

SB

25

<TARGET><BILL>SB 25</BILL><SUBJECT>SB
25</SUBJECT><COMM></COMM></TARGET>



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

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

January 18, 2017

The Honorable Senator Stedman, Chair
Senate Transportation Committee
State Capitol Building
Juneau, AK 99801

Dear Chair Stedman:

The Department of Revenue (DOR) respectfully requests that SB 25, "An Act relating to the motor fuel tax; relating to the disposition of revenue from the motor fuel tax; relating to a transportation maintenance fund; and providing for an effective date," be scheduled in the Senate Transportation Committee at your earliest convenience.

The purpose of this legislation is to raise the tax rates on the four categories of motor fuel currently taxed under AS 43.40.010 (motor fuel tax) by increasing the currently outdated tax rates on all motor fuels including all motor fuel sold or transferred within the state, aviation gasoline, and motor fuel used on watercraft. The tax increase would be phased in, with a first increase effective July 1, 2017; and the second increase effective July 1, 2018. This bill would also update and clarify allowable use of proceeds from the tax on motor fuels to allow the legislature to appropriate funds for direct capital, operating, or maintenance costs of airport, water and harbor, and highway infrastructure.

Your favorable consideration of this request is appreciated. If you need any additional information, please contact Jerry Burnett, Deputy Commissioner for the Department of Revenue at 907-465-3669.

Sincerely,

A handwritten signature in blue ink, appearing to read "Randall J. Hoffbeck".

Randall J. Hoffbeck, Commissioner

Cc: Darwin Peterson, Legislative Director, Office of the Governor
Jerry Burnett, Deputy Commissioner, Department of Revenue
Ken Alper, Director, Tax Division, Department of Revenue

STATE CAPITOL
P.O. Box 110001
Juneau, AK 99811-0001
907-465-3500
fax: 907-465-3532



550 West Seventh Avenue, Suite 1700
Anchorage, AK 99501
907-269-7450
fax 907-269-7461
www.Gov.Alaska.Gov
Governor@Alaska.Gov

Governor Bill Walker
STATE OF ALASKA

January 17, 2017

The Honorable Pete Kelly
President of the Senate
Alaska State Legislature
State Capitol Room 111
Juneau, AK 99801

Dear President Kelly:

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 blue ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 1/18/17

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 2/9/17

Transportation Committee considered SENATE BILL NO. 25

SB 25-MOTOR FUEL TAX;TRANSPORTATION MAINT. FUND

"An Act relating to the motor fuel tax; relating to the disposition of revenue from the motor fuel tax; relating to a transportation maintenance fund; and providing for an effective date."

and recommends:

- be replaced with CS _____ (_____) Same Title New Title
- adopt previous CS _____ (_____) Same Title New Title
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

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

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV	✓			1
DOT			✓	2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Wilson		✓		
	Egan				
Anna MacKinnon	MacKinnon			✓	
CHAIR: Bert Stahn				✓	



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 Bert Stedman
Alaska State Senate
State Capitol Building, Room 30
Juneau, Alaska 99801

Dear Senator Stedman:

Thank you for the opportunity to testify on **Senate Bill 25** during the February 2, 2017, meeting of the Senate Transportation Committee. In response to questions posed by committee members, the following information is provided:

- *There were several questions about the tax revenues which are projected to be generated by Senate Bill 25 and distributed to various services provided by the Department of Transportation & Public Facilities (DOT&PF).*

Please see the documents enclosed within this letter were created to assist committee members with these questions.

- *A committee member expressed appreciation that the DOT&PF is using service standards from the operating house, but inquired whether there was a similar structure being used by the DOT&PF for capital investments, such as airports. From a capital perspective, how does DOT&PF evaluate cost allocation choices?*

The DOT&PF receives capital improvement program funding from several different federal funding partners. The majority of this funding comes from the Federal Highway Administration (FHWA) for highways and bridges including the Alaska Marine Highway System and the Federal Aviation Administration (FAA) for Alaska's International Airport System and Alaska's rural airports. Both of these federal agencies have specific program requirements for programming those funds on projects. The FHWA regulations require the state to develop a Statewide Transportation Improvement Program (STIP). The STIP is a four year fiscally constrained document and identifies projects funded with FHWA funds by phase of work, estimate of costs, and year of fund obligation. The DOT&PF develops a new STIP every two years with amendments as needed. The STIP and any amendments adopted must go through a public comment process and be approved by FHWA. FAA requires the development of an Airport Improvement Program (AIP) that is developed through the Aviation Project Evaluation Board (APEB). The AIP identifies capital improvement projects that have been prioritized by the APEB through a competitive project proposal process.

"Keep Alaska Moving through service and infrastructure."

The DOT&PF is developing a Transportation Asset Management decision making process for prioritizing project selection based on data informed decision making. This is now a requirement of the FHWA and will eventually be optimized to all transportation assets owned by the State. The first step is working with FHWA as they develop rules for asset management and performance measures for highways and bridges. It is expected that FAA will follow their lead in the future. Currently DOT&PF has developed the last two STIPs with a system preservation priority. This means projects that extend the useful life of the transportation system are considered first. This includes work such as replacing structurally deficient bridges, repaving sections of highway with deteriorating pavement, improving drainage and rehabilitating the highway sub-base to improve service life. On the FAA side of the capital program, DOT&PF is following FAA priorities such as runway safety areas, runway extensions, and extending the service life of existing assets.

DOT&PF's Results Based Alignment (RBA) is not just an operating budget tool. RBA is an integral piece of our vision forward with the capital program. Performance measures are being developed to track the development of projects. This brings accountability to the forefront for our capital program delivery staff on items such as scope, schedule and estimate. As our asset management process matures, performance measures are being developed to account for pavement condition, bridge condition, and system performance issues such as safety and congestion.

Overall, our fund allocation decisions are influenced by the type of the federal funds and the requirements and priorities our federal funding partners have in place through the federal authorizing legislation. The Long Range Transportation Plan (LRTP) is a FHWA requirement and sets the tone for how the DOT&PF will prioritize project selections. The draft LRTP has been through public comment and is currently being finalized. It will be released in the spring of 2017 once the freight component has been completed as required under the new FHWA authorizing legislation, FAST Act (Fixing America's Surface Transportation System). The LRTP focuses on system preservation and modernization, both core services identified in the department's RBA matrix. Area plans are updated to be consistent with the LRTP. Area plans are multi-modal and are developed in close collaboration with local residents and officials. These area plans take into account local needs and wants and coordinates those with state priorities to determine the best approach to improving transportation in the affected area.

Wants and needs always exceed the resources available to deliver Alaska's capital program, and difficult decisions must be made. The DOT&PF strives to make decisions that put those limited resources to the highest and best use. RBA, asset management, and performance measures are tools that will help DOT&PF make the best capital program decisions possible.

If you or your committee members have further questions, please feel free to contact Mike Lesmann at (907)465-4772.

Sincerely,



Marc Luiken
Commissioner

Enclosure

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

Fiscal Note

State of Alaska
2017 Legislative Session

Bill Version:	SB 25
Fiscal Note Number:	1
(S) 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 2019	FY 2020	FY 2021	FY 2022	FY 2023
OPERATING EXPENDITURES	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

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
 Division: Tax Division
 Approved By: Jerry Burnett, Deputy Commissioner
 Agency: Department of Revenue

Phone: (907)465-8221
 Date: 01/12/2017 01:00 PM
 Date: 01/12/17

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:	SB 25
Fiscal Note Number:	2
(S) 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 Appropriation Requested	Included in Governor's FY2018 Request	Out-Year Cost Estimates					
			FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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.

LEGAL SERVICES

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

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


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

MEMORANDUM

December 23, 2016

SUBJECT: Motor fuel tax legislation, dedicated funds
(Work Order No. 30-LS0235)

TO: Senator Bert Stedman
Attn: David Scott

FROM: Emily Nauman 
Legislative Counsel

You asked whether the governor's fuel tax legislation, released December 15, 2016, creates an unconstitutional dedication of funds. The short answer is probably not.

The prohibition of dedicated funds is found in art. IX, sec. 7, Constitution of the State of Alaska. The bill amends existing law that directs motor tax proceeds into specific accounts.¹ In addition, the bill creates a new fund, the transportation maintenance fund, and directs certain tax revenues to be deposited in it. The language of the new fund, as well as the existing accounts, states that the legislature "may appropriate" from the fund or the account for the listed purposes.² Of course, the legislature is not required to make an appropriation for that purpose and could appropriate money from the fund for any public purpose. Additionally, the fund created in the bill states that "nothing in this section creates a dedicated fund." Therefore, it is unlikely that a court would find that the bill creates an unconstitutional dedication of funds.

If I may be of further assistance, please advise.

ELN:dfp
16-017.dfp

¹ AS 43.40.010(f) and (g), AS 43.40.010(h) and (j), and AS 43.40.070(a). Note that it could be argued that AS 43.40.010(j) and AS 43.40.070(a) unconstitutionally dedicate funds without an appropriation; both subsections appear to require the refund of claims of overpayments without an appropriation. However, both of these subsections are in existing law, so the issue is not created by the governor's proposed legislation.

² The Alaska Supreme Court has held that similar language creating the Alaska marine highway system fund (AS 19.65.060) did not create a dedicated fund. According to the court, "the expectations created by the act are merely a 'talking point' because they impose no legal restraint on the appropriation power of the legislature." *Sonneman v. Hickel*, 836 P.2d 936, 940 (Alaska 1992).

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:

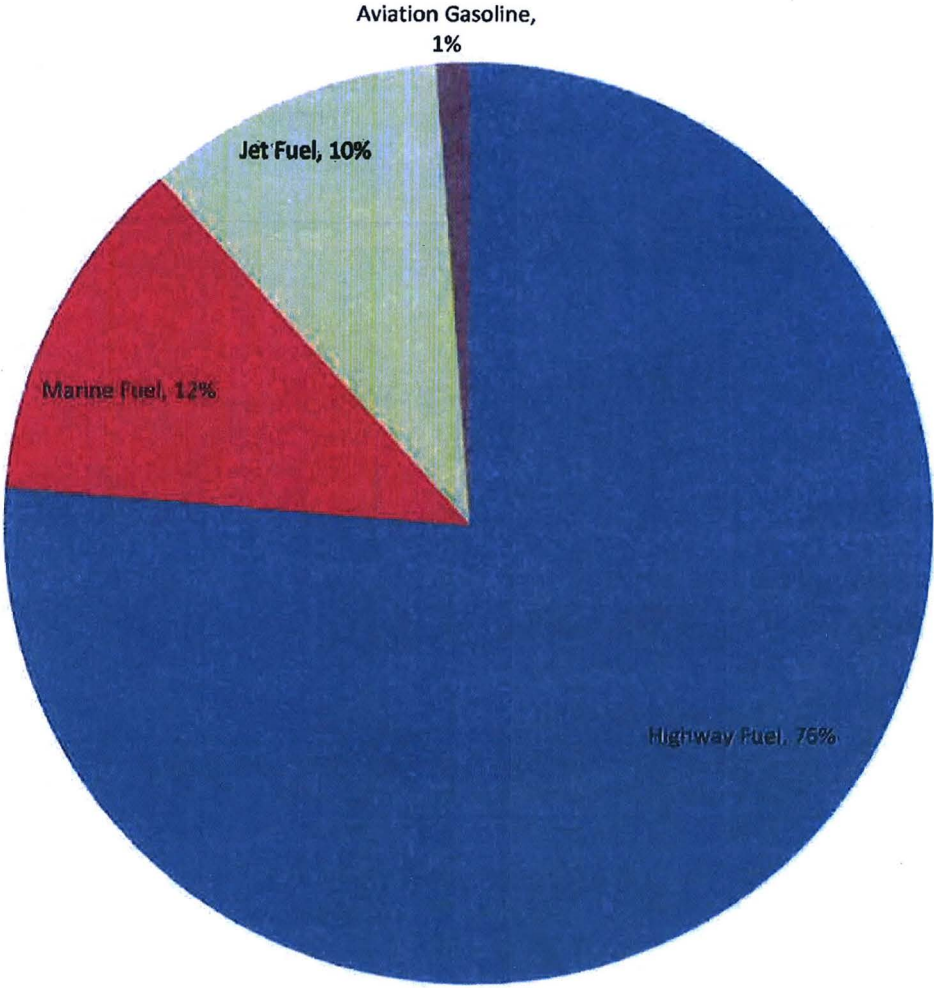
Due to the federal restrictions, all revenue derived from aviation must be used on airport purposes. The increase in aviation gasoline and jet fuel revenues is dedicated for use on airports. Currently the state spends over \$28 million per year operating the 242 airports that it owns. The general funds 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
Airport Operations & Maintenance	\$ 9.2	12%	100% of Aviation Gasoline Tax 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				
Highway & Road Maintenance	\$ 62.5	78%	94% of Highway Motor Fuel Tax 50% of Marine Fuel Tax	73	86%
Central Region Highways & Aviation	\$ 19.1				
Northern Region Highways & Aviation	\$ 32.1				
Southcoast Region Highways & Aviation	\$ 11.2				
Roadway Safety	\$ 1.5	2%	2.4% of Highway Motor Fuel Tax	1.5	100%
Department of Public Safety - Alaska Bureau of Highway Patrol	\$ 1.5				
Transit / Buses	\$ 2	2%	3.2% of Highway Motor Fuel Tax	2	100%
Coordinated Transportation Services for Elderly/Disabled (Capital Budget)	\$ 1				
Public & Community Transportation State Match (Capital Budget)	\$ 1				
Marine Transportation	\$ 5.1	6%	50% of Marine Fuel Tax	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**





Alaska Department of Transportation & Public Facilities

Senate Bill 25

John Binder, Deputy Commissioner

February 2, 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.
 - UGF to DGF fund swap: \$64.8M
 - UGF to Other fund swap (Aviation): \$4.5M
 - Total fund swap: \$69.3M
- The budget components that are recipients of the fuel tax revenue are the regional Highways & Aviation components and the Alaska Marine Highway System.

FY2018 Governor's Proposed Operating Budget All Funding Sources

Total: \$581,260.5

200,000.0

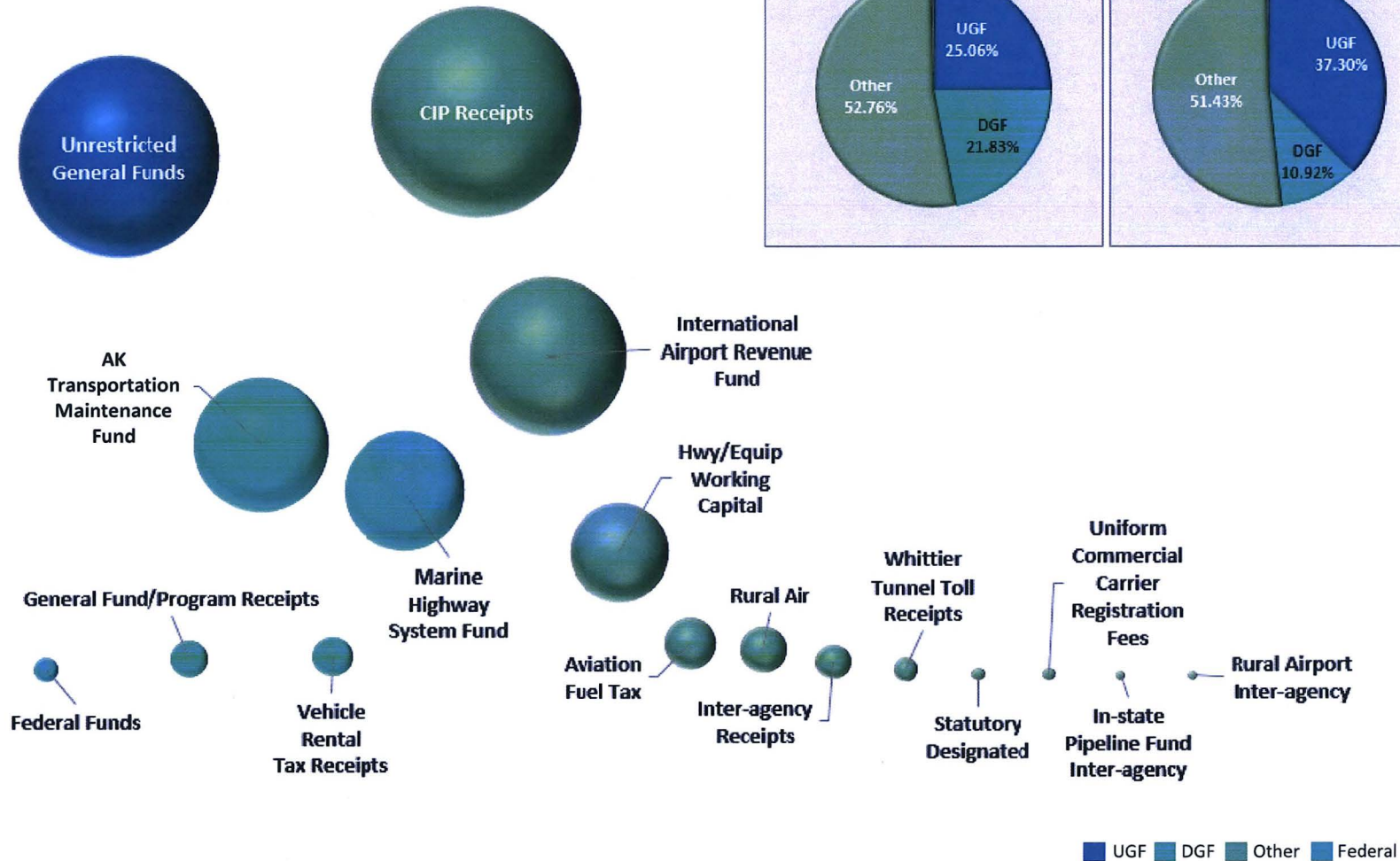
150,000.0

100,000.0

50,000.0

0.0

-50,000.0



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

PRESERVE

\$138,998.5

23% UGF

5% DGF

72% Other

Positions: 903

Off-Surface Preservation

\$26,225.5



Measures

1) Percent of System meeting Service Standards

2) Maintenance cost / lane miles maintained



Excellent Brush Cutting



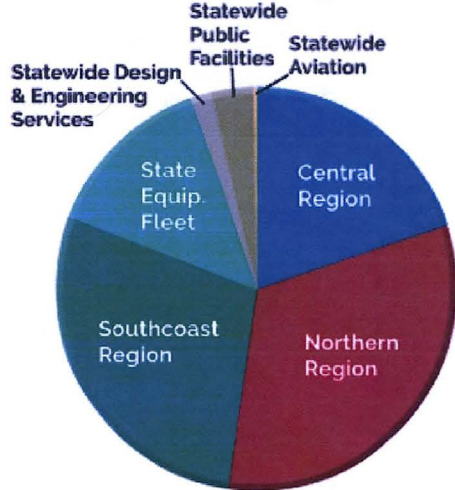
Failing Brush Cutting



Excellent Drainage



Failing Drainage



Positions: 164



Operate

Operate Alaska's Transportation Infrastructure

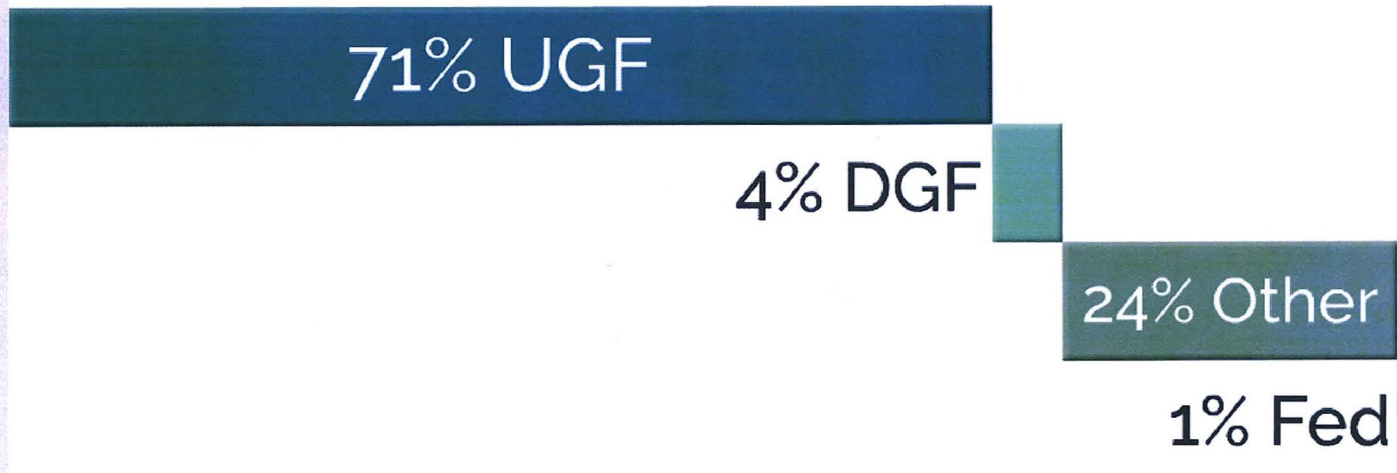
Operate allows movement on existing infrastructure – it is the responsibility of the department to insure our transportation system functions smoothly; that streets and runways are free of snow and ice; that lighting, signage and signals are all operational; that roads are swept and striping is visible. Airports are operated for the safe movement of people and cargo.

Direct Services that support Operate:

- Illumination
- Snow & Ice Removal
- Operate Certificated Airports
- Striping
- Signage
- Signals
- Information Transportation Services

Operating Budget

OPERATE
\$105,292.8



Positions: 548

Measures

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

2) Average equipment & labor costs per event / lane-mile



Good Winter Driving Conditions



Fair to Poor Winter Driving Conditions



Hazardous Winter Driving Conditions

Snow & Ice Removal

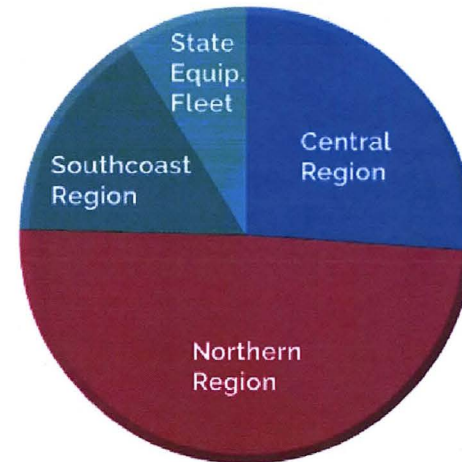
\$73,997.4

75% UGF

4% DGF

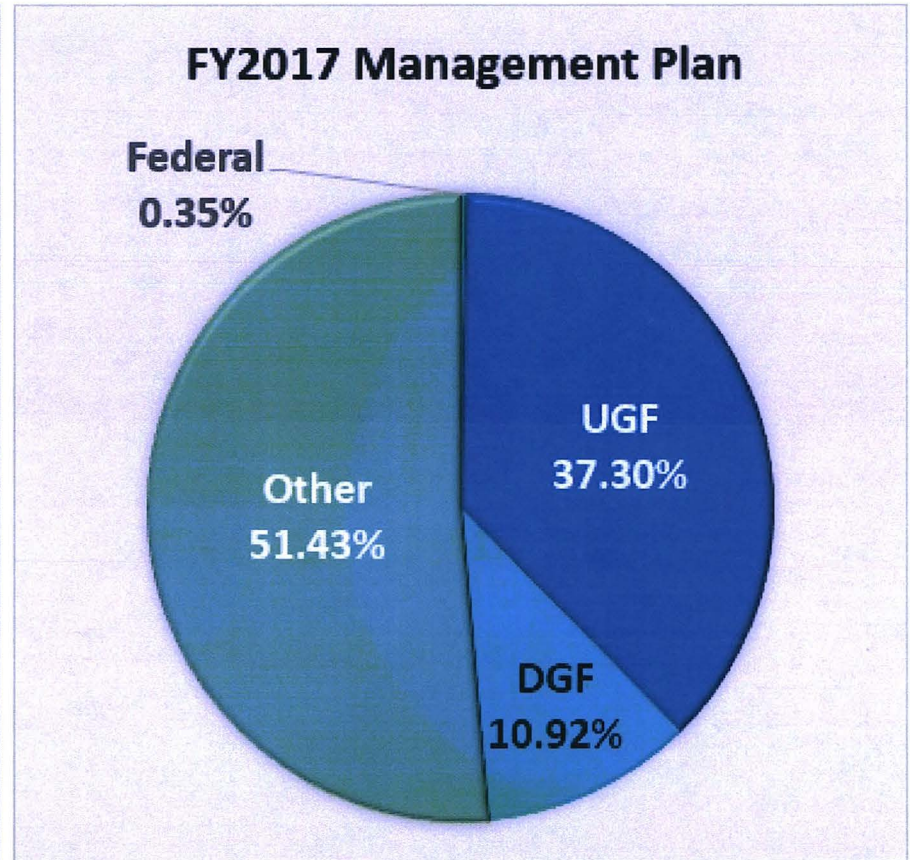
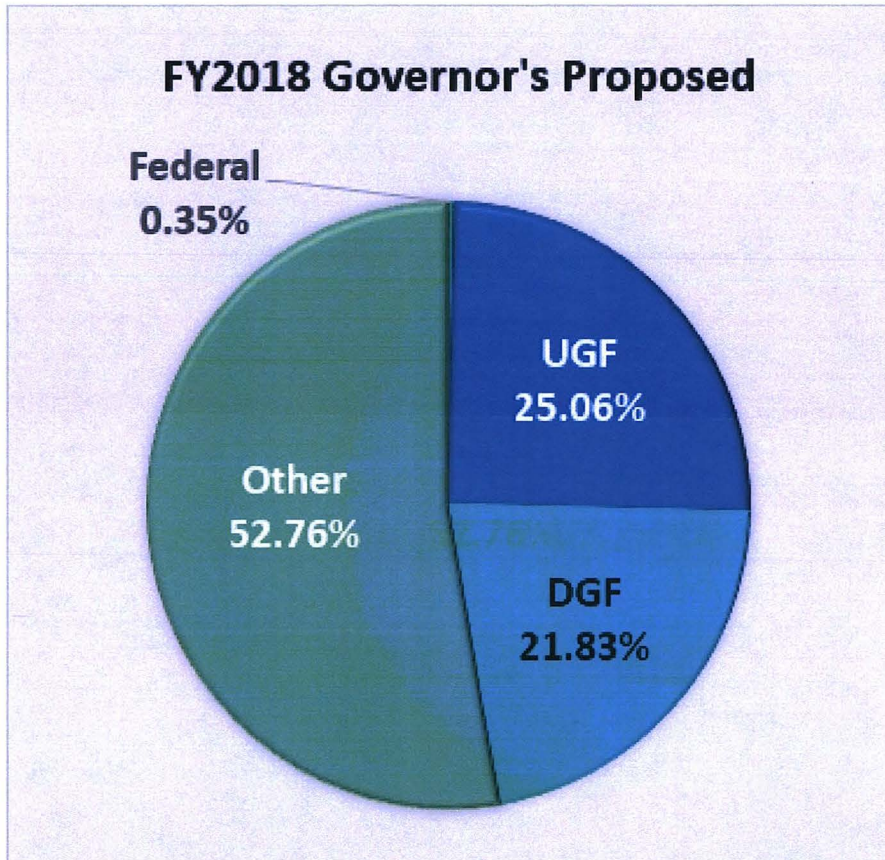
20% Other

1% Fed



Positions: 385

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



For a list of all fund sources, please refer to slide 3 in this presentation



Thank You

Contact Information:

John Binder

Deputy Commissioner

john.binder@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

State of Alaska Department of Revenue

**Senate Transportation Committee
February 2, 2017**

**Motor Fuel Tax
SB 25**



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

Jerry Burnett
Deputy Commissioner
Department of Revenue
Jerry.Burnett@Alaska.gov
(907) 465-3669

John Binder
Deputy Commissioner
Department of Transportation
and Public Facilities
John.Binder@Alaska.gov
(907) 465-3900

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

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

[Read this report in pdf.](#)

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 brining 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).

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 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

Figure 3: Alaska's Highway Fuel Tax Rate Has Reached an All-Time Low
Cents per gallon tax rate, adjusted for inflation

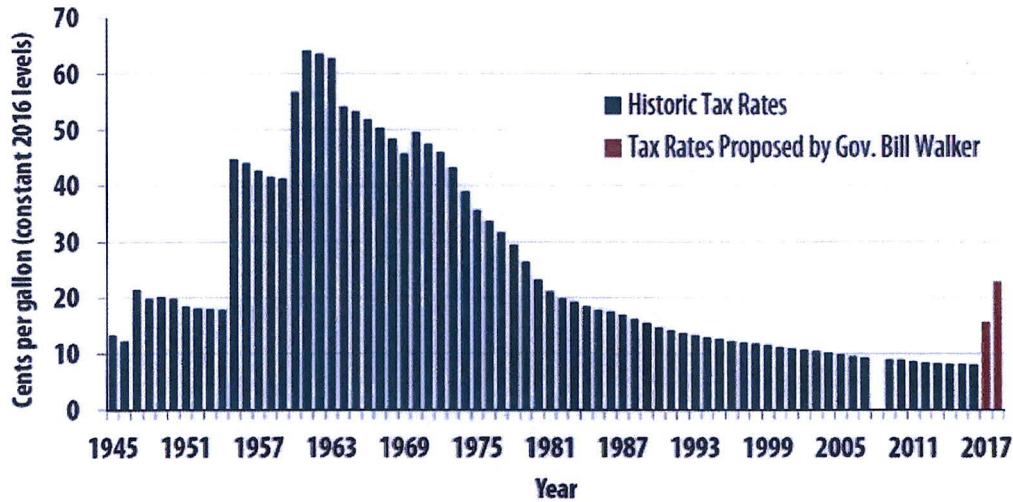


Chart does not include the spill prevention tax, local sales taxes, or federal taxes. Note that Alaska's fuel tax was suspended from September 2008 through August 2009.

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.

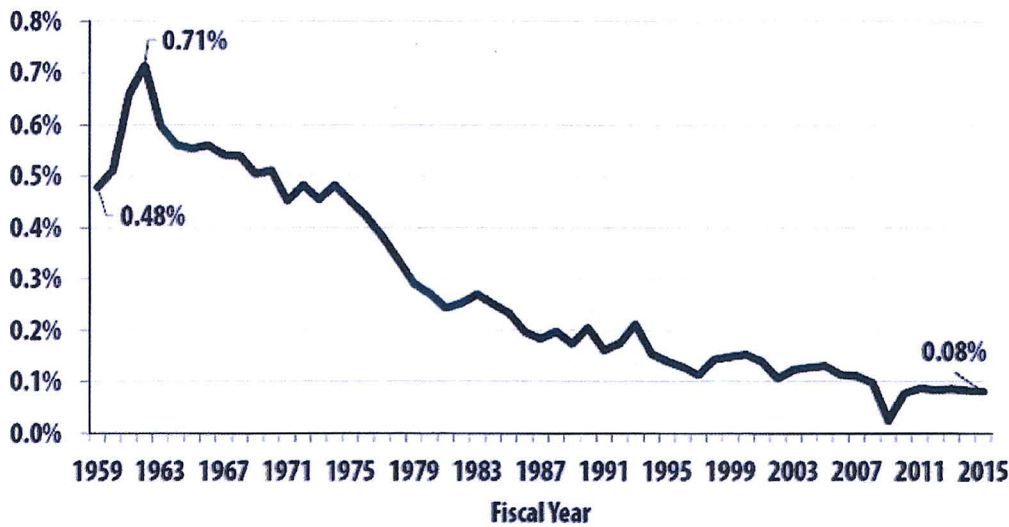
Figure 4: Alaska Motor Fuel Tax Collections as a Share of Personal Income

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.

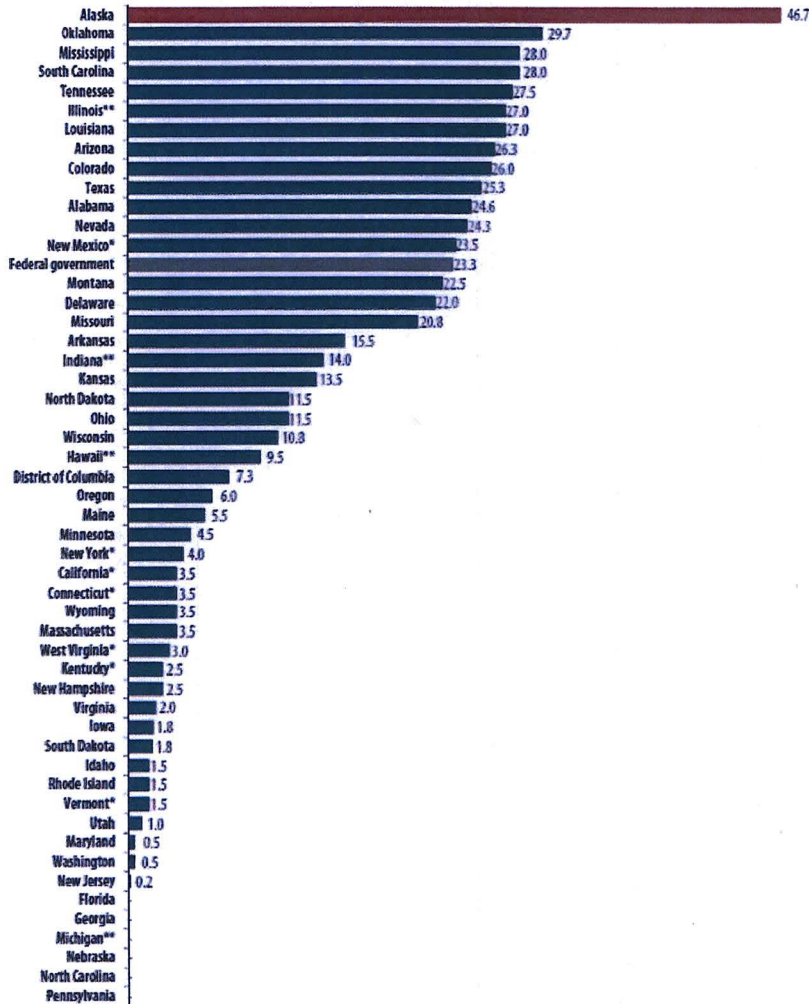
Source: Institute on Taxation and Economic Policy, January 2017

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



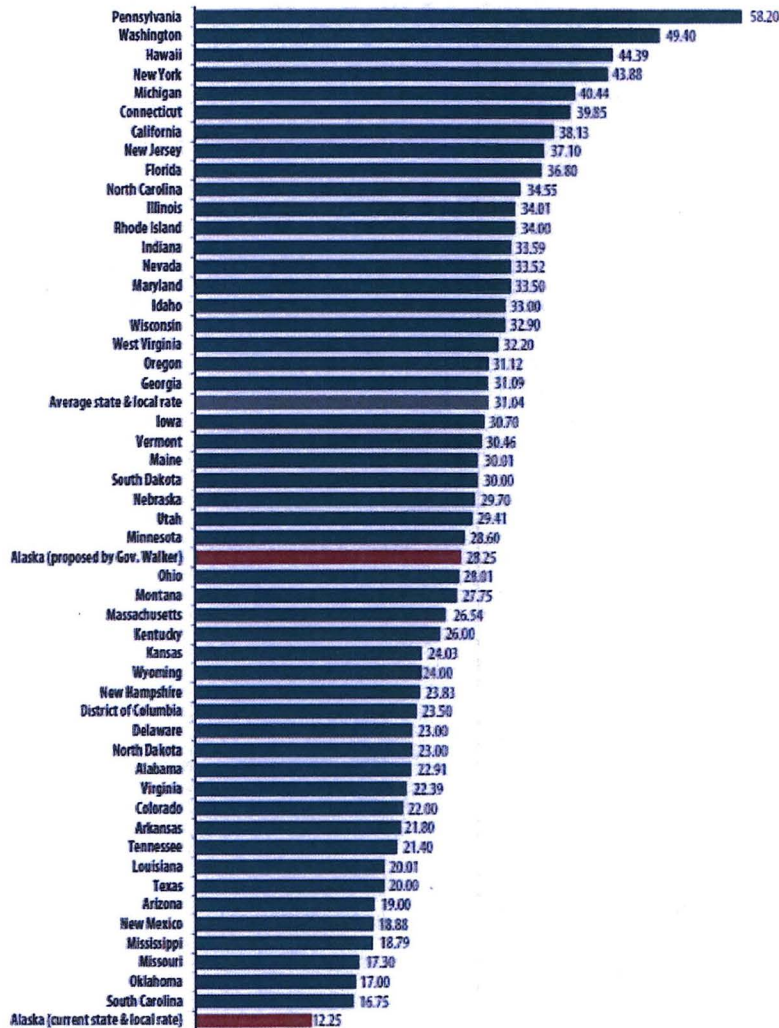
* These states have experienced gas tax rate cuts since their last increases were enacted. This typically occurs when the tax rate is tied to fluctuations in the price of fuel.

** 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)

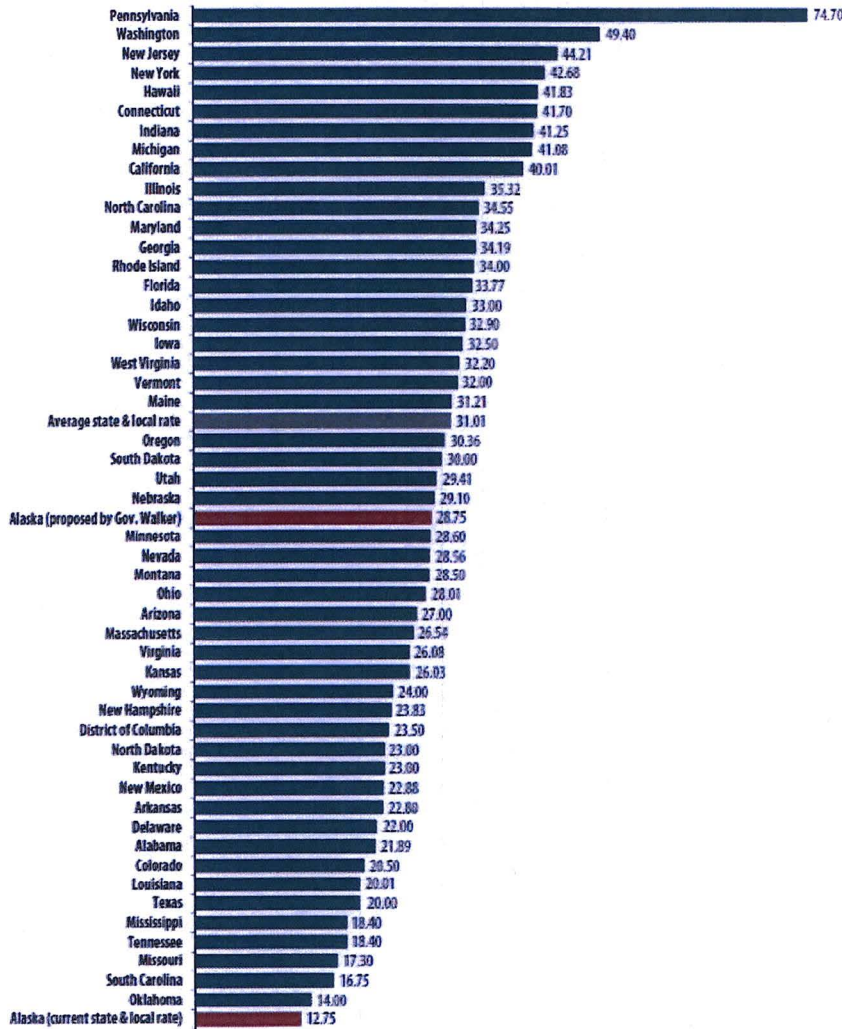
Figure 6: State & Local Gasoline Tax Rates

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

[Tweet](#)

[Share 14](#)

Copyright 2017 ITEP. All rights reserved.

Delta in Alaska and impact of Jet Fuel Tax

Dana Debel

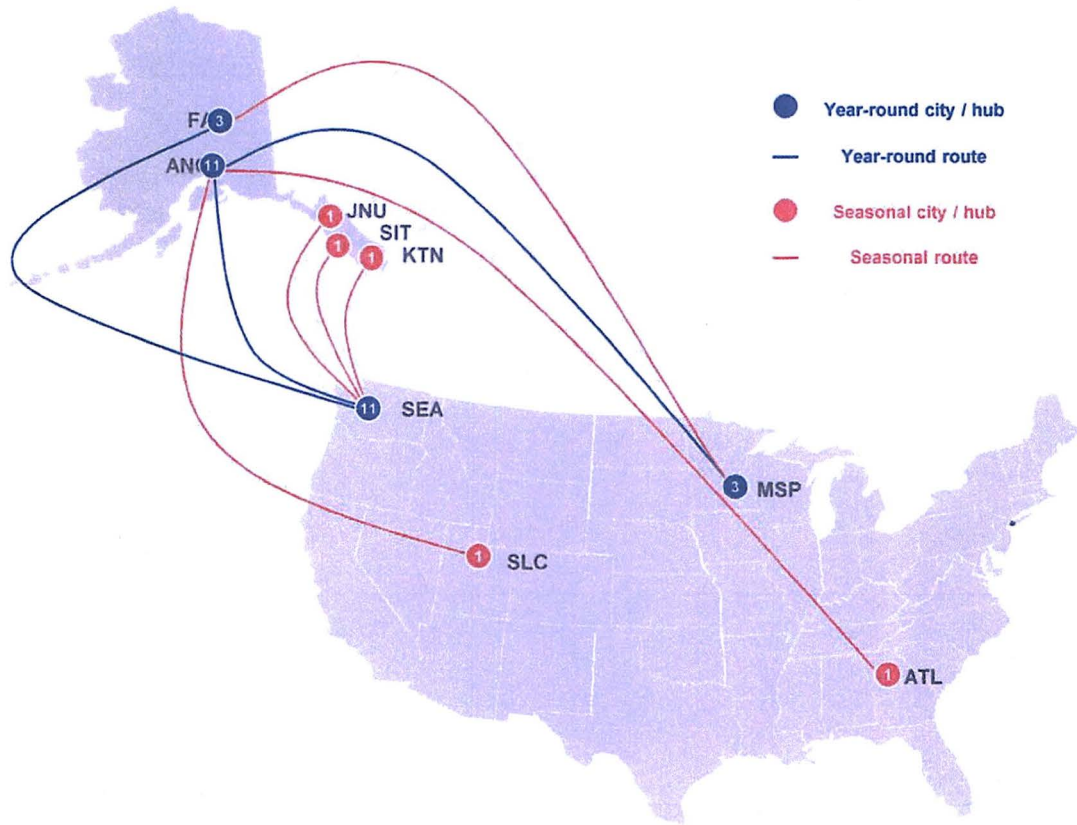
Managing Director, State and Local Government Affairs



Delta's 2017 State of Alaska Service

Delta will operate 17 peak day flights to Alaska in July 2017

2017 Delta Alaska Summer Route Map



Delta will operate nearly 3,000 peak day seats on 9 routes in/out of Alaska

City	Hub	Flights	Seats
ANC	ATL	1	261
	MSP	3	597
	SEA	6	1060
	SLC	1	160
FAI	MSP	1	199
	SEA	2	340
JNU	SEA	1	160
KTN	SEA	1	69
SIT	SEA	1	69
Total		17	2,915

Employment, Impact and Concern

1. Delta and its connection carriers employ up to 110 employees in Alaska during the peak summer travel
1. Delta purchases on average \$19 Million annually in goods and services in Alaska, and pays millions in landing fees to operate at Alaska airports today.
2. Through connection to our hubs in SEA, SLC, MSP and ATL, Alaska is only one-stop away from over 600 destinations on 5 continents. With our Joint Venture partners of KLM, Air France, Virgin Atlantic, Virgin Australia and AeroMexico, the reach expands.
3. The proposed tax increase only compounds the already challenging competitive environment to serve because of cost, and the proposed tax exacerbates that situation.

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 large initial "N" and a long, sweeping underline.

Nick D'Andrea
Vice President, UPS Public Affairs



Discussion of Fuel Taxes in Alaska

At the request of the governor and the Aviation Advisory Board, DOT&PF researched numerous revenue options used across the country, analyzed their utility in Alaska, and provided additional information on those potential options most applicable within the state. There are certainly pros and cons associated with each option, and some would be less burdensome to implement.

The Department believes their primary goal is to work with stakeholders and develop a solution that moves our aviation system forward. The department has considered new landing fees, aircraft registration fees, and raising the jet and aviation gas fuel tax on domestic carriers.

Discussion of Fuel Taxes in Alaska. According to figures provided by the Alaska Department of Revenue, only about 20% of non-government aviation fuel uplifted in Alaska is subject to taxation (see detailed figures below). This is largely due to the tax exemptions currently provided in state law for fuel uplifted into aircraft bound for foreign destinations and foreign origin flights continuing to a domestic destination.

The terms, "fuel tax" and "fuel flowage fees" are sometime confused. To clarify, in Alaska, the aviation fuel tax is assessed by the State on fuel sold, transferred or used in the state, regardless of where the fuel transaction takes place within Alaska (subject to the exemptions in the law). On the other hand, a fuel flowage fee is charged by an airport operator only for fuel uplifted at that particular airport. Under some circumstances, both the tax and the fee may apply to an uplifted gallon of fuel. For example:

Currently, fuel uplifted at the Alaska International Airport System for Alaska-origin flights to domestic locations is subject to both a fuel flowage fee (paid to the airport system) and the fuel tax (paid to the state). Fuel uplifted at the International Airport System for aircraft bound to foreign destinations and foreign origin flights continuing to a domestic destination is subject only to the fuel flowage fee (due to the foreign flight tax exemption).

The revenue generated through state fuel taxes is not available for use at the International Airport System, but may be appropriated by the legislature for other aviation facilities (at rural airports).

In 1986, the U.S. Supreme Court heard a case involving taxes on aviation fuel uplifted for international flights. The courts upheld a state's ability to tax such fuel.

The net effect of the existing state aviation fuel tax laws in Alaska is that, only air carriers operating flights inside Alaska and those operating Alaska-origin flights to domestic locations pay the tax. Increasing the existing tax rate without making any other change to the law would increase the tax burden of only these two categories of air carriers.

Perhaps, the State's dialog over new aviation/airport fees should include a discussion of existing fuel tax exemptions.

	SFY 2014	SFY 2015	SFY 2016
Jet fuel Gallons Taxed	130,031,397	128,518,587	163,074,189
Jet Fuel Gallons Exempt for Foright Flights	478,289,708	485,384,815	475,476,722



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 (AACOA) 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 Matthieu
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.

SB 25

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 30, 2017

**Senator Bert Stedman
Chair, Senate Transportation Committee
State Capitol
Juneau, Alaska 99801**

RE: Taxation of Motor Fuels

Dear Senator Stedman:

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 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

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





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,


Marilyn Romano
Regional Vice-President, Alaska

*Tax Foundation, 2014 Data

4730 Old International Airport Road, Anchorage, AK 99502
P 907.266.7230





February 6, 2017

Senator Bert Stedman
Chair Senate Transportation Committee
State Capitol, Room 30
Juneau, AK 99801

RE: WRITTEN TESTIMONY ON SB25 CONCERNING MOTOR FUEL TAX INCREASE

Dear Senator Stedman and the Senate 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 Senate Bill 25.

The Alaska Airmen Association supports SB25.

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 SB25 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 29, 2017

Senator Bert Stedman, Chair
Senate Transportation Committee
State Capitol, Room 9
Juneau, AK 99801

Dear Senator Stedman:

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 SB 25, 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 SB 25, 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.

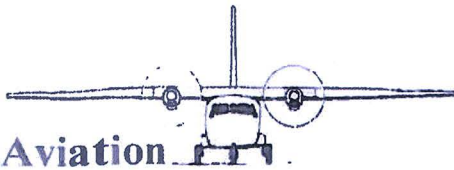
We have worked with DOTPF to evaluate alternative methods to provide support for the operation of the 240 rural airports. We believe that this increase in motor fuel tax is more equitable than other options that were considered, and does not expand state government to collect the additional revenue.

AOPA is pleased that the department continues to streamline the operations of the rural airports, 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



**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

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