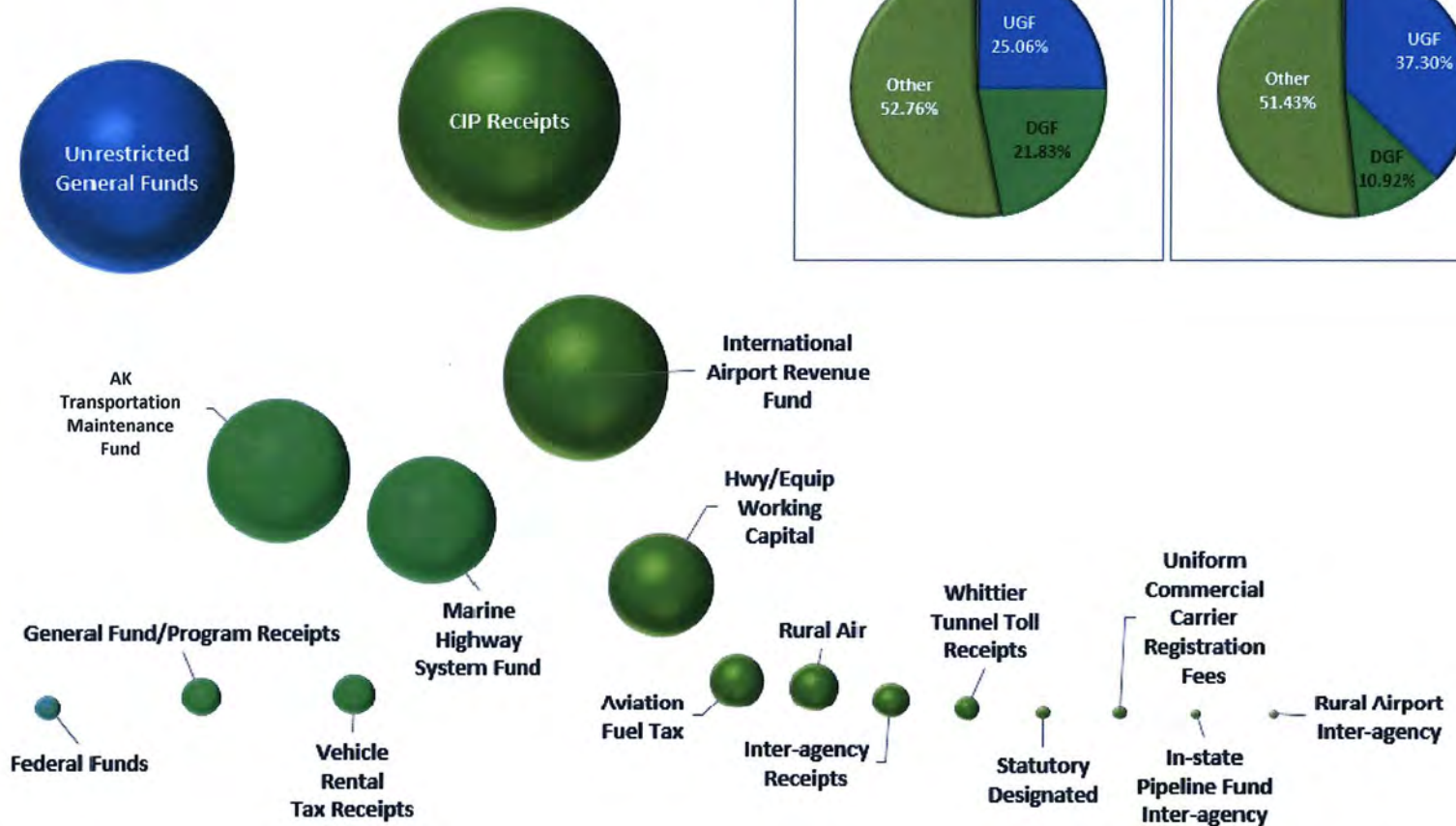
Scope

- This briefing addresses the Department of Transportation & Public Facilities (DOT&PF) operating budget
- The funds generated by Alaska's Motor Fuel Tax that will be placed in the Alaska Transportation Maintenance Fund (DGF/Other) replace an equal amount of Unrestricted General Funds (UGF) that currently fund DOT&PF's operating budget
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FY2018 Governor's Proposed Operating Budget All Funding Sources

Total: \$581,260.5

200,000.0
150,000.0
100,000.0
50,000.0
0.0
-50,000.0



■ UGF ■ DGF ■ Other ■ Federal

Keep Alaska Moving through service and infrastructure

PRESERVE ALASKA'S TRANSPORTATION INFRASTRUCTURE

Off-Surface
Preservation

Surface
Preservation

Vehicle
Management

Bridge Preservation

Vessel/Terminal
Preservation

OPERATE ALASKA'S TRANSPORTATION INFRASTRUCTURE

Illumination

Signals

Snow & Ice Removal

Signage

Striping

Operate Certificated
Airports

MODERNIZE ALASKA'S TRANSPORTATION INFRASTRUCTURE

Plan Infrastructure

Design/Engineer

Construct

PROVIDE TRANSPORTATION SERVICES

Manage Ferry
Reservation System

Operating Ferry
Terminals

Operating Ferries on
Routes

Retain and Expand
Business

Transit



Preserve

Preserve Alaska's Transportation Infrastructure

Preserve extends the life of existing infrastructure – it is the responsibility of the department to maximize the lifespan of our transportation infrastructure; to ensure assets meet federal transportation standards; and to restore deficiencies in the various structures upon which the system operates.

Direct Services that support Preserve: Surface Preservation; Off-Surface Preservation; Bridge Preservation; Vehicle Management; Vessel/Terminal Management

Operating Budget

FY2017 Management Plan

PRESERVE

\$138,998.5

23% UGF

5% DGF

72% Other

Positions: 903

Measures

1) Percent of System meeting Service Standards

2) Maintenance cost / lane miles maintained



Excellent Brush Cutting



Failing Brush Cutting

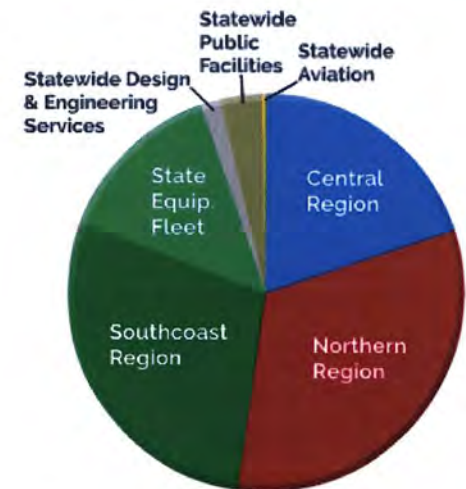


Excellent Drainage



Failing Drainage

Off-Surface Preservation \$26,225.5



Positions: 164



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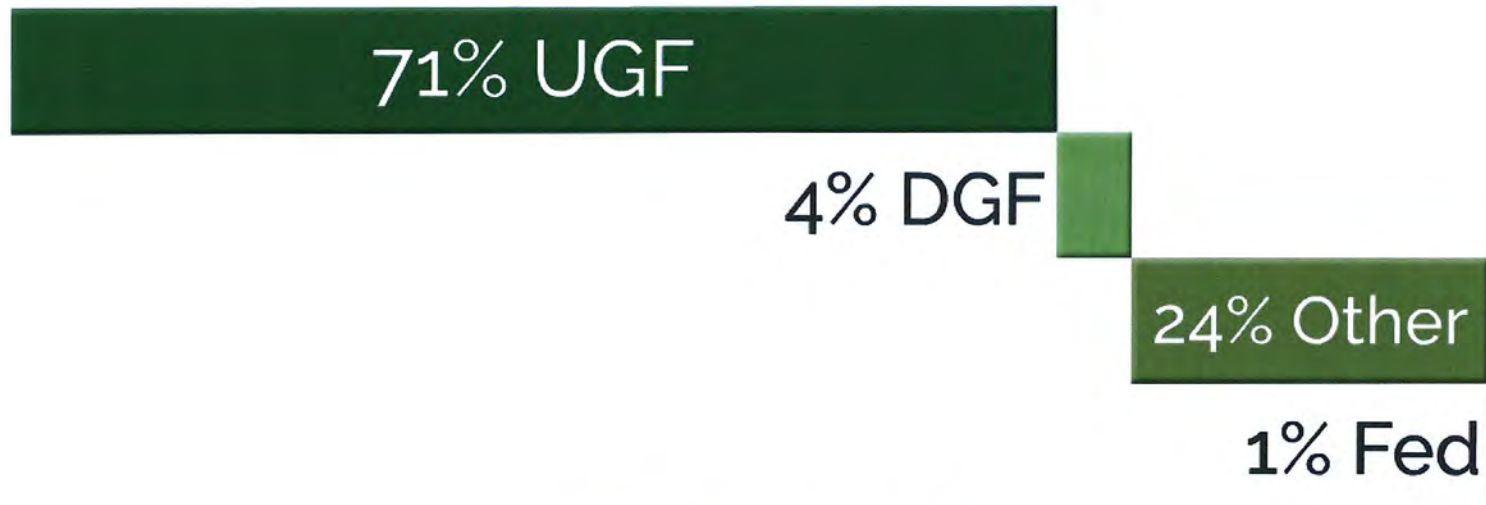
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OPERATE

\$105,292.8



Positions: 548

Snow & Ice Removal

\$73,997.4



Measures

1) Average time per event to achieve performance target for each priority level

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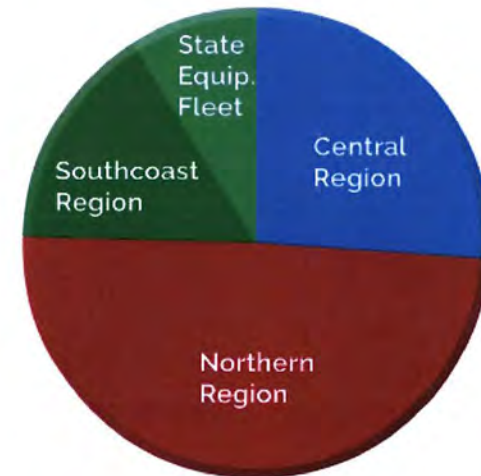
Good Winter Driving Conditions



Fair to Poor Winter Driving Conditions

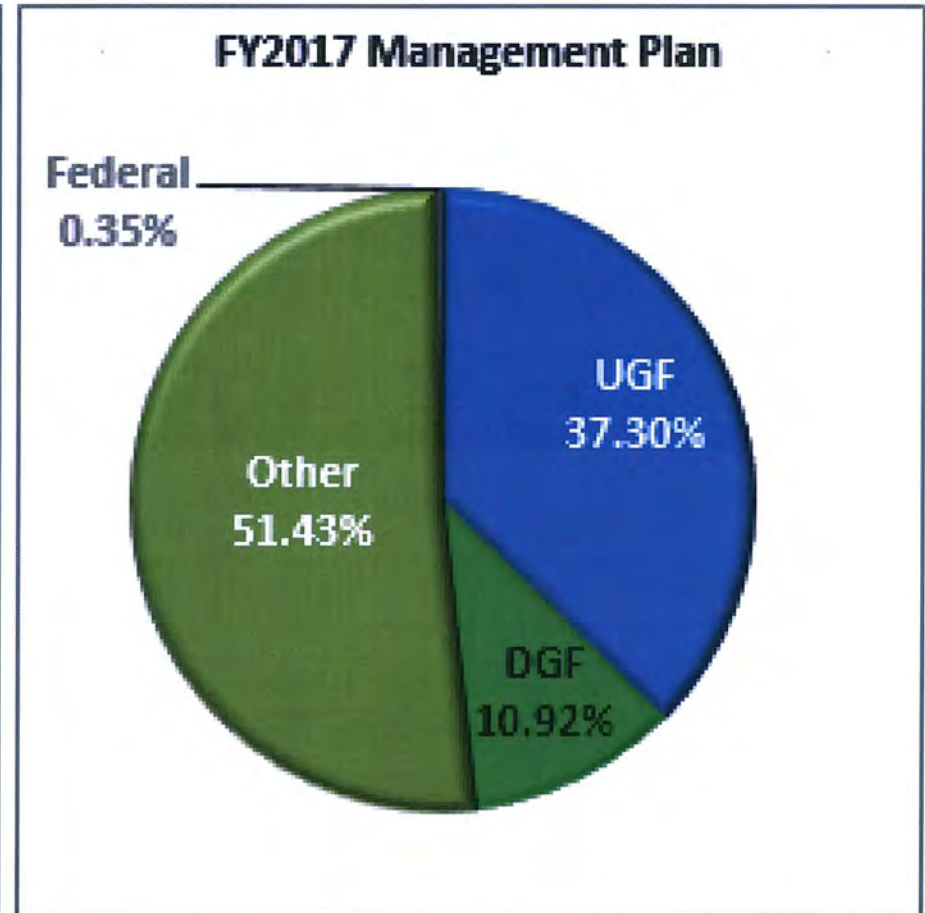
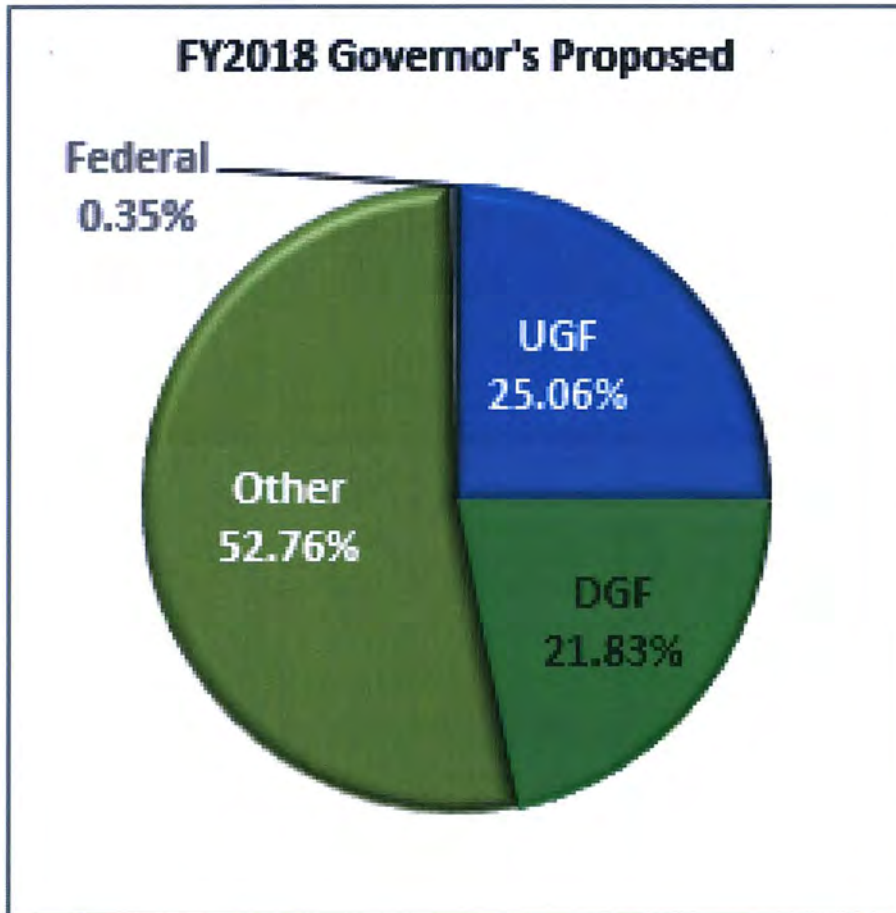


Hazardous Winter Driving Conditions



Positions: 385

Comparison of Fund Category Distribution: FY2018 Governor's Proposed vs. FY2017



For a list of all fund sources, please refer to Slide 2 in this Presentation



Thank You

Contact Information:

Marc Luiken
Commissioner
marc.luiken@alaska.gov
(907) 465-3900

Transportation is an *economic driver*

- Preserve, operate, and modernize existing infrastructure
- Provide transportation services
- Federally funded capital improvement projects

Impacts *daily quality of life*

- Safety
- Mobility
- Connectivity



Tanana River Bridge, old and new. Photo by Jason Sakalaskas, Alaska DOT&PF



Alaska Department of Transportation & Public Facilities

House Bill 60

Marc Luiken, Commissioner

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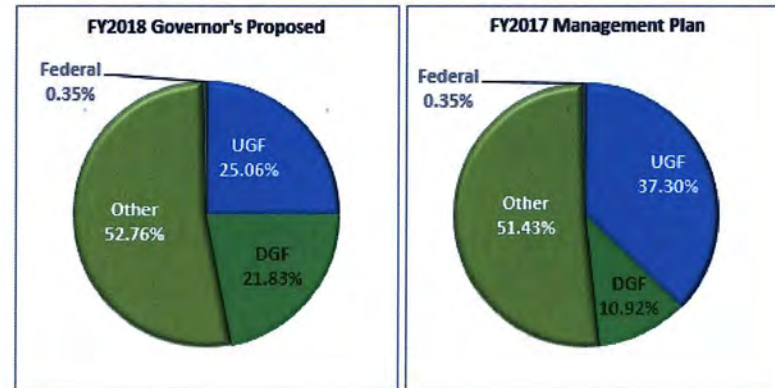
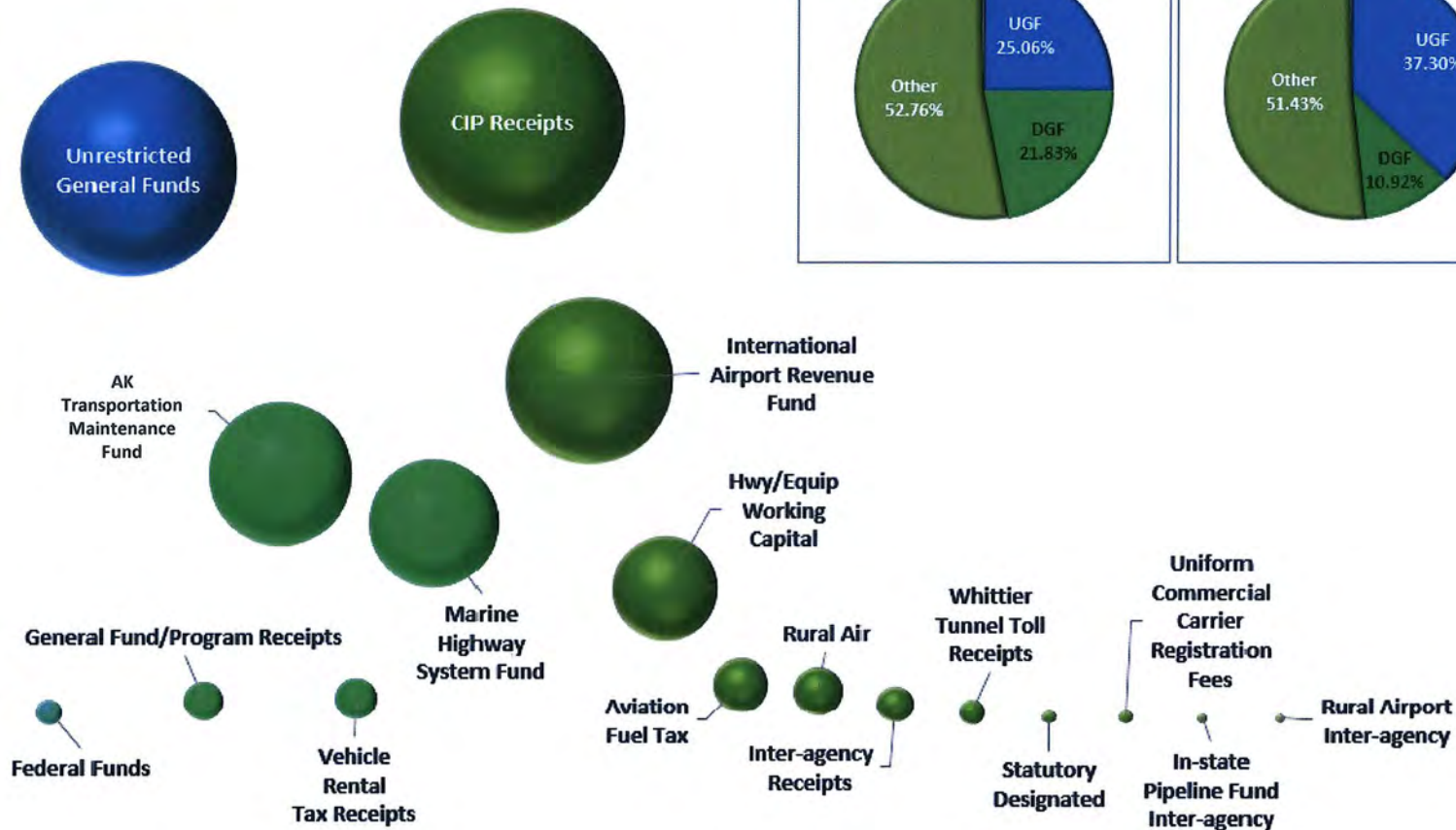
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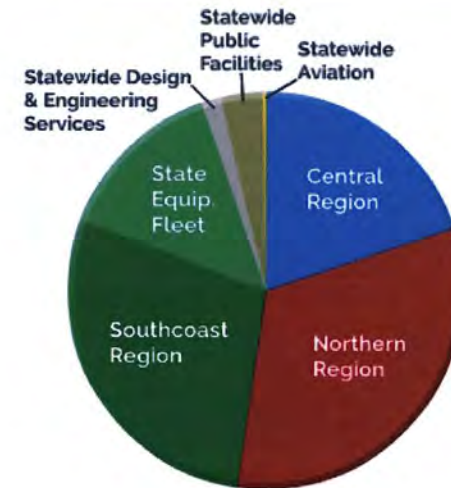
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29% UGF

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68% Other



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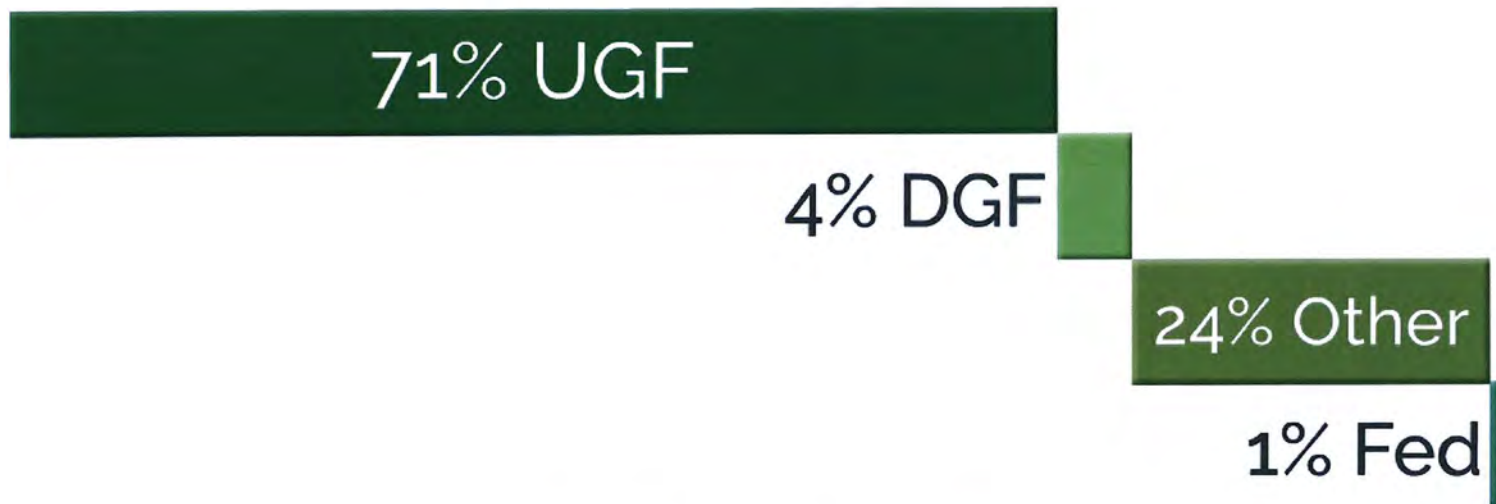
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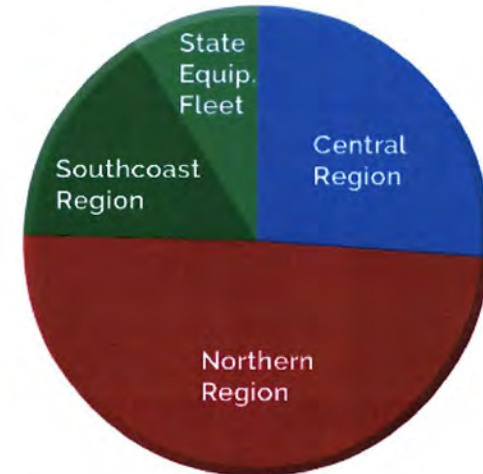


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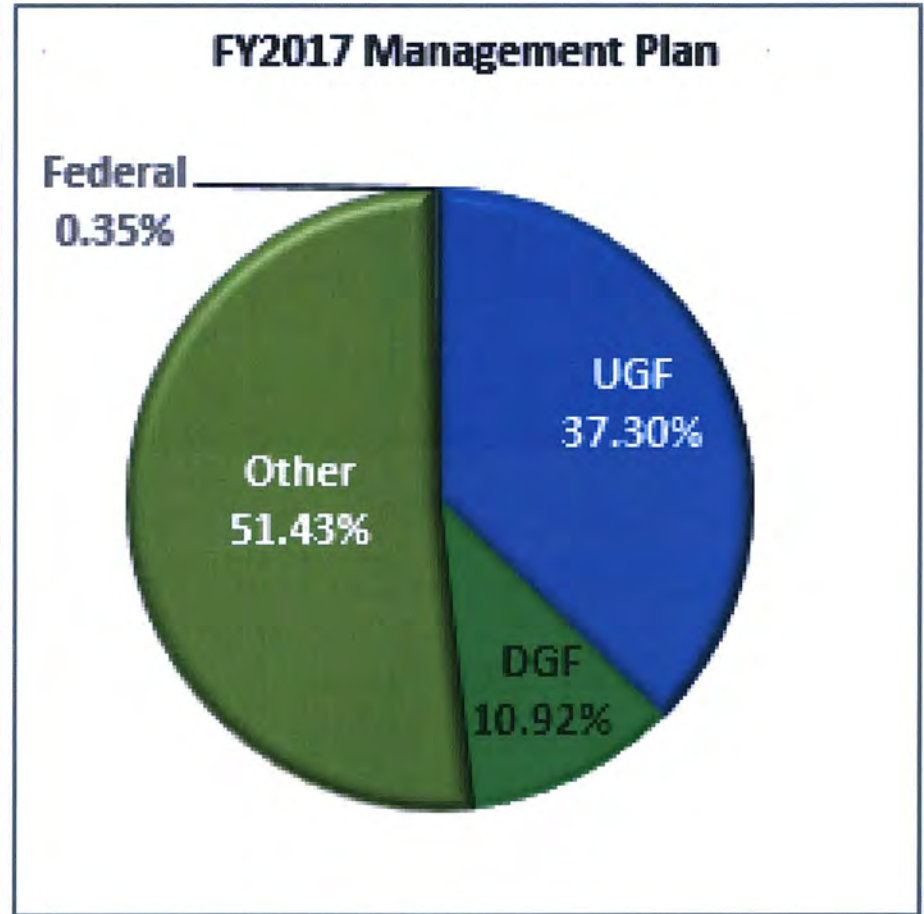
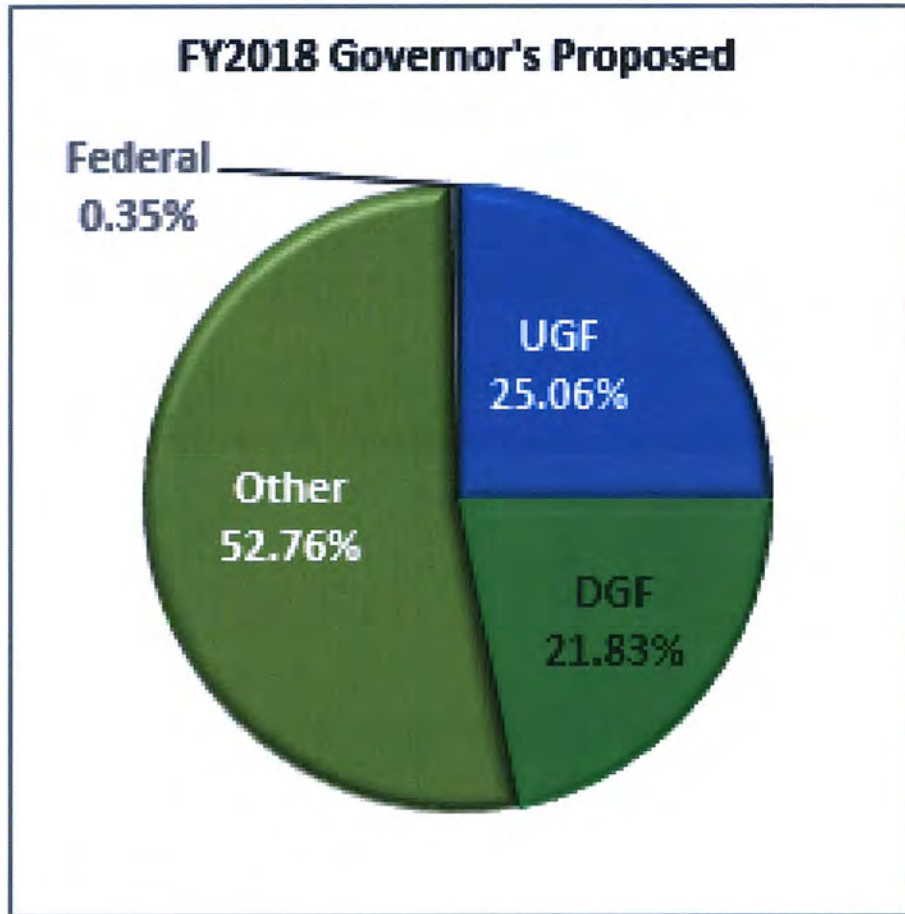
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Tanana River Bridge, old and new. Photo by Jason Sakalaskas, Alaska DOT&PF

From: Marc Grober [<mailto:marc@interak.com>]
Sent: Sunday, February 05, 2017 8:35 PM
Subject: HB 60

Dear Representatives,

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It is the whiners who have been bellyaching that Alaskans should pay their way, and now that they are asked to actually do that, the only thing you hear is their whimpering.

The fact of the matter is that most people in Alaska who own cars live in our urban regions, and the median family income in those regions is in excess of \$80,000! And, as any competent economist will tell you, most of Alaskans make no net payment for any State or Local service.

Partly as a result of that we now have families of four driving four huge SUVs/Pick-ups who now want someone else to pay to maintain the streets they are tearing up. In the meantime, our pedestrians and bike riders can't even use our thoroughfares while our cities are buried in oily grey sediment.

It is high time motorists paid their fair share, and that means the tax on gasoline should be \$8.00/gallon as opposed to \$.08/gallon! I have argued that as part and parcel of a progressive income tax we could raise fuel taxes to appropriate levels, and then provide some interim relief for first 100 gallons (see, e. g. <http://opinion.alaskapolicy.net/pardonme/?p=607>) but no one in Juneau seems interested in a comprehensive approach to financing our way of life - fear of whingers, apparently).

If someone REALLY wants to talk about welfare queens, they need look no further than the Alaskans who want something for nothing, and I am sorry to say this as someone who has been an Alaskan Republican for over 30 years, but it would appear that most of the people refusing to pay for what they get are Republican ideologues... the kind of people who think that you fix a cash starved operation by cutting the funding by 25%; the "me, mine, more" crowd.

I have no problem with someone who wants to drive a two-ton monstrosity to go to work at a State job created purely so they don't have to wait in lines, as long as they don't mind paying \$32 in tax every time they and their loved ones leave the house in the morning :-)

Marc

Marc Grober, Esq.
5610 Radcliff Dr.
Anchorage Alaska 99504
email: marc@interak.com
cell: (907)2272417



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Transportation and Public Facilities

OFFICE OF THE COMMISSIONER
Marc Luiken, Commissioner

3132 Channel Drive
P.O. Box 112500
Juneau, Alaska 99811-2500
Main: 907.465.3900
dot.state.ak.us

February 6, 2017

Honorable Louise Stutes
Alaska House of Representatives
Alaska State Capitol, Rm 406
Juneau, AK 99801-1182

Honorable Adam Wool
Alaska House of Representatives
Alaska State Capitol, Rm 412
Juneau, AK 99801-1182

Dear Representative Stutes and Representative Wool,

Thank you for the opportunity to testify on House Bill 60 during the January 31, 2017 meeting of the House Transportation Committee.

To address several questions about the Designated General Fund distribution of these tax revenues to various services provided by the Department of Transportation & Public Facilities, please see the documents enclosed within this letter.

If you have any questions, please contact my staff, Mike Lesmann, at 465-4772.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc Luiken".

Marc Luiken
Commissioner

Enclosure

Cc: Darwin Peterson, Legislative Director, Office of the Governor
Mike Lesmann, Legislative Liaison, DOT&PF

Motor Fuel Tax Background

Background:

Alaska levies a motor fuel tax on motor fuel sold, transferred, or used within Alaska. The Division collects motor fuel taxes primarily from wholesalers and distributors that hold "qualified dealer" licenses issued by the Department. There are four basic types of motor fuel taxes: diesel, gasoline, aviation, and gasohol. End users can claim an exemption from this tax and receive a refund if the motor fuel was used for exempt purposes (like in state vehicles).

Tax Rates and Proposed Increase:

The tax increase will double motor fuel taxes in FY2018 and triple them in FY2019. After these increases Alaska's tax rates will be near the average tax of all 50 states and DC.

Motor Fuel Tax Rates (Cents Per Gallon)			
Tax Type	Current Tax Rate	FY2018 Tax Rate	FY2019 Tax Rate
Highway Fuel	\$0.08	\$0.16	\$0.24
Marine Fuel	\$0.05	\$0.10	\$0.15
Aviation Gasoline	\$0.047	\$0.094	\$0.141
Jet Fuel	\$0.032	\$0.064	\$0.096

Revenue will increase significantly over the next 2 years as the tax increase is phased in.

Projected Motor Fuel Tax Collections (In Millions)			
	Aviation Fuel	Highway & Marine Fuel	Total Collections
FY2017	\$4.7	\$35.5	\$40.2
FY2018 (Rates Double)	\$9.3	\$71.4	\$80.7
FY2019 (Rates Triple)	\$13.9	\$107.9	\$121.8

Aviation Fuel Tax:

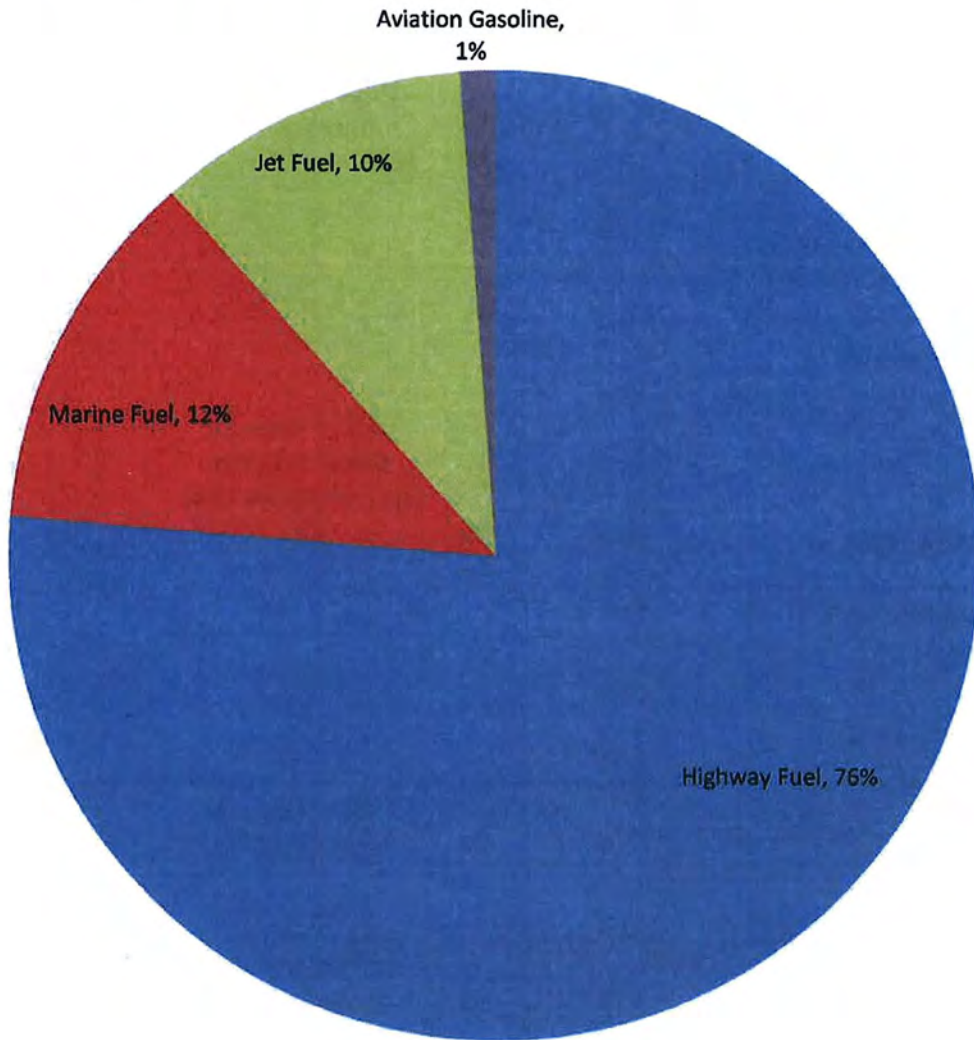
Due to the federal restrictions, all revenue derived from aviation must be used on airport purposes. The increase in aviation gasoline and jet fuel revenues is dedicated for use on airports. Currently the state spends over \$28 million per year operating the 242 airports that it owns. The general funds being used to subsidize these airports can be replaced with aviation fuel tax proceeds to keep airports open.

Motor Fuel Tax Fund:

In addition to the tax increase, the Governor's legislation proposes depositing all revenues from the motor fuel tax into a new Transportation Infrastructure and Maintenance fund. This fund will be used for airport, highway and Alaska Marine Highway System operations and maintenance.

Where Does the Money Go?	Total Collection in Millions	Percent of Total Tax (all types)	Source	Approx Total UGF Budget in Millions	% of Gap Bridged
100% of Aviation Gasoline Tax					
Airport Operations & Maintenance	\$ 9.2	12%	100% of Jet Fuel Tax	24	39%
Central Region Highways & Aviation	\$ 2.8				
Northern Region Highways & Aviation	\$ 4.8				
Southcoast Region Highways & Aviation	\$ 1.6				
94% of Highway Motor Fuel Tax 50% of Marine Fuel Tax					
Highway & Road Maintenance	\$ 62.5	78%		73	86%
Central Region Highways & Aviation	\$ 19.1				
Northern Region Highways & Aviation	\$ 32.1				
Southcoast Region Highways & Aviation	\$ 11.2				
2.4% of Highway Motor Fuel Tax					
Roadway Safety	\$ 1.5	2%		1.5	100%
Department of Public Safety - Alaska Bureau of Highway Patrol	\$ 1.5				
3.2% of Highway Motor Fuel Tax					
Transit / Buses	\$ 2	2%		2	100%
Coordinated Transportation Services for Elderly/Disabled (Capital Budget)	\$ 1				
Public & Community Transportation State Match (Capital Budget)	\$ 1				
50% of Marine Fuel Tax					
Marine Transportation	\$ 5.1	6%		88.7	6%
Marine Highway System - Marine Vessel Operations	\$ 2.4				
Grant to Inter-island Ferry Authority (Ketchikan/Hollis route)	\$ 0.3				
Municipal Harbor Facility Grant (Harbor Repair)	\$ 2.5				

**After the first increase, Alaska will collect \$80.7 million
(current collections & increase) from the following sources**



I am a small business owner that has become the State's tax collector.

The weight of collection is on me.

The weight of paying the tax is on my cash flow, and credit card fees.

I believe that it would be in all of our best interest if the tax was collected at the Refinery and Barge point of sale. It would be the simplest tax point collection, And take the pressure off the end seller.

Leave the current tax in place to give the different tax breaks (marine vs highway), Or better yet, just not give all the tax deductions at point of sale, but get them back From their taxes.

Make the it simpler. Tax all the same at the starting point and not the end.

Thank you,

Shelly Erickson

HomeRun Oil Co Inc.

PO Box 3670

Homer, AK. 99603

907-399-4700

REPRESENTATIVE COLLEEN SULLIVAN-LEONARD

ALASKA STATE LEGISLATURE HOUSE DISTRICT 7

SESSION

Alaska State Capitol
Juneau, AK 99801
Phone: (907) 465-4833
Toll Free: (800) 782-4833



INTERIM

600 E. Railroad Ave., Suite 1
Wasilla, AK 99654
Phone: (907) 373-6285
Toll Free: (800) 782-4833

TO: HTRA Co-Chairs Representative Stutes & Representative Wool

FROM: Representative Colleen Sullivan-Leonard

DATE: February 7th, 2017

SUBJECT: HB60 Public Testimony

Good Morning House Transportation Co-Chairs,

We received these emails from concerned citizens regarding HB60. It includes emails from various sides of the issue, and Rep. Sullivan-Leonard would like to submit them for public testimony.

Please don't hesitate to contact me with any concerns.

Thank you!

Esther Mielke 
Staff to Representative Sullivan-Leonard

Esther Mielke

From: m.ainge@yahoo.com
Sent: Sunday, February 05, 2017 8:27 PM
To: Rep. Colleen Sullivan-Leonard
Cc: m.ainge@yahoo.com
Subject: Re: Motor Fuel Tax-Public Testimony!

Categories: Public Testimony

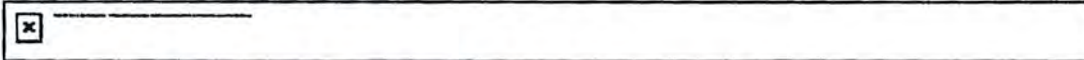
Please put my name on record as opposed to the new motor fuel tax

Thanks Max Ainge

On Feb 5, 2017 7:15 PM, "Rep.ColleenSullivan-Leonard" <Rep.Colleen.Sullivan-Leonard@akleg.gov> wrote:

February 5, 2017

[View this email in your browser](#)



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To voice your opinion on this progressive tax, viisit your local LIO or call into the House Transportation Committee (907-586-9085) on **Tuesday, Feb 7, 2017 at 1:30 p.m.** to testify in person. If you are unable to publicly testify, email me at Rep.Colleen.Sullivan-Leonard@akleg.gov to have your testimony submitted to t record.

Esther Mielke

From: Marc Grober <marc@interak.com>
Sent: Sunday, February 05, 2017 8:35 PM
To: Rep. Louise Stutes; Rep. Adam Wool; Rep. Matt Claman; Rep. Harriet Drummond; Rep. Chuck Kopp; Rep. Mark Neuman; Rep. Colleen Sullivan-Leonard
Cc: Rep. Ivy Spohnholz
Subject: HB 60
Categories: Public Testimony

The communication below and any files transmitted with it may contain privileged or confidential information. It is solely for use by the individual for whom it is intended, even if addressed incorrectly. If you received this e-mail in error, please notify the sender; do not disclose, copy, distribute, or take any action in reliance on the contents of this information; and delete it from your system.

Thank you for your cooperation.

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cell: (907)2272417

Esther Mielke

From: Cathy <cmosher@mtaonline.net>
Sent: Sunday, February 05, 2017 8:41 PM
To: Rep. Colleen Sullivan-Leonard
Subject: Re: ADV: Motor Fuel Tax-Public Testimony!

Categories: Public Testimony

Hi Colleen,

The gas tax will hurt Alaska's economy. It will cause prices to rise on everything. Please vote NO on the gas tax.

Thank you for the email.

I hope you can get enough support in the house to defeat this bill.

Sincerely,

Cathy Mosher

Valley Republican Women's President

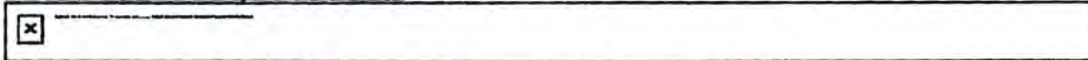
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From: Mtaonline <cindybettine@mtaonline.net>
Sent: Sunday, February 05, 2017 10:58 PM
To: Rep. Colleen Sullivan-Leonard
Subject: Re: ADV: Motor Fuel Tax-Public Testimony!

Categories: Public Testimony

Rep Leonard,

If you believe that a combination of increased revenue and continued budget cuts are going to fix the budget deficit, then I think increasing the fuel tax is a option to be considered. If I understand correctly, our fuel tax is the lowest in the nation. Perhaps a slight incremental increase is necessary.

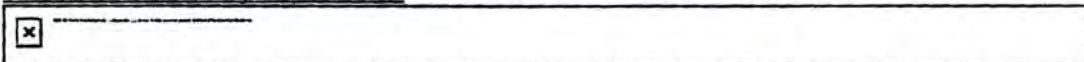
Certainly some contribution from Alaskans to the deficit is not out of the question. I am one that agrees with the reduced PFD; way less painful than continued reductions in services like public safety, education and road services.

Cindy B

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Esther Mielke

From: Carrol Palmer <carrol@cpaccounting.us>
Sent: Monday, February 06, 2017 8:23 AM
To: Rep. Colleen Sullivan-Leonard
Subject: Thoughts on Gas Tax

Categories: Public Testimony

My thoughts are that we have a Governor that doesn't and never care about the people or State of Alaska.

Check his track record and then ask the Liberals why they voted for him. It is an Obama replica as far as I am concerned. He will steal from the people to get everything for the takers and government employees.

Carrol Palmer PO Box 872508 Wasilla

376-5376

Esther Mielke

From: Judy Patrick <judy@judypatrickphotography.com>
Sent: Monday, February 06, 2017 9:07 AM
To: Rep. Colleen Sullivan-Leonard
Subject: Motor vehicle fuel tax-comment

Categories: Public Testimony

Hi Colleen,
Thanks for reaching out to us for our input on this proposed tax!

My comments are that this isn't going to amount to a drop in the bucket of the State's fiscal gap. The people who will be the most impacted are people who are already making a sacrifice every day by commuting two hours per day to Anchorage and back, like me! Personally I spend an average of \$ 500+ per month on fuel, not to mention the wear and tear on my car. Lets quit "cherry picking" solutions and address the bigger problem of reducing spending and coming up with a bigger revenue stream other than going back to the same pattern of taxing the oil industry.

I support (gasp) a statewide sales tax! A sales tax compared to an income tax, is broad based, is fair (because the more you earn the more you spend) and also captures revenue from visitors. An income tax penalizes the same honest hard working group of people that are the commuters and wage earners that are being taxed to death by the Federal government.

I have a lot more to say about the tax subject, but you get the point.
Thanks again for asking and not making us fill out a dumb form to respond ;)

Sincerely,
Judy Patrick

Judy Patrick Photography
907.258.4704 office
907.223.4704 cell
511 W. 41st Ave. Suite 101
Anchorage, Alaska 99503
www.judypatrickphotography.com



Esther Mielke

From: Care Tuk <care@caretuk.com>
Sent: Monday, February 06, 2017 11:18 AM
To: Rep. Colleen Sullivan-Leonard
Subject: Re:tax increase

Categories: Public Testimony

Raising the fuel tax would be an injustice to the many Mat-Su senior citizens, and those affected by disability, of which I am both. I am in the middle of my 14th battle with cancer that prevents me from continuing my work as a rural and school occupational therapist. What it DOES mean, is that my days and weeks and months are filled with infusion appointments, specialist appointments, scans, oncology appointments and multiple follow-ups. While we have NOT seen a COLA increase in disability SSI, we have seen increase amounts taken out of the paltry \$1200.00/mo we are expected to make do with - like paying for fuel to get to/from appointments. Add having to pay additional fees for insurance to just cover medications, etc, there is not much but for basics. Think this through - PLEASE: it's not just people who GET to go to work, it will affect those of us robbed of the opportunity TO work..

Care
(Carolyn)
Tuk

P.O. Box 871632
Wasilla, AK 99687

Esther Mielke

From: Tammy Ervin <tammyervin@gmail.com>
Sent: Monday, February 06, 2017 9:37 PM
To: Rep. Colleen Sullivan-Leonard
Subject: Re: PFD, SB91, Taxes and More!

Categories: Public Testimony

Thank you Colleen. I read your emails and appreciate the effort to keep us informed.

I wanted to voice my opposition to the motor fuel tax. I agree that Mat-Su commuters will unfairly pay the bulk of this without benefiting proportionately.

Thank you
Tammy

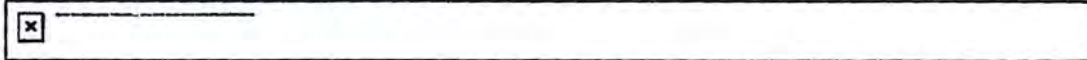
Sent from my iPhone

Tammy Ervin
Remax Dynamic of the Valley
907.355.7600

On Feb 6, 2017, at 7:10 PM, Rep.ColleenSullivan-Leonard <Rep.Colleen.Sullivan-Leonard@akleg.gov> wrote:

February 6, 2017

[View this email in your browser](#)



Dear Friends & Constituents:

The legislature heard your voices! Bills have been filed in both the Senate and House regarding the PFD. The Senate has taken the lead in revisions to SB91, known as the "Crim Bill" *and* budget committee meetings are well underway. This newsletter will touch on all three issues:

PFD Legislation

One piece of legislation I'm excited about this year is SB1.

Esther Mielke

From: noelcbell <noelcbell@gmail.com>
Sent: Monday, February 06, 2017 10:09 PM
To: Rep. Colleen Sullivan-Leonard
Subject: Fuel tax

Categories: Public Testimony

Good Evening Ms.Sullivan-Leonard,

Thank you so much for your newsletter. I enjoy knowing the bills you are working on. Of particular interest is the public hearing on this 200% tax on fuel.

I am unable to testify tomorrow but wanted to say:

I am absolutely against it.

In the almost 20 years I've called the valley home, I have had my fair share of years commuting. It's hard enough when gas is at its current price of \$2.65 a gallon but trying to wrap my mind around the burden of a 200% increase even if it is in incremental steps gives me a migraine.

Thank you for your due diligence on this bill. I hope others are able to voice their thoughts and let Juneau know we need better solutions and that we'll find them if we keep looking.

Sincerely
Noel Crowley-Bell

Sent from my GCI smartphone

Esther Mielke

From: Deborah Hackenberger <nightfall966@mtaonline.net>
Sent: Tuesday, February 07, 2017 6:21 AM
To: Rep. Colleen Sullivan-Leonard
Subject: Gas Tax Hike

Categories: Public Testimony

Dear Representative Sullivan;

I am writing in protest of an increase in the gasoline tax on Alaska. Currently Alaskans pay on average \$0.62 per gallon more than the rest of the United States. This translates into an extra \$7.44 that I pay to fill my gas tank as compared to my friends in the lower 48. I do not have a public transportation option due to where I live and I still require a job to be able to pay all of my family's utilities, put food on the table and keep a roof over our heads.

Perhaps cutting the budget and doing away with some state jobs would be in order BEFORE implementing more taxes on a shrinking population. I understand that laying off people is hard, but the State of Alaska has already lost more than 9,000 private sector jobs. Yet state workers are getting guaranteed wage increases, something I will not be receiving in the near foreseeable future, but something I am being asked to pay for through taxes, so someone else can. Perhaps stopping Walker's gas pipe dream which will cost the state BILLIONS of dollars to build, will NEVER be profitable (see Matanuska Maid, the fish processing plant in Anchorage) and will NOT decrease the costs of natural gas to the citizens of the State of Alaska. The legislator could start with closing any LNG offices NOT contained within the state of Alaska since these jobs did not go to Alaskans to begin with.

There are still a lot of areas that can be cut before increasing taxes on the citizens of the state and should be done before increasing our taxes. As I wrote to the legislator regarding Medicaid expansion, in which I predicted oil would fall below \$25 per barrel, I will now predict that Alaska will see a significant shrinking of its population. So answer me this how many people can we afford to lose before the extra tax monies you expect to bring in from ANY tax increases becomes not enough to sustain your budgets?

Now is the time for all of you in the legislator to prove you actually represent ALL the people of Alaska, not just the state workers. Now is the time to consolidate departments and make them run more efficiently. YOU are in charge of the bureaucracy, not the other way around. If the department heads are unwilling to present their budgets with explanations as to why they need the money and how the services being provided are a necessary function of the State and provide a benefit to the people of the state, then their budgets need to be cut and perhaps their department needs to be consolidated with another department and eliminated all together.

Before you implement tax increases, or new taxes, do consider how many people the state can afford to lose in order to meet the "goals" of these taxes.

Sincerely,

Deborah Hackenberger

Esther Mielke

From: denise@nonessentialsalaska.com
Sent: Tuesday, February 07, 2017 7:25 AM
To: Rep. Colleen Sullivan-Leonard
Subject: Your newsletter

Categories: Public Testimony

Good morning Colleen and thank you for the updates regarding the activities in Juneau. Your three points were all issues of interest to me personally and I would like to take a moment to comment on each.

You have so many people in your mental rolodex, please permit me to remind you of my background: Third generation Alaskan, with three of my four children and their children remaining in the state. Small business owner (second generation, my dad owned businesses in the Bristol Bay area beginning in 1938). Worked for years in health care system in rural Alaska. I am wholly dedicated to and invested in the State of Alaska and the community of Palmer, where I now reside.

As regards the decreased PFD - you are absolutely correct in that it has had an impact on the economy and being in small business I did feel the pinch in the fourth quarter, and the diminished sales continue in to the New Year largely, I believe, based on the underlying sense of a diminishing economy and the loss of many of our more affluent customers who have either been relocated or left the state due to loss of jobs. What I am concerned with is where the acceptable alternatives exist. Will you and your colleagues be able to make the adjustments necessary to insure a balanced budget? These larger PFDs have had the unfortunate impact of creating a sense of entitlement that I worry about more than I do either the loss of, or the replacement of, the PFD. Please do your best to insure the financial security of the state for the long term.

HB-91 was a mess from the get-go and I am pleased to see some action to reverse the debacle. Now, in an economic downturn with a heroin epidemic at our door, it is unacceptable to ignore, fail to sentence or release criminals. My greater concern is the fact that we have so few alternatives for the actual "treatment" necessary for those who commit crimes to support drug habits. This may or may not be a consideration worthy of your contemplation: The prison that is closing or has been closed at mile 58 near Sutton could be offered to the consortium that makes up Alaska Native Tribal Health. Between the Consortium and the profit making arms of the various corporations they are exceptionally well funded, live in a pretty rules free world in terms of their ability to invest in programs/projects, and have an ENORMOUS and growing mandate to find solutions for their drug dependent clientele. They could create a two year treatment program and unlike the state which suffers under the mandate preventing them from creating anything that constitutes competition, they could provide rehabilitation while providing training in everything from culinary arts to fly tying. Many of the people that are on the streets and in the throes of this addiction have never created anything in their lives - they are unemployable and will never climb out of their situation without adequate treatment and a skill set that enables them to enter the job force or, in the case of those that choose to return to the bush - create an entrepreneurial alternative. Two additional points. The treatment has to be long enough to insure they have broken the cycle, two years minimum. When they sign in, it is in lieu of prison. The State of Alaska should absolutely not enter into an agreement that demands one dollar of repair or preparation of the facility....that can be left to those that take it on, and it will be an excellent opportunity to provide haz-mat training, carpentry skills, painting, the list is endless. While I am not confident of this, I wonder about such an entity's ability to treat both Native and non-Natives?

Third relates to the fuel tax. I agree that the Mat-Su will be disproportionately hit and that would be unfortunate for working people. I sure wish that, hand-in-hand with opposing the tax we could somehow improve the rate of ride sharing to get some of those vehicles off the roads. I have done a dozen observational surveys over the past year and a half, timed throughout the day from 5 am to 7 pm, insuring a minimum of 500 vehicles are included each time. It is a sad truth that of those vehicles going South during those hours less than 1 in 20 vehicles have two or more people in them. Most people going from the Valley to Anchorage are going to work within a relatively small radius, what do you think 7 miles? Thousands of the cars going up and down that road could remain parked if we could somehow encourage ride-sharing. When I ask people about it their responses vary: "I like to be able to go out during my lunch hour", "I like a particular radio station" "I have to get home to fix dinner".....it is hard to over come the insular but I like to believe that perhaps taxing the hell out of people is not the only way to help institute change.

Carry on. You have a big task and I hope that there are many willing hands there to make light work of it all.

Esther Mielke

From: Gary Ellis <zetaarms@gmail.com>
Sent: Tuesday, February 07, 2017 8:32 AM
To: Rep. Colleen Sullivan-Leonard
Subject: HB60 Motor Fuel Tax

Categories: Public Testimony

Dear Rep. Sullivan-Leonard,

I will be unable to attend the public testimony for HB60, the Motor Fuel Tax bill, but I wanted to say that I am strongly opposed to this measure. In my opinion, it will do nothing to address the cause of our current fiscal crisis (an unsustainable budget) and will only exacerbate the problem at the expense of everyday Alaskans.

I strongly encourage every member of the House of Representatives to oppose HB60. Though it may seem like the public isn't paying attention, I can assure you that we are, and any notion of raising/creating taxes, or using/restructuring the PFD will be deeply unpopular.

Sincerely,

Gary M. Ellis, P.E.

(907)-982-6422

Esther Mielke

From: Jay Schmidt <jschmidt@beringstraits.com>
Sent: Tuesday, February 07, 2017 8:44 AM
To: Rep. Colleen Sullivan-Leonard
Subject: Taxes
Attachments: scan (4).pdf

Categories: Public Testimony

Good Morning Colleen:

Congratulations for your service to our great State. I have just attached a copy of a rental car agreement that I needed while traveling

to see my folks. I have attached a copy of the receipt to show that there are many fees / and Taxes attached to any rental car in any State in

the union. My point is we cannot keep cutting the budget it will not solve the issue at hand. Please think about how much can you really cut and

still have a workable State. I believe that its time for Alaskans to start paying for the services we receive. This is not new concept to the lower forty eight states.

Have a great day thanks for your time

Jay Schmidt

Motorola Federal Manufacture Representative, Alaska

Arcticom LLC. I SBA 8 (a) Certified

A Bering Straits Company

144 E. Potter Drive | Anchorage, Alaska 99518

Phone 907.276.0023 | Fax 907. 276.1913

Mobile 907. 242.2682

jschmidt@beringstraits.com I www.arcticom.com



RA 440760131 B11 0
Rental 30-JAN-2017 02:33 PM
PALM SPRINGS ARPT
Return 01-FEB-2017 01:33 PM
PALM SPRINGS ARPT

Vehicle # HR296126
Model FUSION
Class Driven FCAH Class Charged SCAR
License# 7WBC031 State/Province CA
M/Kms Driven 96
M/Kms Out 3
M/Kms In 99

Charges	No Unit	Price	Amount
T & H	2 Days	69.41	138.82*
UNLIM M/KM	0 M/Kms		0.00*
CUST FAC CHG	10.00/RNTL		10.00
CONCESSION RECOUP FEE			15.67*
TOURISM FEE			4.66
VEHICLE LICENSE RECOVERY			2.20
SALES TAX @ 6.750 %			13.62

Total Charges USD 185.07

Deposit Visa 2779

Amount Due USD 185.07

* Taxable Items
Subject to Audit
Your Emerald Club Number is 999610146
Emerald Club rental credits will be
posted within 24 hours
We hope you enjoyed driving your
upgraded Emerald Club vehicle.
Customer Service Number 1-800-468-3334

KENAI LEGISLATIVE INFORMATION OFFICE

Email: Kenai_LIO@akleg.gov

Phone: 907-283-2030 / Fax: 907-283-3075

WRITTEN TESTIMONY

NAME:

Crystal Schoenrock

REPRESENTING:

Self

BILL # or SUBJECT:

HB 60

COMMITTEE:

HTRA

DATE: 2-7-17

With the slope lay offs & cut in wages, my business is down 25 to 30%. Before a raise in gas & oil tax - lets see some lay offs in the state employers or a least have them work part time. Not only get you work done in 90 days or lose your permit. also pay for your own trips back & forth to home & whatever.

This increase will harm a lot of us. The trucking industry, Delta cargo & whoever, will not be hurt but we, the rest of Alaska will suffer because the expense will be ~~paid~~ passed on to us. Stop spending & you can cut your wages & tighten your belts if ~~Walker~~ Walker can take a cut in his salary then so can you. You all can stop taking a raise. Some of us can't afford medical insurance & do not want to take from the state. So we the people, are the ones who has to pay, pay & pay. Please table this HB 60 bill until you have tried other things to make it right by the people, for the people.



ALASKA AIR CARRIERS ASSOCIATION

2301 Merrill Field Drive A-3, Anchorage, Alaska 99501 907-277-0071 www.alaskaaircarriers.org

February 1, 2017

Board of Directors for 2016-2017

Matt Atkinson
President
AIR ARCTIC & WARBELOW'S AIR VENTURES

Senator Bert Stedman, Chair Transportation Committee
Sent via email: Senator.Bert.Stedman@akleg.gov

Susan Hoshaw
Vice President
EVERTS AIR

Senator Anna MacKinnon Member
Sent via email: Senator.Anna.MacKinnon@akleg.gov

Scott Habberstad
Secretary
ALASKA AIRLINES

Senator Click Bishop Member
Sent via email: Senator.Click.Bishop@akleg.gov

Wilfred Ryan
Treasurer
RYAN AIR

Senator David Wilson Member
Sent via email: Senator.David.Wilson@akleg.gov

Danny Seybert
Past President
PENAIR

Senator Dennis Egan
Sent via email: Senator.Dennis.Egan@akleg.gov

Mike Stedman
ALASKA SEAPLANES

RE: Governor's Proposed Fuel Tax Increase – SB 25

Luke Hickerson
HAGELAND

The Alaska Air Carriers Association (AACA) is a membership organization whose mission is to support and advocate for the commercial aviation community. Our members include Part 121, 135, 125, and commercial Part 91 Alaskan air carrier operators.

Scott Van Valin
ISLAND AIR EXPRESS

Megan Matthew
NORTHERN AIR CARGO

Recently, Governor proposed a motor fuel tax increase. The bill proposes to triple the aviation fuel tax by July 1, 2018.

Mike Laughlin
REGAL AIR

Norman Chance
Sky Airparts International

The bill analysis assumes an annual statewide jet fuel uplift volume of roughly **130 million gallons (MGal)**, which indicates the administration intends to continue the foreign flight exemptions. Otherwise, the number would be closer to **600 MGal** (SFY 2014 - 608,321,105 MGal of jet fuel was uplifted in Alaska). Existing law (AS 43.40.100(2)(B)) exempts from taxation jet fuel uplifted into aircraft that are bound to a foreign destination, as well as foreign-origin aircraft that are continuing on to a domestic destination. As a result, the burden of paying jet fuel taxes falls only on air carriers that operate within Alaska or strictly between Alaska and the other states.

Chuck Miller
WINGS OF FREEDOM

Chris Matthews
WRIGHT AIR SERVICE

Executive Director

Jane Dale
ALASKA AIR CARRIERS ASSOCIATION

Using the bill analysis fuel volume numbers, beginning on July 1, 2018, domestic and intra-Alaska aircraft operators will be paying \$13,890,000 per year in fuel taxes, or roughly \$9.3 million more than presently.

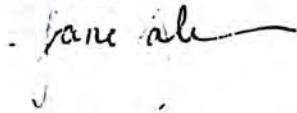
However, if the total amount of jet fuel uplifted into Alaskan domestic and foreign air carrier aircraft, or about 600 MGal was used in the calculation, roughly \$13,890,000 million could be raised with a jet fuel tax rate of about \$0.023 per gallon, and the existing jet fuel tax rate is \$0.032 per gallon.

The bill would also establish a transportation maintenance fund, but the fund would exclude aviation fuel tax proceeds, which will continue as "Other Restricted funds" available for appropriation just to airports. The previous transportation fund proposals blended aviation and non-aviation fuel taxes, which might have allowed aviation tax revenue to be used for highways, the marine highway, etc. Keeping aviation and highway revenue separate is good since the stated purpose of taxing aviation fuel is to support airports (AS 43.40.010 (e)).

The Department of Transportation and Public Facilities (ADOT&PF) has examined a number of the revenue generating options. AACA board members commented that a fuel tax applied to all users of the Alaska aviation system including foreign flights would be the most equitable way to generate the revenue desired. In addition, administrative procedures are already in place to collect fuel taxes so no additional state personnel or equipment would be necessary to support changes to the existing fuel tax structure.

AACA requests the Senate Transportation Committee consider amending the SB 25 to repeal the existing foreign flight exemptions and expand those eligible to participate in Alaska fuel taxes. The FY2016 Department of Revenue Annual Report is due out in a few weeks and would be useful to determine current fuel usage.

Sincerely,



Jane Dale, Director
Alaska Air Carriers Association



Matt Atkinson, President
Alaska Air Carriers Association



January 29, 2017

Representative Louise Stutes, Co-Chair
Representative Adam Wool, Co-Chair
House Transportation Committee
State Capitol, Room 17
Juneau, AK 99801

Dear Representatives Stutes and Wool:

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. I am writing in support of HB 60, which increases aviation motor fuel tax rates to maintain the rural airport system.

While no one is anxious to increase the cost to fly, we recognize the fiscal situation facing Alaska. AOPA supports HB 60, which increases the motor fuel tax on aviation gasoline and jet fuel from current levels in two stages to 14.1 cents/gallon and 9.6 cents/gallon respectively. The continued viability of the Rural Alaska Airport System, operated by the Department of Transportation & Public Facilities (DOTPF), is important to our members—and to the public who relies on airports as a key component of Alaska's transportation system. It is our understanding that the revenue collected from these funds is tracked in a separate account within the General Fund, and in compliance with FAA grant assurances, is used to maintain the airport system.

We have worked with DOTPF to evaluate alternative methods to provide support for the operation of the 240 rural airports. We believe that this 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.

AOPA is pleased that the department continues to streamline the operations of the rural airport system, and will continue to work with them to seek further efficiencies that should help control costs.

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

Sincerely,

Tom George
Alaska Regional Manager

February 9, 2017



Representative Adam Wool
Transportation Committee Co-Chair
State Capitol Room 412
Juneau AK, 99801

Dear Representative Wool:

UPS appreciates our long-standing working relationship with Alaska, and we're proud to employ more than 1,100 UPSers in the state, including 489 of our pilots who are domiciled there. No matter where we operate, we strive to play our part in the local economy as a responsible corporate citizen. UPS currently pays \$6 million in taxes each year and more than \$7 million in landing fees annually to cover airport costs incurred at Ted Stevens International Airport.

Two components of Alaska's proposed motor fuel tax bill, however, stand to directly impact UPS. While we support a motor fuel tax increase to fund infrastructure building and repair, we strongly oppose the jet fuel tax increase contained in the same bill.

As we see it, the motor fuel tax portion is purely a user fee. UPS uses all the roads in Alaska and absolutely believes that we should pay our fair share for infrastructure. Alaska also currently has one of the lowest motor fuel tax rates in the nation. It is obviously difficult to fund 2017 transportation needs with 1970s funding; for this reason, UPS is supportive of the motor fuel tax increase.

The jet fuel tax increase, though, is not a user fee. In fact, it would effectively tax UPS twice.

UPS already pays more than \$7 million dollars annually in aviation user fees in the form of landing fees incurred at Ted Stevens International Airport. These fees go directly into the aviation infrastructure where we operate (Anchorage). In fact, the Alaska International Airport System is self-sustaining due to the landing fees paid by its users. This means the current fuel tax generated is paying for smaller airports, which UPS doesn't utilize, and which do not charge landing fees to sustain their airport. The proposal to triple the jet fuel tax is asking UPS and other carriers to subsidize airports we do not use.

We also believe increasing the jet fuel tax could impact Alaska's role in the cargo industry. Currently, it is situated perfectly as UPS's gateway to and from Asia. We have a good relationship with the airport, and Alaska has always had a fair cost of doing business. As aircraft continue to evolve, flying longer ranges with better payload capacity, it is safe to assume those in the cargo industry will continue to evaluate the most efficient options for each carrier's network.

We understand the difficult situation you and other lawmakers are facing and we appreciate the work you are doing for your constituents, including our own UPSers. While we support the motor fuel tax increase, I hope you understand our concerns to increase the jet fuel tax. We aren't opposed to paying user fees for infrastructure we use, but subsidizing other airports we don't use and who do not levy landing fees is not a sustainable way to fund Alaska's aviation infrastructure.

Nick D'Andrea
Vice President, UPS Public Affairs



February 6, 2017

Representative Louise Stutes, Co-Chair
Representative Adam Wool, Co-Chair
Transportation Committee
State Capitol, Room 17
Juneau, AK 99801

RE: WRITTEN TESTIMONY ON HB60 CONCERNING MOTOR FUEL TAX INCREASE

Dear Representatives Stutes and Wool 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 concerning House Bill 60.

The Alaska Airmen Association supports HB 60.

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 240 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 initially double Aviation Gasoline (AVGAS) and Jet fuel taxes the first year then triple the current tax the second year, it only slightly more than compensates for inflation. In 1994 the current AVGAS tax rate of 4.7 cents was set and if adjusted for inflation would have been 8 cents in 2016. <http://www.westegg.com/inflation/>

The average Alaska Airmen member currently pays between \$20 and \$70 in AVGAS taxes annually. If the tax rate increases as proposed our average member would pay between \$60 and \$210 per year in 2018.

The Alaska Airmen Association strongly supports the provision in HB60 that stipulates the revenues collected be tracked in a separate account within the General Fund, and in compliance with FAA grant assurances, is used to maintain the airport system. The Alaska Airmen Association also feels 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 of generating additional revenue.

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 matter.

Sincerely,

Adam White
Government Affairs



January 30, 2017

Representative Louise Stutes
Representative Adam Wool
Co-Chairs, House Transportation
State Capitol
Juneau, Alaska 99801

RE: Taxation of Motor Fuels

Dear Representatives Stutes and Wool:

Alaska Airlines has provided critical air service to Alaskans for 85 years, serving 19 communities across the entire state, with only three connected to the road system. We are the largest commercial carrier in the state, and the only one providing statewide jet service for both passengers and cargo. Due to the reasons explained below specific to Alaska Airlines, we must oppose the Governor's proposed legislation to double the state tax on jet fuel effective July 1, 2017, and then triple the current tax, effective July 1, 2018.

We recognize the fiscal challenges facing the state of Alaska, and fully understand that businesses and residents, including our 1,825 employees that call Alaska home, have to be involved in the necessary solutions. This fuel tax increase, though, would impact much needed commerce as well as basic and vital needs in the state. In many cases, we are the primary means to transport essential commodities into a town, and for residents to access larger urban areas for critical needs such as medical care.

Based on the 2016 taxable jet fuel figures from the Alaska Department of Transportation, our calculations suggest that Alaska Airlines would pay a disproportionately high amount, approximately 45%, of the total of new taxes collected. At the same time, with the proposed increases, by fiscal year 2019 airlines doing business in the state of Alaska will pay more for jet fuel than in 35 other states.*

Alaska Airlines' unique relationship with the state of Alaska extends to actual aviation infrastructure. For decades, we have owned and maintained 11 passenger terminal facilities in rural Alaska communities. In virtually any other location, such facilities would be provided by municipal or state government entities. As a result, the State of Alaska has never incurred any expense related to these essential terminals in these 11 air transportation-dependent communities.

Even in the face of troubling state economic challenges, Alaska Airlines has made a commitment to invest \$100 million in the next few years throughout Alaska in our 2020 Great

4750 Old International Airport Road, Anchorage, AK 99502
P 907.266.7230





Land Investment Plan Upgrades to the 11-owned terminals previously referenced has begun, work on a new maintenance and engineering facility in Anchorage will begin this summer, and we will introduce three modern 737 dedicated freighters to our fleet in 2017 for use throughout Alaska

We appreciate that the work ahead of you will be challenging and the decisions difficult. While new revenue may be needed to close the fiscal gap, we respectfully ask that you consider the unintended consequences of a doubling, then tripling of the jet fuel tax, impacting a single, critical component of the state's infrastructure. Alaska Airlines opposes this latest proposal and welcomes the opportunity to discuss the impacts with you further.

Sincerely,

A handwritten signature in black ink that reads "Marilyn Romano".

Marilyn Romano
Regional Vice-President, Alaska

*Tax Foundation, 2014 Data

4750 Old International Airport Road, Anchorage, AK 99502
P 907.266.7230



February 1, 2017

Governor Bill Walker
PO Box 110001
Juneau, AK 99811

Dear Governor Walker:

On behalf of Delta Airlines and UPS, we are writing this letter to respectfully oppose the increase to the jet fuel tax that you have proposed as part of the motor fuel tax increase bill.

Our airlines pay millions of dollars annually in user fees in the form of landing fees that go directly to the airports where we operate in the state of Alaska. These landing fees help maintain those airports and provide improvements in the infrastructure that allows airlines to transport Alaskans in and out of the state, while also assisting with the tourism industry and the flow of cargo in and out of the Alaskan economy.

Currently, airlines pay a jet fuel tax, the proceeds of which fund airports throughout, other than the ones where the majority of the revenue is generated, Anchorage and Fairbanks. These other airports do not charge sufficient landing fees, or in some cases do not charge landing fees at all, to cover their capital or operational needs. The proposed 300 percent increase in the jet fuel tax would exacerbate the subsidization, at little benefit to the airports that are generating the revenue. The result is a tax that simply drives up the cost of operation for the airlines, compounding the challenges of providing service in what is already a tough competitive environment.

While we understand the difficult fiscal situation in Alaska, and we appreciate the energy and time you are putting in to resolve the issues, we believe a jet fuel tax increase the magnitude of the one you are proposing would be detrimental to the airlines serving the area as well as the passengers and cargo customers who depend on that service.

Thank you for your willingness to be open and accessible to the airline industry.



Dana Debel
Managing Director, State and Local Government Affairs



Nick D'Andrea
Vice President, UPS Public Affairs

1400 N. Hurstbourne Parkway
Louisville, KY 40223
502.329.3000 Tel



February 1, 2017

Governor Bill Walker
PO Box 110001
Juneau, AK 99811

Dear Governor Walker:

UPS appreciates our long-standing working relationship with Alaska, and we're proud to employ more than 1,100 UPSers in the state, including 489 of our pilots who are domiciled there. No matter where we operate, we strive to play our part in the local economy as a responsible corporate citizen. UPS currently pays \$6 million in taxes each year and more than \$7 million in landing fees annually to cover airport costs incurred at Ted Stevens International Airport.

Two components of Alaska's proposed motor fuel tax bill, however, stand to directly impact UPS. While we support a motor fuel tax increase to fund infrastructure building and repair, we strongly oppose the jet fuel tax increase contained in the same bill.

As we see it, the motor fuel tax portion is purely a user fee. UPS uses all the roads in Alaska and absolutely believes that we should pay our fair share for infrastructure. Alaska also currently has one of the lowest motor fuel tax rates in the nation. It is obviously difficult to fund 2017 transportation needs with 1970s funding; for this reason, UPS is supportive of the motor fuel tax increase.

The jet fuel tax increase, though, is not a user fee. In fact, it would effectively tax UPS twice.

UPS already pays more than \$7 million dollars annually in aviation user fees in the form of landing fees incurred at Ted Stevens International Airport. These fees go directly into the aviation infrastructure where we operate (Anchorage). In fact, the Alaska International Airport System is self-sustaining due to the landing fees paid by its users. This means the current fuel tax generated is paying for smaller airports, which UPS doesn't utilize, and which do not charge landing fees to sustain their airport. The proposal to triple the jet fuel tax is asking UPS and other carriers to subsidize airports we do not use.

We also believe increasing the jet fuel tax could impact Alaska's role in the cargo industry. Currently, it is situated perfectly as UPS's gateway to and from Asia. We have a good relationship with the airport, and Alaska has always had a fair cost of doing business. As aircraft continue to evolve, flying longer ranges with better payload capacity, it is safe to assume those in the cargo industry will continue to evaluate the most efficient options for each carrier's network.

We understand the difficult situation you and other lawmakers are facing and we appreciate the work you are doing for your constituents, including our own UPSers. While we support the motor fuel tax increase, I hope you understand our concerns to increase the jet fuel tax. We aren't opposed to paying user fees for infrastructure we use, but subsidizing other airports we don't use and who do not levy landing fees is not a sustainable way to fund Alaska's aviation infrastructure.

A handwritten signature in black ink, appearing to read "Nick D'Andrea". The signature is fluid and cursive, with a long horizontal stroke at the end.

Nick D'Andrea
Vice President, UPS Public Affairs

Motor Fuels Tax Overview

HB 60

House Transportation Standing Committee
February 14, 2017

Office of Management and Budget
Brian Fechter, Policy Analyst



THE STATE
of **ALASKA**

Motor Fuels Tax

Motor Fuel Tax Rates (cents/gallon)					
	Current		FY2018		FY2019

Motor Fuel	\$	8.0	\$	16.0	\$	24.0
Water Craft	\$	5.0	\$	10.0	\$	15.0
Aviation Gasoline	\$	4.7	\$	9.4	\$	14.1
Jet Fuel	\$	3.2	\$	6.4	\$	9.6

Collections (\$millions)					
	Current		FY2018		FY2019

Motor Fuel	\$	30.5	\$	61.4	\$	92.8
Water Craft	\$	5.1	\$	10.0	\$	15.1
Aviation Gasoline	\$	0.5	\$	1.0	\$	1.5
Jet Fuel	\$	4.2	\$	8.3	\$	12.4
Total	\$	40.3	\$	80.7	\$	121.8

- Motor fuel tax doubles in FY2018; triples in FY2019
- After the second increase taxes will be about average for all US states
- Tax proceeds designated to operate and maintain infrastructure
- An element of fairness is built in – users pay for the maintenance in proportion to their use

Cost to Alaskans

Motor Fuel: Wasilla to Anchorage Commuter

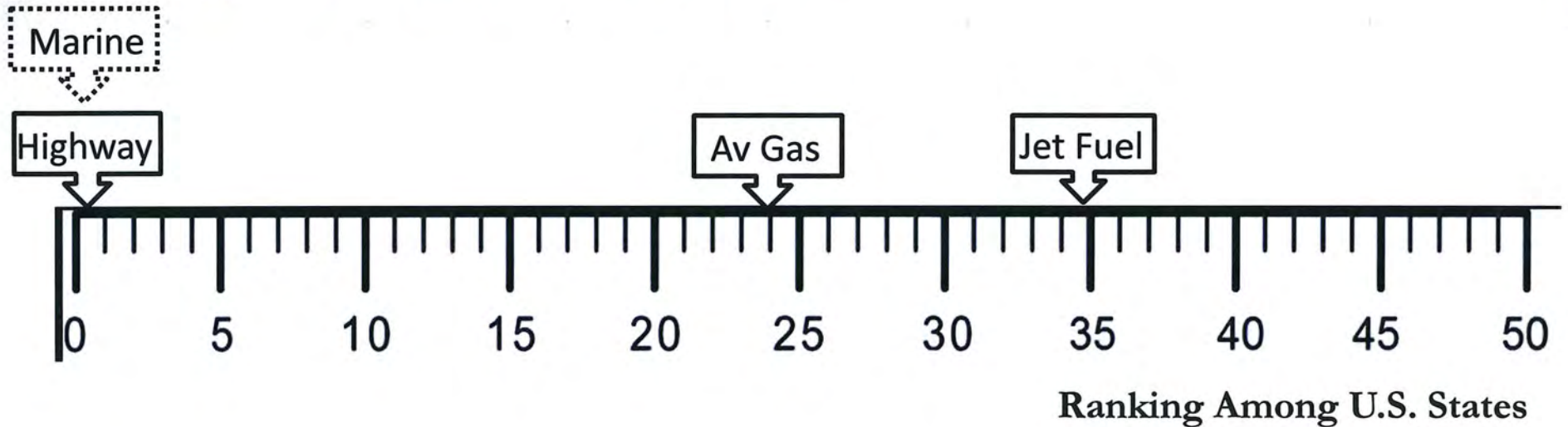
- 25,000 miles/year at 25 miles per gallon
 - Current payments: \$80.00/year
 - After first increase: \$160.00/year
 - After second increase: \$240.00/year

Jet Fuel: Alaska Airlines Flight from Juneau to Seattle

- 2 hour 15 minute flight
- Boeing 737 burn rate of 750 gallons/hour
 - Current payments: \$54.00/flight
 - After first increase: \$108.00/flight
 - After second increase: \$162.00/flight
 - \$1.37 per passenger

Comparison to Other States

Ranking based on Current Taxes



After the second increase

- Highway and marine remain below national average
- Jet fuel and aviation gas remain below 14 other states

Comparison to Other States

In most states the marine rate equals the highway rate (no reduced rate)

31 states include fuel in their ordinary sales tax

- A 3% sales tax on \$4.28/gallon jet fuel
= 12.8 cents per gallon compared with 9.6 cents proposed
- A 3% sales tax on \$5.28/gallon aviation gasoline
= 15.8 cents per gallon compared with 12.4 cents proposed
- A 3% sales tax on \$2.70/gallon marine gasoline
= 8.1 cents (plus 20 cents highway fuel tax) per gallon compared to 15.0 cents proposed

Designated Fund Mechanics

Designated vs. dedicated

Existing general fund accounts will be moved to a new designated fund

- **Special Highway Fuel Tax Account**
Motor fuel tax to be used on highway operations and maintenance
- **Special Nonpublic Highway Use Account**
Motor fuel tax for off-road equipment, (snowmachines, heavy equipment, generators, etc.) to be used on trails/shelters
- **Special Water Craft Fuel Tax Account**
Marine fuel tax to be used on water/harbor facilities

Designated Fund Mechanics

- These accounts were always **comingled** in the general fund
- Spending exceeds collections and is assumed to come from respective accounts
- Comingling yields added flexibility
- Jet fuel & aviation gasoline remain separate due to FAA regulations

Already reclassified (SLA2016)

Motor Fuel Tax Increase

Where Does the Money Go?	Total Collections Millions of Dollars	Percent of Total Tax (all types)
Airport Operations & Maintenance	\$ 9.2	12%
Central Highways & Aviation	\$ 2.8	3%
Northern Highways & Aviation	\$ 4.8	6%
Southcoast Highways & Aviation	\$ 1.6	2%
Highway & Road Maintenance	\$ 62.5	78%
Central Highways & Aviation	\$ 19.1	24%
Northern Highways & Aviation	\$ 32.1	40%
Southcoast Highways & Aviation	\$ 11.2	14%
Roadway Safety	\$ 1.5	2%
DPS - Alaska Bureau of Highway Patrol	\$ 1.5	2%
Transit/Busses	\$ 2.0	2%
Coordinated Transportation (Elderly/Disabled)	\$ 1.0	1%
Public & Community Transportation State Match	\$ 1.0	1%
Marine Transportation	\$ 5.1	6%
AMHS - Marine Vessel Operations	\$ 2.4	3%
Grant to Inter-Island Ferry Authority (Ketchikan/Hollis route)	\$ 0.3	0%
Municipal Harbor Facility Grant (Harbor Repairs)	\$ 2.5	3%

Motor Fuel Tax Increase

Where Does the Money Go?	Total Collections Millions of Dollars	Collections Used	Collections From Mode
Airport Operations & Maintenance	\$ 9.2	12%	12%
Highway & Road Maintenance	\$ 62.5	78%	76%
Roadway Safety	\$ 1.5	2%	0%
Transit/Busses	\$ 2.0	2%	0%
Marine Transportation	\$ 5.1	6%	12%

Reduce the deficit

Direct proceeds towards Governor's priorities

Respect the current designation codified in law

- Watercraft Fuel Account
- Nonpublic Highway Account
- Aviation Fuel Account
- Highway Fuel Account

Provide a link between users and taxes



ALASKA OFFICE OF
**MANAGEMENT
& BUDGET**
o m b . a l a s k a . g o v

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THE STATE
of **ALASKA**

Office of Management and Budget
www.omb.alaska.gov



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Transportation and Public Facilities

OFFICE OF THE COMMISSIONER
Marc Luiken, Commissioner

3132 Channel Drive
P.O. Box 112500
Juneau, Alaska 99811-2500
Main: 907.465.3900
dot.state.ak.us

February 13, 2017

The Honorable Adam Wool
Alaska House of Representatives
State Capitol Building, Rm 412
Juneau, AK 99801-1182

The Honorable Louise Stutes
Alaska House of Representatives
State Capitol Building, Rm 406
Juneau, AK 99801-1182

Dear Representative Wool and Representative Stutes:

Thank you for the opportunity to testify on House Bill 60 during the February 9, 2017, meeting of the House Transportation Committee. In response to a question posed by Co-Chair Wool, the following information is provided:

➤ ***Currently, what is the minimum landing fee rate charged to a small aircraft at the Ted Stevens Anchorage International Airport?***

A Cessna 206, the most common small transport plane to rural Alaska, generally weighs around 3,500 pounds and is therefore exempt from landing fee charges. Landing fees are charged to aircraft weighing 6,000 pounds or greater. As an example, an aircraft weighing 12,000 pounds would be charged approximately \$30 per landing.

If you have any questions, please contact my staff, Mike Lesmann, at 465-4772.

Sincerely,

A handwritten signature in black ink, appearing to read "Marc Luiken".

Marc Luiken
Commissioner

cc: Darwin Peterson, Legislative Director, Office of the Governor
Mike Lesmann, Legislative Liaison, DOT&PF



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Office
of the Governor

February 21, 2017

The Honorable Adam Wool
Alaska State Legislature
State Capitol, Room 412
Juneau Alaska, 99801

The Honorable Louise Stutes
Alaska State Legislature
State Capitol, Room 406
Juneau Alaska, 99801

Dear Co-Chair Wool and Co-Chair Stutes,

An oversight has been identified in my response to Co-Chair Stutes' question in the House Transportation Committee on February 14, 2017 regarding what Alaska's ranking will be after the second motor fuel tax increase. The response inadvertently provided the wrong state ranking for fuel tax collections. A revised answer can be found below.

Alaska is one of 21 states that are currently considering motor fuel tax increases so these rankings are likely to change.

Fuel Type	Current	After the Second Increase
Highway*	Lowest (of 51)*	26th Lowest (of 51)*
Marine [^]	Lowest (of 51) [^]	3rd Lowest (of 51) [^]
Aviation Gasoline**	9th Lowest (of 43)**	32nd Lowest (of 43)**
Jet Fuel***	12th Lowest (of 36)***	28th Lowest (of 36)***

*Tied for 26th lowest. Four states charge exactly 24 cents per gallon. 22 states will have a higher tax than Alaska after the increase.

[^]In most states the marine tax rate is the same as the highway tax rate. Several states provide refunds for specific types of marine activities (commercial fishing, cargo shipping, recreational vessels) but Alaska is unique in having a lower rate for all marine fuel. Only two states are lower than \$0.15/gallon for both highway diesel and gas.

**Aviation gasoline is currently 9th lowest of the 43 states (including DC) that charge this tax. Six states charge no tax, one state charges a sales tax in lieu of aviation gasoline tax and one state charges a petroleum products gross earnings tax. 11 states will have a higher tax after the increase.

***Jet Fuel is currently 12th lowest of the 36 states (including DC) that charge this tax. Nine states charge no tax, four states charge a sales tax in lieu of aviation gasoline tax and two states charge a tax based on gross receipts. 8 states will have a higher tax after the increase.

While jet fuel taxes will be on the high end, it is important to realize that most states include aviation fuel in their ordinary sales and use tax. The Tax Foundation illustrates that Alaska's current tax is 19th lowest in the nation when considering sales taxes and will be 36th lowest after the second increase. (<https://taxfoundation.org/combined-effective-commercial-jet-fuel-tax-rates-and-fees-state>)

The Honorable Adam Wool
The Honorable Louise Stutes
February 21, 2017
Page 2

Source:<http://www.taxadmin.org/assets/docs/MotorFuel/2016-09%20Motor%20Fuel%20Tax%20Information%20by%20State%20Book.pdf>

Collections from each mode are as follows:

Fuel Type	Collections (\$millions)		
	Current	FY2018	FY2019
Highway	\$30.5	\$61.4	\$92.8
Water Craft	\$5.1	\$10.0	\$15.1
Aviation Gasoline	\$0.5	\$1.0	\$1.5
Jet Fuel	\$4.2	\$8.3	\$12.4
Total	\$40.3	\$80.7	\$121.8

You have my sincere apologies for the earlier misinformation. Please let me know if there are any questions.

Sincerely,



Brian Fechter, Policy Analyst
Office of Management and Budget
brian.fechter@alaska.gov

cc: David Teal, Director, Legislative Finance
Darwin Peterson, Director, Governor's Legislative Office

30-GH1794/D
Nauman
2/20/17

CS FOR HOUSE BILL NO. 60(TRA)
IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTIETH LEGISLATURE - FIRST 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 disposition of revenue from the**
2 **motor fuel tax; establishing and relating to a transportation maintenance fund; and**
3 **providing for an effective date."**

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

5 *** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 **LEGISLATIVE INTENT.** It is the intent of the legislature that

8 (1) except as provided in AS 43.40.010(e), all proceeds from the tax on
9 aviation fuel imposed under AS 43.40.010 be expended for the direct capital, operating, or
10 maintenance costs of airport infrastructure;

11 (2) all proceeds from the tax on motor fuels used in boats and watercraft
12 imposed under AS 43.40.010 be expended for the direct capital, operating, or maintenance
13 costs of water and harbor infrastructure and facilities;

14 (3) all proceeds from the tax on motor fuel used in snow vehicles, unless a

1 refund is applied for under AS 43.40.050(a), be expended for trail staking and shelter
2 construction and maintenance; and

3 (4) all proceeds from the tax on motor fuels imposed under AS 43.40.010,
4 except as provided in AS 43.40.010(e), (f), and (j), be expended for direct capital, operating,
5 or maintenance costs of highways and highway infrastructure, construction of highway
6 projects and ferries, and other highway costs.

7 * **Sec. 2.** AS 29.60.800(a) is amended to read:

8 (a) There is established the harbor facility grant fund consisting of money
9 appropriated to the fund. Each fiscal year, the legislature may appropriate money to
10 the fund from the watercraft fuel tax account (AS 43.40.010(f)) **in the transportation**
11 **maintenance fund (AS 43.40.045)** and from the fisheries business tax collected under
12 AS 43.75.015 after payments to municipalities are made under AS 43.75.130. The
13 legislature may make other appropriations to the fund. The legislature may appropriate
14 to the fund income earned on money in the fund.

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

16 (a) In addition to the surcharge levied under AS 43.40.005, there is levied a
17 tax of **16** [EIGHT] cents a gallon on all motor fuel sold or otherwise transferred within
18 the state, except that

19 (1) the tax on aviation gasoline is **9.4** [FOUR AND SEVEN-TENTHS]
20 cents a gallon;

21 (2) the tax on motor fuel used in and on watercraft of all descriptions is
22 **10** [FIVE] cents a gallon;

23 (3) the tax on all aviation fuel other than gasoline is **6.4** [THREE AND
24 TWO-TENTHS] cents a gallon; and

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

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

1 (a) In addition to the surcharge levied under AS 43.40.005, there is levied a
2 tax of 24 [16] cents a gallon on all motor fuel sold or otherwise transferred within the
3 state, except that

4 (1) the tax on aviation gasoline is 14.1 [9.4] cents a gallon;

5 (2) the tax on motor fuel used in and on watercraft of all descriptions is
6 15 [10] cents a gallon;

7 (3) the tax on all aviation fuel other than gasoline is 9.6 [6.4] cents a
8 gallon; and

9 (4) the tax rate on motor fuel that is blended with alcohol is the same
10 tax rate a gallon as other motor fuel; however, in an area and during the months in
11 which fuel containing alcohol is required to be sold, transferred, or used in an effort to
12 attain air quality standards for carbon monoxide as required by federal or state law or
13 regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon
14 less than the tax on other motor fuel not described in (1) - (3) of this subsection.

15 * **Sec. 5.** AS 43.40.010(b) is amended to read:

16 (b) In addition to the surcharge levied under AS 43.40.005, there is levied a
17 tax of 16 [EIGHT] cents a gallon on all motor fuel consumed by a user, except that

18 (1) the tax on aviation gasoline consumed is 9.4 [FOUR AND
19 SEVEN-TENTHS] cents a gallon;

20 (2) the tax on motor fuel used in and on watercraft of all descriptions is
21 10 [FIVE] cents a gallon;

22 (3) the tax on all aviation fuel other than gasoline is 6.4 [THREE AND
23 TWO-TENTHS] cents a gallon; and

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

30 * **Sec. 6.** AS 43.40.010(b), as amended by sec. 5 of this Act, is amended to read:

31 (b) In addition to the surcharge levied under AS 43.40.005, there is levied a

1 tax of 24 [16] cents a gallon on all motor fuel consumed by a user, except that

2 (1) the tax on aviation gasoline consumed is 14.1 [9.4] cents a gallon;

3 (2) the tax on motor fuel used in and on watercraft of all descriptions is
4 15 [10] cents a gallon;

5 (3) the tax on all aviation fuel other than gasoline is 9.6 [6.4] cents a
6 gallon; and

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

13 * **Sec. 7.** AS 43.40.010(e) is amended to read:

14 (e) Sixty percent of the proceeds of the revenue from the motor fuel taxes on
15 aviation fuel, excluding the amount determined to have been spent by the state in its
16 collection, shall be refunded to a municipality owning and operating or leasing and
17 operating an airport in the proportion that the revenue was collected at the municipal
18 airport. All other proceeds of the motor fuel taxes on aviation fuel shall be paid into a
19 special aviation fuel tax account in the state general fund. **Except as otherwise**
20 **provided in this subsection, each fiscal year, the** [THE] legislature may appropriate
21 **the balance of the** [FUNDS FROM THIS] account for **direct** capital, [OR] operating,
22 **or maintenance** costs of **airport infrastructure** [AIRPORTS]. **Money remaining in**
23 **the special aviation fuel tax account at the end of a fiscal year does not lapse and**
24 **remains available for appropriation under this subsection.**

25 * **Sec. 8.** AS 43.40.010(f) is amended to read:

26 (f) The proceeds from the revenue from the tax on motor fuel used in boats
27 and watercraft of all descriptions shall be deposited in a special watercraft fuel tax
28 account in the **transportation maintenance** [GENERAL] fund (**AS 43.40.045**).
29 **Except as otherwise provided in this subsection, each fiscal year, the** [THE]
30 legislature may appropriate **the balance of the** [FROM THIS] account for **direct**
31 **capital, operating, or maintenance costs of** water and harbor **infrastructure and**

1 facilities. Money remaining in the special watercraft fuel tax account at the end of
2 a fiscal year does not lapse and remains available for appropriation under this
3 subsection.

4 * **Sec. 9.** AS 43.40.010(g) is amended to read:

5 (g) The proceeds of the revenue from the tax on all motor fuels, except as
6 provided in (e), (f) and (j) of this section, shall be deposited in a special highway fuel
7 tax account in the transportation maintenance [STATE GENERAL] fund
8 (AS 43.40.045). Except as otherwise provided in this subsection and
9 AS 43.40.070(a), each fiscal year, the [THE] legislature may appropriate the entire
10 balance of the account [FUNDS FROM IT] for expenditure by the Department of
11 Transportation and Public Facilities directly or as matched with available federal-aid
12 highway money for direct capital, operating, or maintenance costs of highways and
13 highway infrastructure, construction of highway projects and ferries included in the
14 program provided for in AS 19.10.150, including approaches, appurtenances, and
15 related facilities and acquisition of rights-of-way, [OR] easements, or surveys. Money
16 remaining in the special highway fuel tax account at the end of a fiscal year does
17 not lapse and remains available for appropriation under this subsection [AND
18 OTHER HIGHWAY COSTS INCLUDING SURVEYS, ADMINISTRATION, AND
19 RELATED MATTERS]. All departments of the state government authorized to spend
20 funds collected from taxes imposed by this chapter shall perform, when feasible, all
21 construction or reconstruction projects by contract after the projects have been
22 advertised for competitive bids, except that, when feasible, arrangements shall be
23 made with political subdivisions to carry out the construction or reconstruction
24 projects. If it is not feasible for the work to be performed by state engineering forces,
25 the commissioner of transportation and public facilities may contract on a professional
26 basis with private engineering firms for road design, bridge design, and services in
27 connection with surveys. If more than one private engineering firm is available for the
28 work the contracts shall be entered into on a negotiated basis.

29 * **Sec. 10.** AS 43.40.010(h) is amended to read:

30 (h) All motor fuel tax receipts shall be paid into the general fund and
31 distributed to the proper accounts in the general fund and, for receipts under (f), (g),

1 **and (j) of this section, into the proper accounts in the transportation maintenance**
 2 **fund (AS 43.40.045).** Valid motor fuel tax refund claims shall be paid from the
 3 highway fuel tax account in the **transportation maintenance** [GENERAL] fund.

4 * **Sec. 11.** AS 43.40.010(j) is amended to read:

5 (j) The proceeds from the tax on motor fuel used in snow vehicles and, unless
 6 a tax refund is applied for under AS 43.40.050(a), other internal combustion engines
 7 not used in or in conjunction with a motor vehicle licensed to be operated on public
 8 ways shall be deposited in a special nonpublic highway use account in the
 9 **transportation maintenance** [GENERAL] fund **(AS 43.40.045).** **Except as**
 10 **otherwise provided in this subsection, each fiscal year, the** [THE] legislature may
 11 appropriate **the balance of the** [FROM THIS] account to the Department of
 12 Transportation and Public Facilities for trail staking and shelter construction and
 13 maintenance. **Money remaining in the special nonpublic highway use account at**
 14 **the end of a fiscal year does not lapse and remains available for appropriation**
 15 **under this subsection.**

16 * **Sec. 12.** AS 43.40.030(a) is amended to read:

17 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
 18 operate

19 **(1)** an internal combustion engine is entitled to a motor fuel tax refund
 20 of **12** [SIX] cents a gallon if

21 **(A)** [(1)] the tax on the motor fuel has been paid;

22 **(B)** [(2)] the motor fuel is not aviation fuel, or motor fuel used
 23 in or on watercraft; and

24 **(C)** [(3)] the internal combustion engine is not used in or in
 25 conjunction with a motor vehicle licensed to be operated on public ways; **or**

26 **(2)** a commercial watercraft is entitled to a motor fuel tax refund
 27 **of three cents a gallon if the tax on the motor fuel has been paid.**

28 * **Sec. 13.** AS 43.40.030(a), as amended by sec. 12 of this Act, is amended to read:

29 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
 30 operate

31 (1) an internal combustion engine is entitled to a motor fuel tax refund

1 of 18 [12] cents a gallon if

2 (A) the tax on the motor fuel has been paid;

3 (B) the motor fuel is not aviation fuel, or motor fuel used in or
4 on watercraft; and

5 (C) the internal combustion engine is not used in or in
6 conjunction with a motor vehicle licensed to be operated on public ways; or

7 (2) a commercial watercraft is entitled to a motor fuel tax refund of
8 three cents a gallon if the tax on the motor fuel has been paid.

9 * **Sec. 14.** AS 43.40 is amended by adding a new section to read:

10 **Sec. 43.40.045. Transportation maintenance fund.** (a) The transportation
11 maintenance fund is established in the general fund. The fund consists of money
12 appropriated to the fund and the accounts set out in (b) of this section. The legislature
13 may appropriate from the fund for purposes consistent with this chapter.

14 (b) The transportation maintenance fund includes the

15 (1) special highway fuel tax account (AS 43.40.010(g));

16 (2) special nonpublic highway use account (AS 43.40.010(j));

17 (3) special watercraft fuel tax account (AS 43.40.010(f)).

18 (c) The department may adopt regulations necessary to implement the
19 transportation maintenance fund in a manner consistent with state and federal law.

20 (d) Nothing in this section creates a dedicated fund.

21 * **Sec. 15.** AS 43.40.070(a) is amended to read:

22 (a) Upon approval of a refund claim of the motor fuel tax by the department, a
23 disbursement shall be made from the special highway fuel tax account in the
24 transportation maintenance [GENERAL] fund (AS 43.40.045) in favor of the
25 applicant in the amount of the claim.

26 * **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to
27 read:

28 **APPLICABILITY.** (a) AS 43.40.010(a), as amended by sec. 3 of this Act, applies to
29 motor fuel sold or transferred in the state on or after the effective date of sec. 3 of this Act.
30 AS 43.40.010(a), as amended by sec. 4 of this Act, applies to motor fuel sold or transferred in
31 the state on or after the effective date of sec. 4 of this Act.

1 (b) AS 43.40.010(b), as amended by sec. 5 of this Act, applies to motor fuel
2 consumed by a user on or after the effective date of sec. 5 of this Act. AS 43.40.010(b), as
3 amended by sec. 6 of this Act, applies to motor fuel consumed by a user on or after the
4 effective date of sec. 6 of this Act.

5 (c) AS 43.40.030(a), as amended by sec. 12 of this Act, applies to a motor fuel tax
6 refund on motor fuel used on or after the effective date of sec. 12 of this Act.
7 AS 43.40.030(a), as amended by sec. 13 of this Act, applies to a motor fuel tax refund on
8 motor fuel used on or after the effective date of sec. 13 of this Act.

9 * **Sec. 17.** The uncodified law of the State of Alaska is amended by adding a new section to
10 read:

11 **TRANSITION: REGULATIONS.** The Department of Revenue may adopt regulations
12 necessary to implement the changes made by this Act. The regulations take effect under
13 AS 44.62 (Administrative Procedure Act), but not before the effective date of the law
14 implemented by the regulation.

15 * **Sec. 18.** Section 17 of this Act takes effect immediately under AS 01.10.070(c).

16 * **Sec. 19.** Sections 4, 6, and 13 of this Act take effect July 1, 2019.

17 * **Sec. 20.** Except as provided in secs. 18 and 19 of this Act, this Act takes effect July 1,
18 2017.



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Office of the Governor

February 15, 2017

The Honorable Adam Wool
Alaska State Legislature
State Capitol, Room 412
Juneau Alaska, 99801

The Honorable Louise Stutes
Alaska State Legislature
State Capitol, Room 406
Juneau Alaska, 99801

Dear Co-Chair Wool and Co-Chair Stutes,

Thank you for the opportunity to present House Bill 60, the Governor's motor fuels tax proposal, before the House Transportation committee on February 14, 2017. The following is in response to questions posed by the committee during the overview for distribution to the members.

Representative Stutes: What will our ranking among all states for fuel taxes be after the second increase?

Alaska is one of 21 states that are currently considering motor fuel tax increases so our rankings in two years may be more favorable.

Fuel Type	Current	After the Second Increase
Highway	Lowest	25th Lowest*
Marine	Lowest	3rd Lowest^
Aviation Gasoline***	24th Lowest	38th lowest
Jet Fuel***	35th Lowest***	41st lowest***

*Tied for 25th, four states charge exactly 24 cents per gallon.

^In most states the marine tax is the same as the highway tax. Several states provide refunds for specific types of marine activities (commercial fishing, cargo shipping, recreational vessels), but Alaska is unique in having a lower rate for all marine fuel. Only Oklahoma (\$0.16 gas; \$0.13 diesel) and New Jersey (\$.105 gas; \$.135 diesel) are lower than (the rate after the second increase of) \$0.15 per gallon.

***While jet fuel/aviation gasoline taxes will be on the high end, it is important to note that most states include aviation fuel in their ordinary sales and use tax. The Tax Foundation illustrates that Alaska's current tax is 19th lowest in the nation when considering sales taxes and other fees charged to airlines and will be 36th lowest after the second increase. (<https://taxfoundation.org/combined-effective-commercial-jet-fuel-tax-rates-and-fees-state>).

Representative Eastman: How will our gas prices compare to Outside after the second increase?

The below chart applies a \$.16/gallon increase (triple current highway gas tax rates) to current gas prices paid in Alaska's largest 3 cities. Various major metropolitan areas are listed for comparison purposes.

Location	Current Gas Price (\$/Gallon)	Tax increase	Total Cost (\$/Gallon)
Detroit, MI	\$ 2.03	\$ -	\$ 2.03
Orlando, FL	\$ 2.07	\$ -	\$ 2.07
Pittsburgh, PA	\$ 2.36	\$ -	\$ 2.36
New York, NY	\$ 2.37	\$ -	\$ 2.37
Seattle, WA	\$ 2.39	\$ -	\$ 2.39
Anchorage	\$ 2.45	\$ 0.16	\$ 2.61
Honolulu, HI	\$ 2.81	\$ -	\$ 2.81
Los Angeles, CA	\$ 2.91	\$ -	\$ 2.91
Fairbanks	\$ 2.79	\$ 0.16	\$ 2.95
Juneau	\$ 2.99	\$ 0.16	\$ 3.15

Representative Eastman: How much unrestricted general fund has the Department of Transportation and Public Facilities lapsed in the past five years?

In the past two years, the Governor has implemented restrictions on year-end procurements and a portion of the lapsed general funds can be attributed to this policy, but much of the annual lapse comes from the Marine Highway System. The nature of the Marine Highway System is that a vessel can be unavailable due to mechanical or other problems discovered in the annual inspection process. When ships do not sail, the general fund subsidy necessary to operate the system is reduced, but so is the revenue generated by the system. It is, by its nature, unpredictable.

OMB tracks point in time lapse balances but small adjustments are made annually by the Department of Administration in their annual Comprehensive Annual Financial Report (CAFR) process. Audited figures may vary slightly.

2016: \$6.3 million (preliminary)

2015: \$8.8 million

2014: \$0.9 million

2013: \$0.1 million

2012: \$4.2 million

Sincerely,



Brian Fechter, Policy Analyst
Office of Management and Budget
brian.fechter@alaska.gov

cc: David Teal, Director, Legislative Finance
Darwin Peterson, Director, Governor's Legislative Office

Adopted by - lw

30-GH1794D.2
Nauman
2/21/17

AMENDMENT #1

OFFERED IN THE HOUSE

BY REPRESENTATIVE STUTES

TO: CSHB 60(TRA), Draft Version "D"

1 Page 6, line 26:

2 Delete "commercial watercraft"

3 Insert "watercraft engaged in commercial fishing"

4

5 Page 6, line 27, following "paid":

6 Insert "; in this paragraph, "commercial fishing" means the taking of, fishing for,
7 or possession of fish, shellfish, or other fishery resources with the intent of disposing of
8 them for profit or by sale"

9

10 Page 7, line 7:

11 Delete "commercial watercraft"

12 Insert "watercraft engaged in commercial fishing"

13

14 Page 7, line 8, following "paid":

15 Insert "; in this paragraph, "commercial fishing" means the taking of, fishing for, or
16 possession of fish, shellfish, or other fishery resources with the intent of disposing of them for
17 profit or by sale"

Failed

#2 2/21/17

30-GH1794\D.1
Nauman
2/21/17

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE KOPP

TO: CSHB 60(TRA), Draft Version "D"

- 1 Page 3, line 2:
- 2 Delete "24"
- 3 Insert "20"
- 4
- 5 Page 3, line 4:
- 6 Delete "14.1"
- 7 Insert "11.75"
- 8
- 9 Page 3, line 6:
- 10 Delete "15"
- 11 Insert "12.5"
- 12
- 13 Page 3, line 7:
- 14 Delete "9.6"
- 15 Insert "eight"
- 16
- 17 Page 4, line 1:
- 18 Delete "24"
- 19 Insert "20"
- 20
- 21 Page 4, line 2:
- 22 Delete "14.1"
- 23 Insert "11.75"

1

2 Page 4, line 4:

3 Delete "15"

4 Insert "12.5"

5

6 Page 4, line 5:

7 Delete "9.6"

8 Insert "eight"

9

10 Page 7, line 1:

11 Delete "18"

12 Insert "15"

Failed 3y-4w

30-GH1794\D.3

Nauman

2/23/17

#3

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE NEUMAN

TO: CSHB 60(TRA), Draft Version "D"

1 Page 2, line 15, through page 4, line 12:

2 Delete all material and insert:

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

4 (a) In addition to the surcharge levied under AS 43.40.005, if the average
5 price per barrel for Alaska North Slope crude oil for sale on the United States
6 West Coast during the previous calendar year is

7 (1) more than \$85, there is levied a tax of eight cents a gallon on all
8 motor fuel sold or otherwise transferred within the state, except that the tax on

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

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

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

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

22 (2) less than or equal to \$85, there is levied a tax of 16 cents a
23 gallon on all motor fuel sold or otherwise transferred within the state, except that

1 the tax on

2 (A) aviation gasoline is 9.4 cents a gallon;

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

5 (C) all aviation fuel other than gasoline is 6.4 cents a gallon;

6 and

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

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

16 (a) In addition to the surcharge levied under AS 43.40.005, if the average price
17 per barrel for Alaska North Slope crude oil for sale on the United States West Coast
18 during the previous calendar year is

19 (1) more than \$85, there is levied a tax of eight cents a gallon on all
20 motor fuel sold or otherwise transferred within the state, except that the tax on

21 (A) aviation gasoline is four and seven-tenths cents a gallon;

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

24 (C) all aviation fuel other than gasoline is three and two-tenths
25 cents a gallon; and

26 (D) motor fuel that is blended with alcohol is the same tax rate
27 a gallon as other motor fuel; however, in an area and during the months in
28 which fuel containing alcohol is required to be sold, transferred, or used in an
29 effort to attain air quality standards for carbon monoxide as required by federal
30 or state law or regulation, the tax rate on motor fuel that is blended with
31 alcohol is six cents a gallon less than the tax on other motor fuel not described

1 in (A) - (C) of this paragraph; or

2 (2) less than or equal to \$85, there is levied a tax of 24 [16] cents a
3 gallon on all motor fuel sold or otherwise transferred within the state, except that the
4 tax on

5 (A) aviation gasoline is 14.1 [9.4] cents a gallon;

6 (B) motor fuel used in and on watercraft of all descriptions is
7 15 [10] cents a gallon;

8 (C) all aviation fuel other than gasoline is 9.6 [6.4] cents a
9 gallon; and

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

17 * Sec. 5. AS 43.40.010(b) is amended to read:

18 (b) In addition to the surcharge levied under AS 43.40.005, if the average
19 price per barrel for Alaska North Slope crude oil for sale on the United States
20 West Coast during the previous calendar year is

21 (1) more than \$85, there is levied a tax of eight cents a gallon on all
22 motor fuel consumed by a user, except that the tax on

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

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

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

29 (D) [(4) THE TAX RATE ON] motor fuel that is blended with
30 alcohol is the same tax rate a gallon as other motor fuel; however, in an area
31 and during the months in which fuel containing alcohol is required to be sold,

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

5 (2) less than or equal to \$85, there is levied a tax of 16 cents a
 6 gallon on all motor fuel sold or otherwise transferred within the state, except that
 7 the tax on

8 (A) aviation gasoline is 9.4 cents a gallon;

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

11 (C) all aviation fuel other than gasoline is 6.4 cents a gallon;

12 and

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

21 * Sec. 6. AS 43.40.010(b), as amended by sec. 5 of this Act, is amended to read:

22 (b) In addition to the surcharge levied under AS 43.40.005, if the average
 23 price per barrel for Alaska North Slope crude oil for sale on the United States West
 24 Coast during the previous calendar year is

25 (1) more than \$85, there is levied a tax of eight cents a gallon on all
 26 motor fuel consumed by a user, except that the tax on

27 (A) aviation gasoline consumed is four and seven-tenths cents a
 28 gallon;

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

31 (C) all aviation fuel other than gasoline is three and two-tenths

1 cents a gallon; and

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

9 (2) less than or equal to \$85, there is levied a tax of 24 [16] cents a
10 gallon on all motor fuel sold or otherwise transferred within the state, except that the
11 tax on

12 (A) aviation gasoline is 14.1 [9.4] cents a gallon;

13 (B) motor fuel used in and on watercraft of all descriptions is
14 15 [10] cents a gallon;

15 (C) all aviation fuel other than gasoline is 9.6 [6.4] cents a
16 gallon; and

17 (D) motor fuel that is blended with alcohol is the same tax rate
18 a gallon as other motor fuel; however, in an area and during the months in
19 which fuel containing alcohol is required to be sold, transferred, or used in an
20 effort to attain air quality standards for carbon monoxide as required by federal
21 or state law or regulation, the tax rate on motor fuel that is blended with
22 alcohol is six cents a gallon less than the tax on other motor fuel not described
23 in (A) - (C) of this paragraph."
24

25 Page 6, lines 20 - 22:

26 Delete "12 [SIX] cents a gallon if

27 (A) [(1)] the tax on the motor fuel has been paid;

28 (B) [(2)]"

29 Insert "six cents a gallon if the tax was paid under AS 43.40.010(a)(1) or (b)(1) or
30 12 cents a gallon if the tax was paid under AS 43.40.010(a)(2) or (b)(2), and

31 (A) [(1)] THE TAX ON THE MOTOR FUEL HAS BEEN

1 PAID;
2 (2)]"

3
4 Reletter the following subparagraph accordingly.

5
6 Page 7, lines 1 - 2:

7 Delete "18 [12] cents a gallon if
8 (A) the tax on the motor fuel has been paid;
9 (B)"

10 Insert "six cents a gallon if the tax was paid under AS 43.40.010(a)(1) or (b)(1) or 18
11 [12] cents a gallon if the tax was paid under AS 43.40.010(a)(2) or (b)(2), and
12 (A)"

13
14 Reletter the following subparagraphs accordingly.

Conceptual Amendment to the Amendment adding conforming language to identify specific vessels eligible for lower rate:

For the purposes of this chapter, commercial fishing vessel means a vessel, homeported or registered in the state that is engaged in the catching, by any method or means, of a salt or freshwater fishery resource.

To Amendment #1
(Withdrawn)

Rep Neuman