

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

5182 HTRA HJR 46 - HJR 68

754

## § 45.31

## 14 CFR Ch. I (1-1-87 Edition)

enough for full-size marks, marks as large as practicable shall be placed on the largest of the authorized surfaces.

(g) *Uniformity.* The marks required by this part for fixed-wing aircraft must have the same height, width, thickness, and spacing on both sides of the aircraft.

(Doc. No. 2047, 29 FR 3223, Mar. 11, 1964, as amended by Amdt. 45-2, 31 FR 9663, July 21, 1966; Amdt. 45-8, 42 FR 41102, Aug. 15, 1977; Amdt. 45-13, 46 FR 48604, Oct. 1, 1981; Amdt. 45-16, 48 FR 11392, Mar. 17, 1983)

## § 45.31 Marking of export aircraft.

A person who manufactures an aircraft in the United States for delivery outside thereof may display on that aircraft any marks required by the State of registry of the aircraft. However, no person may operate an aircraft so marked within the United States, except for test and demonstration flights for a limited period of time, or while in necessary transit to the purchaser.

## § 45.33 Sale of aircraft; removal of marks.

When an aircraft that is registered in the United States is sold, the holder of the Certificate of Aircraft Registration shall remove, before its delivery to the purchaser, all United States marks from the aircraft, unless the purchaser is—

(a) A citizen of the United States;

(b) An individual citizen of a foreign country who is lawfully admitted for permanent residence in the United States; or

(c) When the aircraft is to be based and primarily used in the United States, a corporation (other than a corporation which is a citizen of the United States) lawfully organized and doing business under the laws of the United States or any State thereof.

(Amdt. 45-11, 44 FR 61938, Oct. 29, 1979)

## PART 47—AIRCRAFT REGISTRATION

## Subpart A—General.

## Sec.

- 47.1 Applicability.
- 47.2 Definitions.
- 47.3 Registration required.
- 47.5 Applicants.

## Sec.

- 47.7 United States citizens and resident aliens.
- 47.8 Voting trusts.
- 47.9 Corporations not U.S. citizens.
- 47.11 Evidence of ownership.
- 47.13 Signatures and instruments made by representatives.
- 47.16 Identification number.
- 47.18 Temporary registration numbers.
- 47.17 Fees.
- 47.19 FAA Aircraft Registry.

## Subpart B—Certificates of Aircraft Registration

- 47.81 Application.
- 47.83 Aircraft not previously registered anywhere.
- 47.85 Aircraft last previously registered in the United States.
- 47.87 Aircraft last previously registered in a foreign country.
- 47.89 Effective date of registration.
- 47.41 Duration and return of Certificate.
- 47.43 Invalid registration.
- 47.45 Change of address.
- 47.47 Cancellation of Certificate for export purpose.
- 47.49 Replacement of Certificate.
- 47.51 Triennial aircraft registration report.

## Subpart C—Dealer's Aircraft Registration Certificate

- 47.61 Dealers' Aircraft Registration Certificate.
- 47.63 Application.
- 47.65 Eligibility.
- 47.67 Evidence of ownership.
- 47.69 Limitations.
- 47.71 Duration of Certificate; change of status.

**AUTHORITY:** Secs. 307, 319, 501, 563, 565, 566, and 1103, 72 Stat. 749, 752, 771, 772, 774, 797; 49 U.S.C. 1348, 1354, 1401, 1403, 1405, 1408, and 1502, and the Convention of the International Recognition of Rights in Aircraft; 4 U.S.C. 1830.

**SOURCE:** Docket No. 7190, 31 FR 4495, Mar. 17, 1966, unless otherwise noted.

## Subpart A—General

## § 47.1 Applicability.

This part prescribes the requirements for registering aircraft under section 501 of the Federal Aviation Act of 1958 (49 U.S.C. 1401). Subpart B applies to each applicant for, and holder of, a Certificate of Aircraft Registration. Subpart C applies to each applicant for, and holder of, a

FAA regulations for 12" H/S 12/8



U.S. Department  
of Transportation  
**Federal Aviation  
Administration**

# News:

Office of Public Affairs  
Alaskan Region  
701 C Street, Box 14  
Anchorage, Alaska 99513  
(907) 271-5296

**FOR IMMEDIATE RELEASE**  
**September 30, 1987**  
**#87-35**

**contact: Paul Steucke**

## LARGER AIRCRAFT NUMBERS REQUIRED

Effective December 8, 1987, all aircraft entering into the Alaskan ADIZ or DEWIZ (Alaskan Air Defense Identification Zones) north of Yakutat, will be required to have 12 inch high identifying registration numbers and letters on the outside of the aircraft (map attached). Previous regulations required the letters and numbers to be at least 3 inches high. The major purpose of the larger numbers is to allow law enforcement officers patrolling coastal areas to identify suspect aircraft which might be carrying drugs into the country. For example, aircraft flying to Anchorage from Juneau will require the larger numbers because they are penetrating the zones. This also includes flights from Canada into central and northern Alaska.

Secretary of Transportation Elizabeth Dole announced the new rule which contains three major provisions, on September 17, 1987.

The first new requirement is that all aircraft flying through off-shore air defense identification zones display 12 inch high nationality and registration marks ("N numbers"). The second requires aircraft to have an externally mounted identification plates. The third requires that aircraft modified with supplemental fuel tanks, which were installed in compliance with FAA regulations, carry authorization for the modification aboard the aircraft.

Dole said, "The larger markings will make it easier for law enforcement officers to identify suspect aircraft, and the external identification plates will help authorities to identify aircraft that have been stolen and possibly used to smuggle drugs into the U.S."

more...

5

Current FAA regulations allow some aircraft to display N-numbers only three inches high, which makes them difficult to read at a distance. Although the FAA rules were changed in Nov. 1981 to require the display of at least 12 inch high marks, the smaller markings were allowed to continue until the airplane was repainted or the numbers changed.

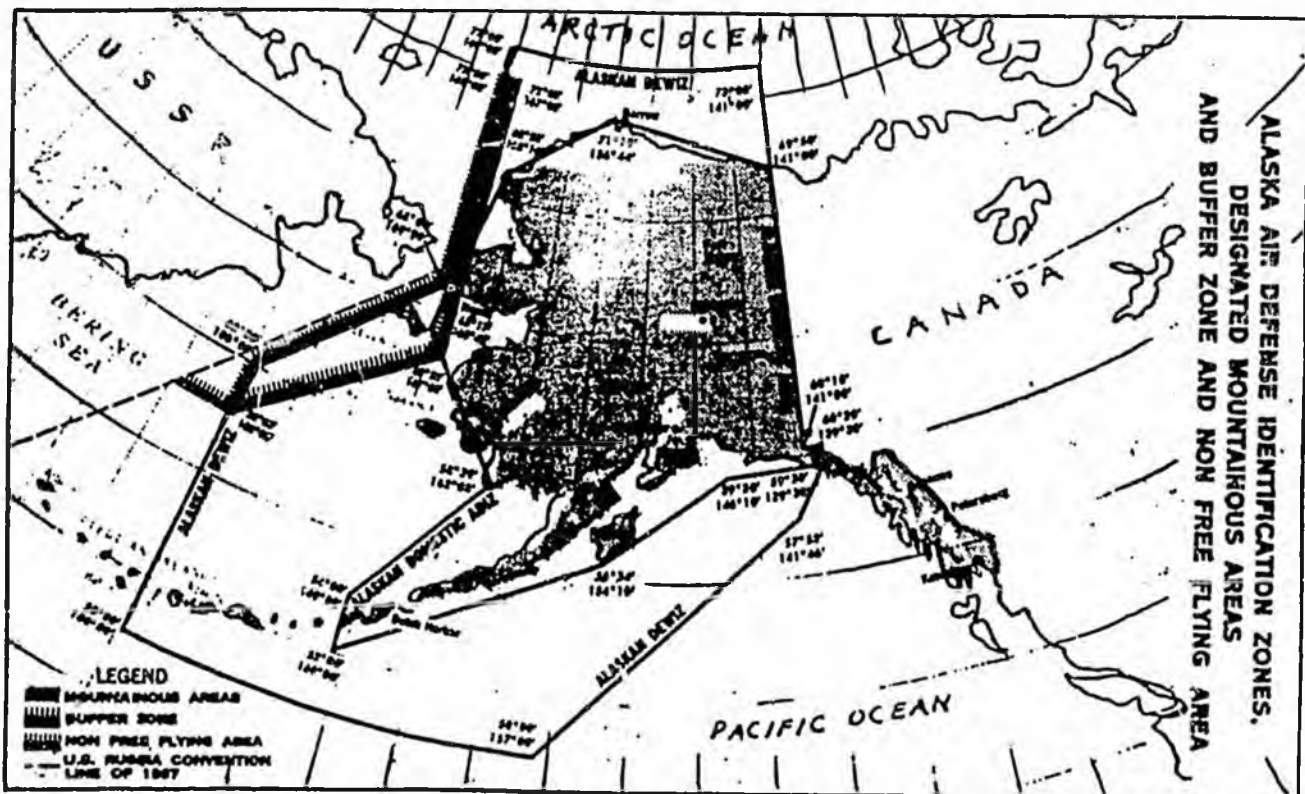
The new rule overrides this past exception and requires display of the 12 inch numbers when an aircraft is penetrating an Air Defense Identification Zone or Defense Early Warning Identification Zone where U.S. Customs agents, the Coast Guard or other law enforcement aircraft are most likely to attempt air-to-air identification. These zones cover all of Alaska north of Yakutat, including the Alaska-Canada border.

Maps of these zones are in the Alaska Airmen Supplement. Pilots seeking additional information should contact their local FAA Flight Standards District Office.

The identification data plates must be readable to a person standing outside the aircraft when it is on the ground. This will allow law enforcement officers to cross check the serial number of an aircraft with FAA records to determine if the N numbers had been changed in order to conceal the ownership of the aircraft or hide the fact that it had been stolen. This now can be done only by gaining access to the interior of some aircraft.

The new requirement that aircraft operators carry documentation covering the installation of extra fuel tanks also will help identify suspect aircraft used in smuggling operations.

// // //



WARWICK & SCHIKORA  
a professional corporation  
CERTIFIED PUBLIC ACCOUNTANTS

1919 LATHROP  
DRAWER 17  
FAIRBANKS, ALASKA 99701

(907) 456-1566  
ANDREW S. WARWICK  
RICK E. SCHIKORA

December 10, 1987

State House Representative Steve Frank  
1125 Sunset Drive  
Fairbanks, AK 99701

Dear Representative:

Please note the attached article from Air Alaska, November 1987 issue. I understand the date for implementation has been moved to March 7, 1988. I don't believe the provisions for 12" numbers or for an outside data plate are necessary for Alaska. The requirement for the form 337 to be aboard the aircraft for fuel tanks installed according to FAA regulations is a matter of paperwork and not of significant concern. The main purpose of the first two provisions is to make it easier for Customs to identify aircraft suspected of running drugs across the Air Defense Identification Zones. The pertinent FAA regulations are FAR 45.29(h) for the 12" numbers, FAR 45.11(d) for the data plate information, and FAR 91.27(c) for the fuel tank requirements.

I am concerned because my wife and I invited the International Cessna 170 Association to convention in Alaska for a week during July 1988. We expect close to 100 airplanes to come to Fairbanks. Many of the aircraft have small numbers. All Cessna 170's are between 32 and 40 years old. The amount of money that we expect to be spent by the occupants of each Cessna 170 is substantial, and will be spread throughout the communities of Alaska. Gas sales, hotel rooms, meals, sightseeing, and tourist purchases will result in a boost to the businesses in the area, while taxes or direct fees will generate revenue for the local governments and the State of Alaska. We don't want to miss the opportunity for the revenue.

More importantly, however, is the fact that we do not want to have the inconvenience for our visitors and fellow Alaskans. Whenever one of us flies across the border to visit our neighbors in Canada, we will have to comply with the new law. Contrary to what the FAA says in their comments on the regulations, my maps show that flights conducted entirely within Alaska can be subject to the rules. Look at the fact that Tin City, Wales Point Hope, Icy Cape, Wainwright and Point Barrow Dew Station are outside the Alaskan ADIZ. Anytime the ADIZ or DEWIZ is penetrated, the law comes into effect.

The regulations mentioned above were designed for the coastal areas of the lower 48, where drug running is a real problem. Here, over-regulation, by virtue of including Alaska in regulations that do not fit the situation is a problem. This happens in more instances than just this one. Please provide your support by getting Congress to make an exception for Alaska.

I would be happy to discuss this with you further. I certainly appreciate your help.

Sincerely,



Rick Schikora

### **Larger aircraft numbers required**

Effective Dec. 8, 1987, all aircraft entering into the Alaska ADIZ or DEWIZ (Alaskan Air Defense Identification Zones) north of Yakutat will be required to have 12-inch high identifying registration numbers and letters on the outside of the aircraft, says the Federal Aviation Administration.

The major purpose of the larger numbers is to allow law enforcement officials patrolling coastal areas to identify suspect aircraft which might be carrying drugs into the country, FAA said. For example, aircraft flying from Anchorage to Juneau will require the larger numbers because they are penetrating the zones. This also includes flights from Canada into central and northern Alaska.

The rule, announced Sept. 17, contains three provisions: 12-inch numbers, aircraft must have externally mounted identification plates, and aircraft modified with supplemental fuel tanks installed to FAA regulations must carry authorization for the modification aboard the aircraft.

Maps of the zones are in the Alaska Airmen Supplement. Pilots seeking more information should contact their local FAA Flight Standards District Office.

# ADIZ problem is fixing itself

By KENT LEE WOODMAN

As recently reported in these pages, the FAA has adopted three changes to the FARs which affect certain general aviation aircraft. In addition to the change in documentation for internal Auxilliary fuel tanks and the requirement for all aircraft to have certain data plates, there was a rule requiring all aircraft "penetrating" the ADIZ (Alaska Defense Identification Zone) or the DEWIZ (Distant Early Warning Identification Zone) to have 12" identification within a 90 day compliance period following Dec. 8 or early March 1988.

The Alaska Airmen's Association, tried valiently to prevent this rule from taking effect for Alaskan bound aircraft, because it prevented flights from Anchorage and Juneau or to and from Canada without the expensive alteration, they felt, interfering with their rights of interstate travel. Suddenly, from an unlikely and

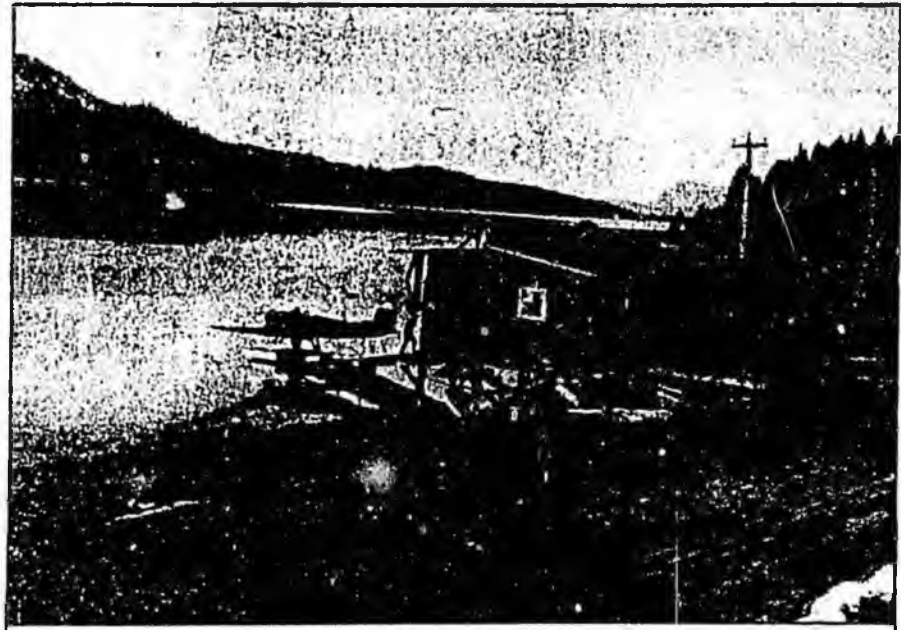
completely unsuspected corner, comes help: clearly the easiest solution (except revocation of the rule) would be to simply change the boundaries of the ADIZ and this is precisely what has been proposed. The ADIZ and DEWIZ have been in place for many years with no changes. Within these zones the U.S. Air Force had been intercepting increased numbers of Russian aircraft, so it is a vital area. The surprise suggested change, however, is to delete the DEWIZ and shrink the ADIZ down to an offshore area surrounding the land mass of Alaska, and thus prevent all the difficulties the Airmen perceived they faced.

The accompanying map shows the newly proposed area for the ADIZ. It is obvious that "penetrations" of the ADIZ will be greatly reduced by this change, and that there will be no unwarranted intrusions on the privacy of visitors to Alaska, folks going to Whitehorse for the weekend or

Alaskans trying to fly to their capitol. The Airmen have enthusiastically embraced the proposed change as a masterful, if surprising solution to a complex bureaucratic problem. At press time the notice of proposed rule making was in final draft and should appear in the Federal Register within about 30 days. Assuming there are no major objections, it could be in place within 180 days. As seen in the diagram, the present boundaries place Nome and portions of the Seward Peninsula in the ADIZ. The Airmen are petitioning to move it to at least the shoreline.

Finally, that leaves the question of

See ADIZ, Page 24



Here we go again with another edition of "name that mystery plane." Last month's mystery plane (see letters to the editor page) was a replica of the

tals. Preliminary NTSB statistics for the first half of 1987 show general aviation has continued to improve its safety record this year, with significant declines in numbers of accidents, fatal accidents and fatalities.

The National Safety Council's 1987 edition of Accident Facts shows more Americans were killed in bicycle or boating accidents during 1986 than in general aviation accidents, which represented only 1 percent of the total number of accidental deaths in the U.S.

In 1986, there were 958 general aviation accidents compared to 1,229 marine transportation fatalities. The Council estimates 1,200 people lost their lives in collisions between bicycles and motor vehicles.

The NSC also estimated that in 1986, 47,900 people died in motor vehicle accidents; 11,000 died in falls; 5,600 drowned; 4,800 died as a result of fires or burns, and 4,000 more were accidentally poisoned.

# Meteorologist Evangelista will write column on Alaska flying and weather

Meteorologist and pilot Mark Evangelista will be writing columns, Eye on the Sky, for Air Alaska concerning weather and Alaska flying. His first column appears in this issue on Page 20.

In the aviation meteorology business for five years, Evangelista came to Alaska with the U.S. Air Force. "I was one of the few that asked to come up here," he says.

A ground instructor as well as a meteorologist, Evangelista flies with the Elmendorf AFB Aero Club, preferring light singles

Evangelista, who works for the National Weather Service, can also

Air Alaska January 1988 page 1

ment prototypes may be on display, and plans include video taping presentations from industry experts for later programs

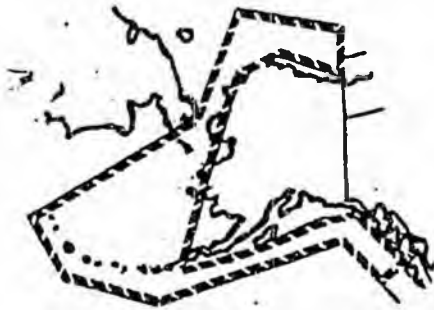
Initial thinking is to use the ACC Aviation Complex hangar and have booths, show area, tables for swap meet and perhaps classrooms for special presentations.

Manufacturers, dealers and individuals who are interested in participating in the program should contact Kent Lee Woodman, c/o the Alaska Airmen's Association Inc., c/o ACC Aviation Complex, 2811 Merrill Field Drive, Anchorage 99501. Details will be presented in the February and March issues of Air Alaska.

## • ADIZ

Continued from Page 1

compliance with the present new rule and enforcement between March 8 and the change in the ADIZ. How foolish it would be to make the major expenditure to comply for two months, or to be involved in an enforcement action for an area we know in advance is about to change. To his credit, Frank A. Cunningham, the FAA Alaskan Region Director, has initiated action to either exempt Alaska, or obtain permission to stay enforcement pending the newest rule; NORAD and the USAF are to be commended for their proposal, and the FAA for its logical help in the interim.



The sketch shows the preliminary proposed new boundaries for the Alaskan ADIZ. The DEWIZ would disappear entirely. The move is sponsored by NORAD, which is realigning all of its defense identification zones to match the current, state of the art radar systems and perceived threat to North America. Sketch courtesy FAA.

Cylinder performance  
and polishing, C.F.M.  
tested

- Equalized inlet and exhaust air flow distribution
- Improves engine performance
- Reduces engine combustion stress and vibration
- Increases overall engine reliability

**D**uring the T.B.O. of your aircraft engine, various cylinder and valve assemblies are repaired and replaced. Each cylinder will actually produce a different horsepower and (cubic feet per minute) air flow distribution creating a volumetric efficiency imbalance resulting in reduced horsepower, reduced speed, increased vibration, increased wear, and poor combustion chamber performance. These problems are often found even from an originally manufactured engine.

**B**y the creation of "POWER BY VICTOR" Cylinder Assemblies, all of your cylinders will be matched for perfect volumetric effi-

*"In my profession, I can't afford anything else. They are the best in the industry!"*

Mailing: P.O. Box 50608, Palo Alto, California 94303  
Shipping Address:  
1901 Embarcadero Road, Palo Alto, California 94303

A Subsidiary of  **Victor Aviation**

## THE FINEST COBALT DRILL SETS MADE IN AMERICA

Cobalt Heavy Duty Jobbers Length Drill - Cobalt HSS, Surface Treated, 135° Split Point  
Cobalt jobbers length drills are used for drilling in tough, high tensile strength materials like stainless steels, titanium, and 8% cobalt high speed steel, with heavy duty flute construction and 135° split point. They are made to NAS907 T

BUY ALL FOUR FOR ONLY \$335.00



#1 - #60



1/2" thru 1/16"



A th



Greater Fairbanks

**Chamber** of Commerce

First National Center  
100 Cushman Street

90714521105

P.O. Box 7446  
Fairbanks, Alaska 99707

RESOLUTION 1 - 0188

WHEREAS, the Greater Fairbanks Chamber of Commerce is concerned about the economy in Fairbanks, and

WHEREAS, the federal government frequently institutes regulations and laws which have detrimental effects on the economy, and

WHEREAS, the International Cessna 170 Association has chosen to convention in Fairbanks during July 1988, with an expected attendance of 100 airplanes most of which will be Cessna 170s ranging in age from 32 to 40 years old, and

WHEREAS, the Federal Aviation Administration has recently instituted a regulation requiring 12 inch registration numbers on aircraft penetrating the Alaska Domestic Air Defense Identification Zone or the Distant Early Warning Identification Zone, and

WHEREAS, the reason for requiring 12 inch numbers is to assist Customs in identifying aircraft suspected of running drugs across ADIZs or DEWIZs, and

WHEREAS, these regulations will likely have a negative impact on the number of tourists coming to Alaska by aircraft, for the Cessna 170 Convention and other purposes,

THEREFORE BE IT RESOLVED, that the Greater Fairbanks Chamber of Commerce supports the repeal of regulation FAR 45.21 (h) requiring 12 inch numbers for Alaska, and its companion regulation FAR 45.11 (a) and (d), and

BE IT FURTHER RESOLVED, that if the regulations cannot be repealed for Alaska then a special blanket exemption be granted for the International Cessna 170 conventioners.

DATED THIS 4th

DAY OF January 1988.

BY Mike Kelly  
Mike Kelly, Chairman

BY W.R. Cox  
W.R. Cox, President & C.E.O.

Introduced by: City Council Members  
Date: January 11, 1988

RESOLUTION NO. 2921

A RESOLUTION IN SUPPORT OF THE REPEAL OF  
FEDERAL AVIATION REGULATION (FAR) 45.21  
(h) AND 45.11 (a) and (d).

WHEREAS, the Greater Fairbanks Chamber of Commerce is concerned about the economy in Fairbanks, and

WHEREAS, the federal government frequently institutes regulations and laws which have detrimental effects on the economy, and

WHEREAS, the International Cessna 170 Association has chosen to convention in Fairbanks during July 1988, with an expected attendance of 100 airplanes most of which will be Cessna 170s ranging in age from 32 to 40 years old, and

WHEREAS, the Federal Aviation Administration has recently instituted a regulation requiring 12 inch registration numbers on aircraft penetrating the Alaska Domestic Air Defense Identification Zone or the Distant Early Warning Identification Zone, and

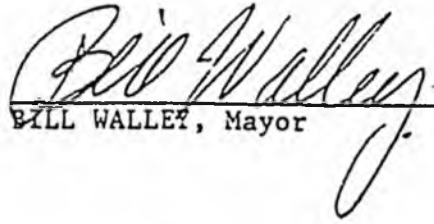
WHEREAS, the reason for requiring 12 inch numbers is to assist Customs in identifying aircraft suspected of running drugs across ADIZs or DEWIZs, and

WHEREAS, these regulations will likely have a negative impact on the number of tourists coming to Alaska by aircraft, for the Cessna 170 Convention and other purposes,

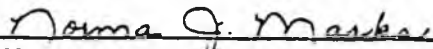
NOW, THEREFORE, BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF FAIRBANKS, ALASKA supports the repeal of regulation FAR 45.21 (h) requiring 12 inch numbers for Alaska, and its companion regulation FAR 45.11 (a) and (d), and

BE IT FURTHER RESOLVED, that if the regulations cannot be repealed for Alaska then a special blanket exemption be granted for the International Cessna 170 conventioners.

PASSED and APPROVED this 11th day of January, 1988.

  
BILL WALLEY, Mayor

ATTEST:

  
NORMA J. MARKS, Acting City Clerk

MIS:RESO 2921:njm

CURRENT ALASKAN ADIZ ALIGNMENT



PROPOSED ALASKAN ADIZ ALIGNMENT



BRIEFING ITEM FOR AVIATION FORUM

SUBJECT: AIR DEFENSE IDENTIFICATION ZONE (ADIZ) REALIGNMENT

Proposed effective date: May 5, 1988.

BACKGROUND

The military has decided that the ADIZ realignment is necessitated by the various North American Aerospace Defense Modernization initiatives and HQ NORAD direction to simplify identification zones for North America.

CHANGES

The terms "Coastal ADIZ," "Domestic ADIZ," and "Distant Early Warning Identification Zone (DEWIZ)" will be eliminated. Henceforth, "ADIZ" will be the only term used regarding identification zones.

Significant Alaskan NORAD Region changes.

1. The Alaskan ADIZ will include all of the Aleutian Islands (current DEWIZ does not).
2. Off the Alaska north coast, the ADIZ line will extend northward an additional 120 nautical miles.
3. A portion of the existing ADIZ line between Alaska and Canada will be eliminated (see marking on proposed realignment chart).
4. Establish ADIZ along southeast coast of Alaska to cover gap which presently exists between the Canadian Coastal ADIZ and the Alaskan DEWIZ.

Other changes.

1. Institute a new ADIZ off both the Canadian and U.S. coastal areas to provide for integral perimeter coverage for the continent.
2. The ADIZ across central Canada is no longer required due to the closure of the Pinetree line radars.

Attached is depiction of current alignment and the proposed realignment. FAA Washington Headquarters is preparing a notice of proposed change to FAR 99, "Security Control of Air Traffic," for publication in the Federal Register.

AAL-500 *He*  
12/1/87

2 Attachments

# Alaska State Legislature

**STEVE FRANK**

DISTRICT 20A  
Finance Committee

1125 Sunset Drive  
Fairbanks, Alaska 99701



White in Juneau  
P.O. Box V  
Juneau, Alaska 99811  
(907) 465-3709

## House of Representatives

TO: The House Transportation Committee

FROM: Rep. Steve Frank *AS*

RE: HJR 46 - "Size of Aircraft Numbers"

DATE: January 27, 1988

---

House Joint Resolution 46 requests that the FAA grant an exemption from their new regulations for Alaskan pilots flying intrastate.

The Federal Aviation Administration (FAA) has implemented new regulations requiring planes that penetrate an Air Defense Identification Zone (ADIZ) or a Distant Early Warning Identification Zone (DEWIZ) to display larger registration numbers and exterior identification plates. Currently the majority of Alaska is surrounded by an ADIZ with the exception of Southeastern and some parts of Western Alaska.

Recently the Air Force announced its plans to revise the ADIZ which will solve the problem in most of Alaska. However, the proposed ADIZ will encompass significant parts of Western Alaska such as St. Mary's, Nome, Pt. Hope, and Icy Cape. As a consequence, aircraft flying from anywhere in Alaska to these places would still have to comply with the 12 inch lettering requirement.

For that reason we are requesting that the FAA grant this exemption for Alaskan planes flying intrastate. In addition, since the proposed ADIZ will not become effective until May, we are requesting a waiver from the new regulations until the new ADIZ is implemented.

Thank you for your consideration.

STATE OF ALASKA 1988 LEGISLATIVE SESSION  
FISCAL NOTE

Bill Version: HCR 46  
Publish Date: \_\_\_\_\_

REQUEST

Revision Date: \_\_\_\_\_  
Title: House Concurrent Resolution 44  
Relating to a Copper River Toll Road  
Sponsor: Cato  
Requestor: Cato

Agency Affected: DOT&PF  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		*	*	*	*	*
CAPITAL		*	*	*	*	*
REVENUE		*	*	*	*	*

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		*	*	*	*	*

POSITIONS:

FULL-TIME		*	*	*	*	*
PART-TIME		*	*	*	*	*
TEMPORARY						

**ANALYSIS:** The use of a toll authority is not established procedure in the department. The assumptions expressed in this analysis represent the department's initial reactions to this concept and may need modification to more accurately reflect the opportunity costs of money, the pay back terms and other financial assumptions. In addition, federal aid funds for construction may have to be re-paid prior to establishing a toll.

\* See attached page, typewritten analysis dated 2-26-88.

Prepared by: David W. Truax/Lynn J. Harnisch Phone: 474-2431/451-2210  
Division: DOT&PF Regional Director, Northern Region Date: 2-25-88

Approved by Commissioner: Mark S. Hickey *MSH* Date: 2-29-88  
Agency: DOT&PF

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

## ASSUMPTIONS

- A) Toll Checkpoint
- 1) One toll checkpoint would be needed to collect tolls.
  - 2) Checkpoint costs were based on similar costs for a checkpoint on the Dalton Highway.
  - 3) A checkpoint for year round occupancy would be more expensive as it would require additional insulation, permanent utilities systems, larger living quarters, etc.
- B) Pioneer Road
- 1) Would be 18ft. wide, screened gravel surface and have trestle type bridges. The cost for this work assumes that 18ft. wide road could be constructed so that it was safe and maintainable and that only minimal reconstruction on the existing railbed would be necessary. Should any of these parameters be forced to change, during the course of actual design, the cost could increase substantially. Cost increases would depend on the type of changes that were necessary.
- C) Federal Aid Secondary
- 1) Would be 28ft. wide, crushed gravel surface and have standard bridges. The cost is based on current construction costs for typical gravel surface Federal Aid secondary roads. Assumes construction of access road from the Million Dollar Bridge, Mile Post 49, to Chitina.
- D) Copper River Bridge
- 1) To keep per vehicle tolls to a minimum, it was assumed that the estimated \$7,500,000 to construct a bridge across the Copper River, adjacent to the Million Dollar Bridge, would be done with Federal discretionary bridge funds. Therefore, this particular cost does not appear in the overall capital costs. If discretionary funding cannot be obtained the \$7,500,000 construction cost would have to be added to the total capital costs of the project. This would increase the per vehicle toll for capital costs payoff by \$7.00 for seasonal and \$4.00 for year-round.
- E) Maintenance Station
- 1) In order to distribute the added mileage evenly, one additional station would be needed in the Tasnuna River area and additional equipment would be needed at the Chitina Station.
  - 2) Facilities requirements to meet seasonal needs.  
2,400 sq. ft. shop  
Generator Bldg. w/two generators  
4 each trailer pads for 14X70 trailers.  
Utilities and water/well system.
  - 3) Facilities requirements to meet year round needs (in addition to above building needs).  
2 Trailer pads for 14X70 trailers.  
Utilities and water system.  
Sand shed 2,000 sq. ft.

2,000 sq. ft. work store building.

F) Maintenance Equipment

- 1) Seasonal (either type road)
  - a) New Tasnuna Station
    - Motor graders CAT 14 Type (2)
    - Dump Truck 8 Yd.
    - Loader 4 yd. type (1)
    - Dozer D-8 type
    - 2 4WD 3/4 ton pickups
    - Low tractor trailer
  - b) The mileage this road would add to the existing system would be slightly more than a new station should handle. Therefore, some additional equipment would be needed at the existing Chitina Station to cover the extra northernmost portion of the additional mileage. This additional equipment would also be used on other state-maintained roads in the Chitina area.
  - c) Chitina Station (additional equipment)
    - Motor grader CAT 14 type (1)
    - Loader 4yd. type (1)
    - Dump Truck 8 yd. type (1)
- 2) Year-round (in addition to season equipment needs) [either type road]
  - a) Tasnuna Station
    - Truck type Rotary snowblower 2 each 1200 tph
    - 4x4 Oshkosh with V-nose plow, belly blade and wing, 2 each
    - Sander

G) Building and equipment needs are based on:

- 1) Historical information from old railroad records, which show that a substantial maintenance effort was required to keep the alignment open and in good repair at all times of the year.
- 2) Personal on-site observations of substantial slide and erosion activity by DOT&P. maintenance staff and other individuals at various times of the year.
- 3) If the Pioneer Road is built, it will be heavily used. The one-lane road will not be able to handle the volume of traffic very long. By building and staffing an adequate camp, maintenance forces can make many of the upgrades that will be required by the traffic volume.

H) Maintenance Costs - Manpower Needs

- 1) Seasonal
  - a) Tasnuna Station (New Positions)
    - i) 1 WG 52 Foreman
    - ii) 2 WG 53 Operations
    - iii) 1 WG 53 Operator/Mechanic
  - b) Chitina Station
    - i) 2 WG 53 Operators
- 2) Year Round
  - a) Tasnuna Station
    - i) above 4 Positions @ Full-time
    - ii) Plus 1 additional WG 53 Operator and 1 additional WG 54 Operator

I) Toll Program Administration

- 1) Based on estimates of manpower needs for similar checkpoint program on Dalton Highway at \$7,000 per month for a staff of 3.
- 2) Accounting support assumes accounting clerk, range 9, part-time.

J) Average Annual Traffic

- 1) Based on historical traffic generating data for similar sized communities, future growth patterns as demonstrated in the draft Cordova Comprehensive Plan and the area's location relative to major population centers and recreational/resource opportunities. This resulted in an average daily traffic count forecast of 375 vehicles a day, or 11,250 a month based on a 30-day month.
- 2) The average monthly traffic count for a year round rate will be less than a seasonal route. This is because the year round average takes in a 7-month period where historic traffic declines by approximately 60% from the five-month summer period.

K) Capital Costs

- 1) Capital costs for check point construction, maintenance equipment, maintenance station construction, and Pioneer Road would all have to be funded initially from General Funds.
- 2) Capital costs for constructing the Federal Aid Secondary Road would be split 91.35% Federal and 8.65% State General Fund match.
- 3) Costs for Pioneer Road construction could be recovered from the FHWA upon upgrade of this road to Federal Highway Secondary standards. However this recovered cost would come from federal obligation authority which could otherwise be used on other projects.

- L) Toll charges for private vehicles may be able to be lessened by charging on the basis of vehicle gross weight. This would increase the cost to truck traffic, but assumably increase shipping costs as well. Because we have no way to determine gross weight at this time, such a charge schedule would have to wait until traffic data could be collected on the road, so that a determination could be made as to whether or not actual truck traffic was substantial enough to invoke such a schedule. An annual reassessment of toll charges could be done if changes in traffic level, maintenance costs, and/or toll program costs change.
  
- M) Analysis does not include "cost of money."

FISCAL NOTE ANALYSIS OF

HCR 46-COPPER RIVER HIGHWAY TOLL ROAD

COSTS	SEASONAL		YEAR-ROUND	
	PIONEER RD	FED. AID RD.	PIONEER RD.	FED. AID RD
Capital (Total)	\$16,925,000	\$92,255,000	\$18,405,000	\$93,405,000
Toll Check Pt.	50,000	50,000	150,000	150,000
Rd. Construction	15,000,000	90,000,000	15,000,000	90,000,000
Maint. Station	730,000	730,000	1,120,000	1,120,000
Maint. Equipment	1,145,000	1,475,000	2,135,000	2,135,000
Maintenance (Total)	600,000	800,000	1,200,000	1,600,000
Toll Prog. Admin. (Total)	50,000	50,000	120,000	120,000

REVENUES	CAPITAL COSTS		MAINTENANCE COSTS		TOLL PROG. COSTS	
	SEASONAL	YEAR-ROUND	SEASONAL	YEAR-ROUND	SEASONAL	YEAR-ROUND
Pioneer Road	\$16,925,000	\$18,405,000	\$ 600,000	\$ 1,200,000	\$50,000	\$120,000
Pay Back Basis	20 yrs.	20 yrs.	Annually	Annually	Annually	Annually
Annual Pay Back	846,250	920,250	600,000	1,200,000	50,000	120,000
Average Annual Traffic	56,250	135,000	56,250	135,000	56,250	135,000
Per Vehicle Toll	\$15.00	\$7.00	\$11.00	\$9.00	\$.90	\$.90
Federal Aid Road	\$92,255,000	\$93,405,000	\$ 800,000	\$ 1,600,000	\$50,000	\$120,000
Pay Back Basis	20 yrs.	20 yrs.	Annually	Annually	Annually	Annually
Annual Pay Back	4,612,750	4,670,250	800,000	1,600,000	50,000	120,000
Average Annual Traffic	56,250	135,000	56,250	135,000	56,250	135,000
Per Vehicle Toll	\$82.00	\$35.00	\$14.00	\$12.00	\$.90	\$.90

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: CSH.JR.46

PUBLISH DATE: \_\_\_\_\_

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: \_\_\_\_\_  
 Title: Exempt aircraft from regulations on BRU:  
size of registration numbers  
 Sponsor: Rep. Frank Components: \_\_\_\_\_  
 Requestor: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE</b>	0	0	0	0	0	0

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	0	0	0	0	0	0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

\_\_\_\_\_

Prepared by: Rep. Bette Cato, Chairman Phone: 465-4858  
 Division: House Transportation Committee Date: 1/27/88

Approved by Commissioner: Rep. Bette Cato, Chairman *BC* Date: 1/27/88  
 Agency: House Transportation Committee

**Distribution (by preparer):**

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H. TRANS.

1-27-88

1:30 p.m.

# HOUSE COMMITTEE REPORT

(7)

Date referred: 1/20/88

FURTHER REFERRALS:

DATE: January 27, 1988

The Transportation Committee has considered HJR 46

Requesting the Federal Aviation Administration to exempt aircraft in Alaska from regulations on the size of aircraft registration numbers and on supplemental identification plates.

**RECOMMENDS:**

- replace with CS HJR 46 (TRSD)  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(s):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

**SIGNING OTHER RECOMMENDATIONS:**

Mike Hill  
Gene Keener  
Johnnie Springer  
Bud Hildebrand  
Betty Ost  
W.A. Bond

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Betty Ost  
 Chairman's signature



Official Business

### COMMITTEE:

House Transportation Committee

**DATE:** January 27, 1988

# SIGN-IN

## Subject of meeting:

\* HJR 46: Requesting the Federal Aviation Administration to exempt aircraft in Alaska from regulations on the size of aircraft registration numbers and on supplemental identification plates.

**NAME** Please include title **ADDRESS** Please use full address. Please include zip. **PHONE** **REPRESENTING** **DO YOU WANT TO TESTIFY?**

NAME Please include title	ADDRESS Please use full address. Please include zip.	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
Reed Stoops	Box 1211 JUNEAU	586-3340	AACVA	Yes
St. J. Frank	Box V JUNEAU			

\* indicates first public hearing

HJR

50



Official Business

# Alaska State Legislature

House of Representatives

House Transportation Committee

P. O. Box V  
Juneau, Alaska  
99811

Phone:  
(907) 465-4859

February 10, 1988

\*\*\*\*\*

## COMMITTEE CALENDAR:

HB 305: "An Act relating to transportation of pupils;  
and providing for an effective date."

HJR 50: Requesting the Congress to remove the Highway  
Trust Fund and the Airport and Airway Trust  
Fund from the Unified Federal Budget.

(This is a first public hearing on HJR 50)

## FOR THIS MEETING, YOUR PACKET INCLUDE:

a folder on HB 305:

item #1: HB 305

#2: fiscal notes: Depart. of Labor  
Depart. of Education  
Depart. of Public Safety

#3: a statement from Rep. Donley, Chairperson of  
House Labor & Commerce

#4: sectional analysis

#5: letter re wages and safety record

#6: committee substitute for HB 305

#7: testimony - 2/3/88 minutes and other

#8: statutes

a folder on HJR 50:

item #1: HJR 50

#2: statement from Rep. Davis

#3: fiscal note: DOT/PF



# Alaska State Legislature

Representative Mike Davis

P.O. Box V  
Juneau, Alaska 99811  
(907) 465-4930/4941

Interim Office:  
P.O. Box 81435  
Fairbanks, Alaska 99708

TO: House Transportation Committee  
FROM: Rep. Mike Davis  
DATE: February 9, 1988  
RE: HJR 50

HJR 50 asks the Congress to remove the Highway Trust Fund and the Airport and Airway Trust Fund from the Unified Federal Budget.

The highway and airport trust funds receive their revenue from user fees and are dedicated to highway and airport improvement programs. The funds are the source of most federal matching money in the Alaska Department of Transportation budget.

Inclusion of these two funds in the Unified Federal Budget has subjected them to federal budget reduction acts. However, monies in the funds cannot be spent on other areas of the budget because they are dedicated. Therefore, the highway and airport/airway funds accumulate a balance while the critical transportation needs of the states may go unmet.

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Remove Highway Trust Fund  
from Unified Federal Budget  
Sponsor: Davis  
Requestor: Cato

Agency Affected: DOT/PF  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The Department supports the concept of removing the Highway Trust Fund and the Airway Trust from the Unified Federal Budget. There is no fiscal impact to the Department of Transportation and Public Facilities.

Prepared by: Ron Lind, Director  
Division: Plans, Programs and Budget

Phone: 465-2171  
Date: 2-5-88

Approved by Commissioner: Mark S. Hickey  
Agency: DOT&PF

Date: 2/8/88

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

**FHWA FUNDING (\$'s in millions)**

<b>FISCAL YEAR</b>		<b>APPORTIONMENT</b>	<b>INITIAL OBLIGATION LEVEL</b>	<b>TOTAL OBLIGATED</b>
<b>1984</b>	<b>1</b>	<b>\$153.4</b>	<b>\$142.9</b>	<b>\$153.8</b>
<b>1985</b>	<b>1</b>	<b>\$164.1</b>	<b>\$151.9</b>	<b>\$159.4</b>
<b>1986</b>		<b>\$165.3</b>	<b>\$147.5</b>	<b>\$151.1</b>
<b>1987</b>		<b>\$152.7</b>	<b>\$145.8</b>	<b>\$152.4</b>
<b>1988</b>		<b>\$153.5</b>	<b>\$128.8</b>	<b>?</b>

1. Amounts adjusted to reflect level program even though approximately \$8.8 million of 1985 apportionment not received until 1986.

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H. TRANS.

2-10-88

1:30 p.m.

# HOUSE COMMITTEE REPORT

(7)

Date referred: 1/25/88

FURTHER REFERRALS: Finance

DATE: 2/10/88

The Transportation Committee has considered HJR 50

Requesting the Congress to remove the Highway Trust Fund and the Airport and Airway Trust Fund from the Unified Federal Budget.

**RECOMMENDS:**

- replace with \_\_\_\_\_  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

**SIGNING OTHER RECOMMENDATIONS:**

Bob Cate  
Devin Spriggs  
Mike Miller  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Bill Hudson - No Rec.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Bob Cate  
 Chairman's signature



Official Business

**COMMITTEE:**

House Transportation Committee

**DATE:** February 10, 1988

**SIGN-IN**

**Subject of meeting:**

HB 305: "An Act relating to the transportation of pupils; and providing for an effective date."

\*HJR 50: Requesting the Congress to remove the Highway Trust Fund and the Airport and Airway Trust Fund from the Unified Federal Budget.

**NAME** Please include title **ADDRESS** Please use full address. **PHONE** Please include zip. **REPRESENTING** **DO YOU WANT TO TESTIFY?**

NAME	ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
Ron Linn	P.O. Box Z Juneau	465-4070	DOT & PF	11CA 50
Rosa Terrel	134 N. Franklin Juneau 99801	586-1740	A.G.C.	50
Ginger Baim	Rep. Dave Donley	465-4954	H. LTC Committee	IF <del>needed</del> ✓
J.R. Carr	3301 Eagle St Anch	264-2435	Dept of Labor	305
Johanna Kallen	Box F Juneau	465-2890	Dept of Educ	g.e.v
Valerie Therrien	779 8th Avenue Fairbanks	456-8113	Suscomm. on local govt. powers Alc Municipal League	yes - 305
Michael Gatti	Box 1608 Palmer, AK 99567	745-4801	AmL suscomm. on local govt. powers attorney - mat se Bere	yes - HB 305

\* indicates first public hearing

HJR

52

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: DOT/PF  
 Title: Opposing reductions in the BRU: \_\_\_\_\_  
budget of the United States Coast Guard  
 Sponsor: Rep. Davidson Components: \_\_\_\_\_  
 Requestor: \_\_\_\_\_

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

**FUNDING: (Thousands of Dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS : (Attach a separate page if necessary)**

There will be no fiscal impact to the state of Alaska as a result of this resolution.

Prepared by: Rep. Bette Cato, Chairman Phone: 465-4858  
 Division: House Transportation Committee Date: 02/15/88

Approved by Commissioner: \_\_\_\_\_ Date: 02/15/88  
 Agency: Chairman, House Transportation Committee

Distribution (by preparer):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

# Factory ships caught with nets down in Bering Sea

SEATTLE (AP) - Tough penalties and increased Coast Guard surveillance are being sought after seven Japanese factory ships reportedly were seen fishing illegally in U.S. waters.

Ted Evans, director of the Alaska Factory Trawlers Association, and Sam Hjelle, president of Glacier Fish Co., said they made videotapes of the ships they saw Wednesday from a privately chartered jet about 38 miles inside the 200-mile fishery zone and northwest of Adak in the Aleutian Islands.

"This simply confirms what we have suspected all along," Evans said, "that there is massive, calculated foreign fishing within the U.S. zone."

Hjelle, whose Seattle company operates a factory trawler,

said overall Japanese fleet sizes in the area and shipments of processed seafood lead him to believe as much as five million metric tons of unreported fish worth as much as \$2 billion may have been caught in the north Pacific Ocean last year - more than twice what U.S. scientists say would be a biologically acceptable harvest.

The Seattle-based trawlers group will report the findings at a meeting of the North Pacific Fisheries Management Council this week in Anchorage, Alaska, along with requests for tough penalties and increased Coast Guard surveillance, Evans said.

A State Department official in Washington D.C. told The Seattle Times that Japanese diplomats were asked for an explanation Friday, with further

action unlikely until the unofficial report is confirmed.

Last year Japanese, Korean and other foreign fishing representatives reported catching more than a million metric tons, or 2.2 billion pounds, of bottomfish in the "doughnut hole," an expanse of international waters covering 4,500 square miles in the Bering Sea where the water is more than two miles deep.

"No way they're catching all that fish in the doughnut hole," Hjelle said. "Fish don't like the deep water. They school up on the edge (of the continental shelf, inside the zone) where there's lots of upwelling."

He and others say it is far more likely those fish were taken by boats that slipped inside the fishery zone under cover

of darkness or low clouds.

A Coast Guard official in Washington D.C. said the agency has similar suspicions and has often heard unconfirmed reports of illegal fishing, but despite air and sea patrols the foreign fleets have never been caught with their nets down.

Last year the Coast Guard report spotted as many as 200 foreign fishing vessels in the Bering Sea.

Evans said he, Hjelle and the charter pilots had been flying for several hours when they saw some radar blips and dipped beneath the 200-foot cloud cover in an area the plane's Loran gear indicated was 38 miles inside the zone.


In three passes they said they videotaped seven factory trawlers, each more than 200

feet long, fishing on Ulm's Plateau, an area of shallow water known as a productive fishing area. Moments later, just outside the U.S. zone, they spotted about 20 scattered Japanese vessels that appeared to have just pulled in their nets and seemed to be processing, Evans said.

The Times described the tapes as grainy in quality but clearly showing nets in the water. Evans said he recorded the identification numbers of at least three ships, but the hull numbers of two others were covered by canvas tarpaulins.

Hjelle said the size of the boats indicated they were fishing for halibut, turbot or black cod, also known as sablefish, rather than pollock or other less lucrative fish.

Occasional snow tonight with northwest winds at 20 mph and a low near 30. Snow showers tomorrow with a high near 34. Record high for this date is 46, set in 1962; record low is -3, set in 1947. Sunset tonight at 5:04; sunrise tomorrow at 9:36. Daylight: 7 hours, 26 minutes.



the  
**Kodiak**  
daily mirror

VGL 48 NO. 011 MONDAY, JANUARY 18, 1988 KODIAK, ALASKA 12 PAGES 35 CENTS

## Admiral says fish patrol cuts likely

By KAREN DURR  
Staff Writer

Depending on decisions being made in Washington D.C. soon, the Coast Guard is facing some drastic changes. Nationwide the service may sustain a \$100 million cut - about 10 percent of last year's total - in this year's budget, and that cut must be worked into a fiscal year that's already more than a quarter past.

In Alaska's 17th Coast Guard District those changes could be felt immediately: a 30 percent cut in cutter operations, 10-15 percent cuts in flight time, moving the buoy tender Sweetbriar from its homeport in Cordova to Ketchikan and decommissioning another buoy tender, the Planetree.

The Commander of the 17th Coast Guard District, Rear Adm. Edward Nelson Jr., discussed some of those impending changes during an interview with *The Kodiak Daily Mirror*.

*Mirror*: We understand you were given some direction on cuts to be made to the Coast Guard in Alaska.

Nelson: That's something that was imposed last week, to make up the shortfall between what we need and what we don't have.

*Mirror*: But we also understand the Coast Guard has been authorized \$100 million to come from the Department of Defense. Won't that offset this year's cut?

Nelson: We always do get some support from the Navy--what we would need in the event of a mobilization. But all I know is that additional DOD \$100 million is in kind, not in dollars. Two examples would be C-130 parts or fuel. Specifically what kind other kinds of support I could not tell you. We're still in the process of working out what kind of support that could be.

If it wasn't for that \$100 million, it would be a \$200 million deficit.

*Mirror*: What restrictions would be placed on that DOD funding?

Nelson: It would be restricted in the same sense as using coupons in a company store. You can get fuel or parts, but it isn't dollars coming across the counter.

*Mirror*: It seems that every year the Coast Guard goes through a similar process of being cut drastically and at the last minute things work out.

Nelson: It's different this year with the Gramm-Rudman cuts. I don't know where the help is going to come from since it's gotten past the Congressional stage here. But you're right, every year we spend a lot of time finding relief and we have had some help before. It's very frustrating to face this every year. But we belong to Department of Transportation. If they take something out of the Department's budget that is high priority, like mass transit, it had to come out of that same piece of pie and we have a small piece.

*Mirror*: So what losses does Alaska face?

Nelson: We were asked what we were going to do to deal with this kind of reduction. We knew we're going to lose a buoy tender for some time. The Planetree hasn't gone through the extensive rehabilitation the others have. The need hasn't changed, but we were asked where would you make that up.

Another target might have been the Firebush. You can't get into personalities, but operations only. We feel like we can cover the needs of Aids to Navigation with the Homer-based Sedge or the Firebush out of Kodiak. If we have to take a loss somewhere it'll have to be the Sweetbriar.

We're basing this decision on operational needs, not on the way it's received in the community or who has what facilities.

*Mirror*: How are you going to handle other cuts?

Nelson: We'll probably close the MSDs (Marine Safety Detachments) in Kodiak and Sitka - that's two men in Kodiak, one in Sitka - and phase down the one in Valdez. We might make that a MSD and not a MSO (Marine Safety Office).

Kenal and Ketchikan both have a much heavier load. It would be

(See "Admiral," Page 12)

## 6 men overboard off crabber

By KAREN DURR  
Staff Writer

Six crewmen abandoned the sinking FV Wayward Wind early this morning as a Coast Guard Cutter, aircraft, and commercial fishing vessels raced to the rescue.

Two survivors and four bodies have been picked up and returned to Kodiak. Officials were not releasing any identities at press time.

The men were reportedly in 10-foot seas south of Tugidak Island.

The Coast Guard received the Wayward Wind's mayday call at

1:15 a.m. Monday, according to a Kodiak Air Station spokesman. She was taking on water and the crew were putting on survival suits.

The Coast Guard launched a C-130 which pinpointed the vessel's Emergency Locator Transmitter signal and guided an H-3 helicopter to the area, 10 miles south of Tugidak off Kodiak's southernmost tip.

Two other fishing vessels were on scene this morning and others were on the way. The Coast Guard Cutter Boutwell also was to join the search.

The steel-hulled 86-foot

Wayward Wind is homeported in Kodiak and is owned by Irish Lady Inc. of Port Williams on Shuyak Island. Her operator, is William "Red" Nietupski, according to City Harbormaster records. A multi-use vessel, she was geared for Tanner crabbing.

The search was being conducted in 25 knot winds and 10-foot seas with blowing snow, the AirSta spokesman said.

In an unrelated case, the Coast Guard also medevaced a crewman off the FV Yardarm Knot Friday afternoon.

Craig Davies, 19, was taken off the vessel.

## Boat hull, 2 bodies found from FV Cape Karluk

By NELL WAAGE  
Staff Writer

Two bodies from the FV Cape Karluk and the wrecked hull of the boat were found by searchers over the weekend.

Authorities have discontinued the search for a third crewman said to be aboard when the boat disappeared between Jan. 12 and 13.

The body of Merle P. Ashouwak, 24, was spotted by the Coast Guard search helicopter Saturday in Geese Channel and later recovered by crewmen aboard the Alaska Fish and Wildlife Patrol Vessel Vigilant. Ashouwak's body was clad in a Mustang "skiff suit" or "deck suit," according to LL Tom Schwantes of the FWP. Later in the day the body of Jerry D. Christiansen, 30, was located and recovered. Schwantes said

that to his knowledge Christiansen was not wearing a survival or deck suit.

Still missing is Eugene Naumoff, 34.

The Coast Guard initially located the wreckage of the 32-foot Cape Karluk Friday in Geese Channel and was able to relocate it Saturday and direct the Vigilant to it. The entire cabin and wheel house were gone, LL Schwantes said, and the port side from the fish hold forward was torn away, making it possible to verify that no bodies were in the wreckage.

The search was discontinued late Saturday.

Jeff Peterson, Village Public Safety Officer of Old Harbor, said the men, all Old Harbor residents, had set off from the village for Moser Bay to pick up some crab pots. The boat left Moser Bay around noon on Jan.

12, according to information furnished to the FWP. Tuesday evening those aboard the boat radioed Old Harbor they were seeking shelter from severe weather in Russian Harbor at the southernmost tip of Kodiak Island and expected to reach the village the next morning. The JPSO reported the Cape Karluk overdue at around noon the next day.

The Vigilant happened to be in Geese Channel at 1 p.m. that day when they heard the missing boat report and began searching. Schwantes said, continuing on into Alitak and Moser Bay. The Coast guard also began a search. Seas were rough in the area, Schwantes said. A steady wind had buffeted the area at 40 miles per hour with gusts to 60 the two previous days.

Christiansen was owner of the Cape Karluk.

## Admiral discusses cuts

(Continued from Page 1)

more expensive to cover them with transportation costs than, say, Kodiak or Sitka.

**Mirror:** How about the reported 10-15 percent reduction in aircraft operations?

**Nelson:** We knew we were going to have some reduction. Kodiak was supposed to be getting another C-130, but there was no place to hangar it so it's just as well we won't now.

Other than that, augmentation of airframe support on patrols is to be reduced. Already a bunch of the folks out of the (fishing) associations in Seattle — the larger catcher processors, the factory trawlers — have written Sen. Stevens and the North Pacific Fishery Management Council because they've been concerned we don't have enough information on fishing in the doughnut hole.

We weren't doing enough before and we'll be doing even less with less flight time. Beyond that, we didn't get any mandated cuts.

**Mirror:** What vessel operations may be affected by these 30 percent cuts?

**Nelson:** High-endurance cutters out of Seattle, Hawaii or San Francisco and enforcement of laws and treaties, readiness exercises, fisheries patrols, the Alaska Patrol, special operations, refresher training with the Navy.

**Mirror:** Specifically the Alaska Fisheries Patrol?

**Nelson:** We like to have two (patrol vessels) on the (fishing) grounds all the time. We'll flat not be able to do that. We'll have to compensate with the Storis out of Kodiak when we don't have the high-endurance cutters up here. The Storis does a fine job, but it isn't a high-endurance cutter.

We usually try to get the Boutwell on the grounds for 60 days, but with search and rescue cases and so on, they'll have less time on patrol.

**Mirror:** And your other training cutbacks?

**Nelson:** We canceled the Sedge out of Homer going on spring refresher training. But we rescheduled her for the fall and that turned out better anyways with the extensive turnover of officers due this summer. It'll be better in the fall with the new command.

Two other training exercises are coming up and the plan is to send them. It's pretty important. It's not just fighting war, but damage control training—how to handle a hole in the side. It's pretty important for the survival of a ship.

Training supposedly sticks, but with new people coming along all the time it has to be a constant thing.

We're looking across all expenses, down to the cost of having a phone sitting on a desk in someone's office and to a large part we can stall off some things we can do without. But in the last few years, we've learned we can't do without training too long or it's going to turn around and bite you. So we're doing the best we can to maintain that training.

**Mirror:** What's the next step in the decision making process?

**Nelson:** The Department of Transportation is trying to work with the White House and we're getting pretty good support from the Department.

**Mirror:** When's the final decision due?

**Nelson:** Last week we thought Friday would have the answer. But we still haven't heard the word.



## Weekend sports

By The Associated Press  
**PRO FOOTBALL**

**NEW YORK** — The Denver Broncos will face the Washington Redskins in Super Bowl XXII on Jan. 31 in San Diego as both teams won Conference Championships Sunday. Denver stopped Cleveland, 38-33, in the AFC title game for the second straight season as quarterback John Elway threw three touchdown passes. Washington ended the impressive playoff run of the Minnesota Vikings, 17-10, behind two touchdown passes by quarterback Doug Williams.

**NEW YORK** — Jimmy "The Greek" Snyder, a self-styled oddsmaker and expert on sports, was fired as a CBS Sports commentator Saturday, a day after making controversial remarks about blacks.

Snyder, 70, who had been with CBS for 12 years, said in a television interview that black athletes were superior to whites because during the Civil War "the slave owner would breed his big black with his big woman so that

he would have a big kid. That's where started."

**GOLF**

**CARLSBAD, CALIF.** — Steve Pate was declared winner of golf's Tour of Champions Sunday series of rain squalls out the fourth round reduced play to 54 holes.

Dave Hill, who through three rounds seniors' competition event that brings together only the winners of PGA Tour titles, announced the winner of the 50 section of the tour.

Play had been delayed times, once by hail, Mike Shea of the PGA Allard Roen, tournament chairman for host Los Angeles canceled the final round.

Only 12 men in a field of 50 had completed when the round was out. All Sunday scores were erased.

**SKIING**

**DOBBIACO, ITALY** — A Swedish team won women's 20-kilometer Cup cross-country Saturday.

The team of Karin Stedt, Annalena Wallin and Magdalena Wallin and Elena Westin had a time of 53 minutes and 54 seconds.

An East German team took second in 53:42.7. Norwegian squad took 54:05.5.

**SKATING**

**PRAGUE, CZECHOSLOVAKIA** — Katarina Emerged from the lead

## Basketball

### EASTERN CONFERENCE

#### Atlantic Division

	W	L	Pct	GB
Boston	25	10	.714	
Philadelphia	18	17	.514	7
Washington	12	20	.375	11 1/2
New York	12	23	.343	13
New Jersey	7	27	.206	17 1/2

#### Central Division

	W	L	Pct	GB
Atlanta	26	9	.743	
Detroit	20	11	.645	4
Chicago	20	14	.588	5 1/2
Milwaukee	19	14	.576	6
Indiana	17	17	.500	8 1/2
Cleveland	17	19	.472	9 1/2

### WESTERN CONFERENCE

#### Midwest Division

	W	L	Pct	GB
Dallas	21	11	.656	
Houston	20	14	.588	2

## Top 20 colleges

How the Associated Press teams fared this week:  
1. Arizona (167-54)  
2. North Carolina (167-62)

some... percent... from... and...

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H. TRANS.

2-17-88

1:30 p.m.

# HOUSE COMMITTEE REPORT

(7)

Date referred: 2/5/88

FURTHER REFERRALS:

DATE: February 17, 1988

The Transportation Committee has considered HJR 52

Opposing reductions in the budget of the United States Coast Guard.

**RECOMMENDS:**

- replace with \_\_\_\_\_  the same title
- attached amendment(s)  a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the \_\_\_\_\_ Committee

**ADOPTS:**  \_\_\_\_\_ letter of intent

**ATTACHES NEW FISCAL NOTE(S):**

- fiscal impact  same as previous fiscal note published \_\_\_\_\_
- zero fiscal note  same as previous zero fiscal note published \_\_\_\_\_
- zero with analysis

**SIGNING DO PASS:**

*Mike Miller*  
 \_\_\_\_\_  
*Wm. K. Orr*  
 \_\_\_\_\_  
*Frank Springer*  
 \_\_\_\_\_  
*Bill Harts*  
 \_\_\_\_\_  
*Butte Cat*  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**SIGNING OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

*Butte Cat*  
 \_\_\_\_\_  
 Chairman's signature



Official Business

**COMMITTEE:**

House Transportation Committee

**DATE:**

February 17, 1988

**SIGN-IN**

**Subject of meeting:**

- \* HB 437: "An Act relating to naming the Robert J. Mitchell Expressway."
- \* HJR 52: Opposing reductions in the budget of the United States Coast Guard.
- \* SJR 54: Expressing support for the Alaska Airlines application for approval to fly to

**NAME** Please include title **ADDRESS** Please use full address. Please include zip. **PHONE** **REPRESENTING** Siberia. **DO YOU WANT TO TESTIFY?** on what?

NAME Please include title	ADDRESS Please use full address. Please include zip.	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY? on what?
Rep. Steve Frank	The Alaska State Legislature Juneau	465-3709	<del>Juneau</del> Fairbanks area	HB 437
Rep. Cliff Davidson	" " "	465-2487		HJR 52
Chief of Operations for the 17th Coast Guard District Capt. Wade Moncrief	Box 3-5000 Juneau, Ak. 99802	586-7334	Coast Guard	"
Sen. Arnis Sturgulewski	Alaska State Legislature Juneau	465-4989		SJR 54
Jim Stimpfle	Box 729 Nome, Alaska 99762	443-2002	Nome Chamber of Commerce, CCCP	SJR 54

\* indicates first public hearing

```

*****
*
* DELIVER TO: LHSCTRA
*
* ORIGINAL
* SENT: 02/17/88 TIME: 15:18
* FROM: LIOCFBX
* SUBJECT: HTRA,FS,MITCHELL EXPY-2-17-88
* PRINT DATE: 02/17/88 TIME: 16:26
*
*****

```

FINAL STATS

```

DATE: FEBRUARY 17, 1988-----
SITE: FAIRBANKS-----
SPONSOR: HOUSE TRANSPORTATION-----
SUBJECT: HB 437: ROBERT J. MITCHELL EXPRESSWAY-----
MODERATOR: BARB-----

```

\*\*\*\*\*  
TESTIFY:

NAME\REPRESENTING	ADDRESS	PHONE: #
1.) ROGER BURNS,	2557 DALE ROAD, FAIRBANKS 99709	479-2724
2.) GARY WILKEN,	2600 RIVERVIEW DR., FAIRBANKS 99709	474-0341
3.) CELIA M. HUNTER,	1819 MUSKOX TR., FAIRBANKS 99709	479-2754
4.) GINNY HILL WOOD,	1819 MUSKOX TR., FAIRBANKS 99709	479-2754
5.) ALASKA LINCK,	666 TENTH AVE., FAIRBANKS 99701	456-5107
6.) NANCY BAKER,	49 TIMBERLAND, FAIRBANKS 99701	452-2624
7.) JOE TREMARELLO,	BOX 80574, COLLEGE 99708	476-6051
8.) EVOLYN MELVILLE,	2526 OUTSIDE BLVD., N POLE 99705	488-2679
9.) PETE EAGAN,	BOX 1170 FAIRBANKS 99707	456-4793
10.) ANGIE KRUCKENBERG,	BOX 10449, FAIRBANKS 99710	457-6270
11.) MARK RINGSTAD,	502 MONROE ST., FAIRBANKS 99701	456-5734
12.) GEORGIANNE FRANK,	BOX 81109 FAIRBANKS 99708	479-4394
13.) HAROLD HERNING,	BOX 1797, FAIRBANKS 99707	488-2291

\*\*\*\*\*

OBSERVE:

NAME\REPRESENTING	ADDRESS	PHONE #
1.) JAN WEAVER,	304 EIGHTEENTH AVE., FAIRBANKS 99701	456-4866
2.) JO SWARNER,	SEN. FAHRENKAMP'S OFFICE	

\*\*\*\*\*

```

TESTIFY:  __13__
OBSERVE:  __ 2__
TOTAL:    __15__
START TIME: 1:30 P.M.
END TIME: 2:30 P.M.

```

HJR

56



Official Business

# Alaska State Legislature

House of Representatives

House Transportation Committee

P. O. Box V  
Juneau, Alaska  
99811

Phone:  
(907) 465-4859

April 11, 1988

\*\*\*\*\*

## COMMITTEE CALENDAR:

HJR 56: Requesting the U. S. Forest Service to upgrade Resurrection Creek Road in the Chugach National Forest.

SCR 55: Suspending Uniform Rules 41(b), 24(c), and 35 of the Alaska State Legislature concerning Senate Bill No. 298.

FOR THIS MEETING, YOU HAVE BEEN GIVEN:

a folder on HJR 56 that includes:

- item #1: HJR 56
- #2: fiscal notes - Office of the Governor  
Dept. of Natural Resources
- #3: statement - Office of the Governor, Div. of  
Governmental Coordination, OMB
- #4: letter requesting the resolution

a folder on SCR 55 that includes:

- item #1: SCR 55
- #2: fiscal note - Senate Transportation Committee
- #3: uniform rules
- #4: SB 298
- #5: statement from Sen. Coghill

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: USFS to upgrade Resurrection  
Creek Road in the Chugach NF  
Sponsor: Representative Cato  
Requestor: Representative Cato

Agency Affected: None  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE		0	0	0	0	0
---------	--	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

FULL-TIME		0	0	0	0	0
PART-TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

Zero fiscal impact

Prepared by: Robert R. Grogan, Director  
Division: Governmental Coordination

Phone: 465-3562  
Date: 4/8/88

Approved by Commissioner: \_\_\_\_\_  
Agency: Office of the Governor

Date: 4/8/88

Distribution (by preparer):

- Legislative Finance
- ✓ Legislative Sponsor
- ✓ Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: 4/5/88  
Title: Requesting USFS to upgrade  
Resurrection Creek Road  
Sponsor: Rep. Cato  
Requestor: Cato / House Transp. Comm.

Agency Affected: Natural Resources  
BRU: Forest Management  
Components: Forest Management

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

This res. does not affect the Department of Natural Resources. It concerns United States Forest Service land, and will not result in additional costs to the Department of Natural Resources.

Prepared by: John Galea Phone: 465-2491  
Division: Division of Forestry Date: 3/31/88

Approved by Commissioner: Judith M. Brady Date: 3/31/88  
Agency: Natural Resources

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

HOUSE RESOLUTION NO. 56-Requesting the U. S. Forest Service to  
upgrade Resurrection Creek Road in the  
Chugach National Forest

STATEMENT OF ROBERT L. GROGAN, DIRECTOR, DIVISION OF GOVERNMENTAL  
COORDINATION, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE  
GOVERNOR APRIL 11, 1988

State agencies have reviewed House Resolution No. 56 regarding the Resurrection Creek Road. The Department of Transportation and Public Facilities anticipates no fiscal impact from implementation of this resolution because the road is maintained by the U. S. Forest Service. The Department of Natural Resources believes that an upgraded road could enhance the value of state-owned land and potential land selections in the area.

We understand that the community of Hope is currently participating in a Forest Service planning process which will address overall land management concerns in the Resurrection Creek Valley. Among the public concerns is road access to Resurrection Pass Trail and impacts associated with increased visitor use. The Forest Service has informed us that, in the interim, it intends to schedule some road improvement work this summer, including the addition of a few turn-outs and widening of some narrow sections to enhance public safety. Completion of the Forest Service planning process will help ensure that improvement of road access to the Resurrection Trailhead is appropriate to the public needs that are identified.

vh88040801clj

FEB 01 1988

January 21, 1988

The Honorable Betty Cato  
P.O. Box V  
Juneau, AK 99811

Dear Representative Cato:

I talked with you in December. Our conversation was concerning the efforts of the citizens of Hope, Alaska, to have the Forest Service upgrade the Resurrection Creek Road.

The Forest Service said they were willing to upgrade the road, if they had the necessary funding to do so. We are requesting the Alaska Delegation to obtain the necessary Federal funding.

The citizens of Hope would appreciate a joint resolution signed by the House, Senate and Governor. Enclosed is a copy of the Resolution unanimously enacted by the Kenai Peninsula Borough.

Your consideration to this matter will be greatly appreciated.

Sincerely,

*Tom Williams*  
TOM WILLIAMS

TW/pv

Tom Williams  
4600 DeArmoun Road  
Anchorage, AK 99516

LES. 37 121

Introduced by: Skogstad  
Date: December 15, 1987  
Action: Adopted  
Vote: Unanimous

KENAI PENINSULA BOROUGH

RESOLUTION 87-121

SUPPORTING THE ALASKA CONGRESSIONAL DELEGATION EFFORTS TO OBTAIN NECESSARY FUNDS FOR THE UPGRADING OF RESURRECTION CREEK ROAD IN HOPE, ALASKA

WHEREAS, Resurrection Creek Road is receiving larger volumes of traffic yearly to the trailhead of Resurrection Trail; and

WHEREAS, the last portion of Resurrection Creek Road is passible by one lane traffic only; and

WHEREAS, due to the increase in tourism a need exists to upgrade the necessary portions of Resurrection Creek Road to insure suitable safety standards;

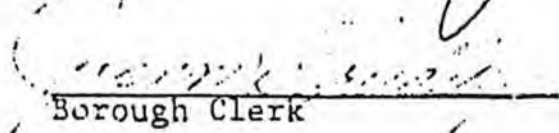
NOW THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

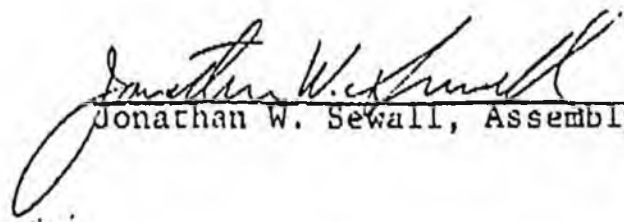
Section 1. That the Kenai Peninsula Borough Assembly supports all efforts by the Alaska Congressional Delegation to obtain the funds necessary into the Dept. of Agriculture's budget for the upgrading of a portion of Resurrection Creek Road.

Section 2. That this resolution be sent to Senators Ted Stevens and Frank Murkowski, Representative Don Young, Senator Robert Bird, Chairman of the Senate Appropriations Committee, Subcommittee on the Interior and related agencies and Representative Sydney Yates, Chairman of the House Appropriations Committee, Subcommittee on the Interior and related agencies.

ADOPTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH ON THIS 15th DAY OF December, 1987.

ATTEST:

  
Borough Clerk

  
Jonathan W. Sewall, Assembly President



Official Business

**COMMITTEE:**

House Transportation Committee

**DATE:** April 11, 1988

**SIGN-IN**

**Subject of meeting:**

\*HJR 56: Requesting the U.S. Forest Service to upgrade Resurrection Creek Road in the Chugach National Forest.

SCR 55: Suspending Uniform Rules 41(b), 24(c), and 35 of the Alaska State Legislature concerning Senate Bill No. 298.

**NAME** Please include title **ADDRESS** Please use full address. Please include zip. **PHONE** **REPRESENTING** **DO YOU WANT TO TESTIFY?**

NAME Please include title	ADDRESS Please use full address. Please include zip.	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
Admin. Assist Marla Huss	144 N. Binkley Soldotna, AK 99669	463-3529	Kenai Pen. Borough	Yes <sup>HJR 56</sup>
BOB CRAMER		465-4797	SEN. COGHILL	YES

\* indicates first public hearing

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

H. TRANS.

4-11-88

1:30 p.m.



Official Business

**COMMITTEE:**

House Transportation Committee

**DATE:** April 11, 1988

**SIGN-IN**

**Subject of meeting:**

- \*HJR 56: Requesting the U.S. Forest Service to upgrade Resurrection Creek Road in the Chugach National Forest.
- SCR 55: Suspending Uniform Rules 41(b), 24(c), and 35 of the Alaska State Legislature concerning Senate Bill No. 298.

**NAME** Please include title      **ADDRESS** Please use full address. Please include zip.      **PHONE**      **REPRESENTING**      **DO YOU WANT TO TESTIFY?**

NAME Please include title	ADDRESS Please use full address. Please include zip.	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
Admin. Assist Marla Huss	144 N. Pinkiey Soldotna, AK 99669	463-3529	Kenai Pen. Borough	HJR 56 Yes
BOB CRAMER		465-4797	SEN. COGHILL	YES

\* indicates first public hearing

HJR

68

# Alaska State Legislature

## House of Representatives

### Committee on Transportation

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4858

Rep. Bette Cato, Chairman

March 9, 1988

\*\*\*\*\*

#### COMMITTEE CALENDAR:

HB 448: "An Act relating to outdoor political advertising."

HJR 68: Urging Congress to restore the exemption from the federal excise tax on taxable fuels for certain diesel fuel users.

An Overview by the Commonwealth North Railroad Committee

FOR THIS MEETING, YOU HAVE BEEN GIVEN:

a folder on HB 448 that includes:

- item #1: HB 448
- #2: a statement from Rep. Frank
- #3: a sectional analysis
- #4: a proposed amendment
- #5: information re political signs
- #6: required form for filing candidacy
- #7: statutes
- #8: position paper - Division of Elections
- #9: fiscal note & position paper - DOT/PF

a folder on HJR 68 that includes:

- item #1: HJR 68
- #2: fiscal note - Depart. of Comm. & Economic Dev.
- #3: statement from Rep. Davidson
- #4: tax alert from National Fisheries Institute
- #5: Omnibus Reconciliation Act - an excerpt
- #6: House Congressional Record - an excerpt
- #7: letters of support
- #8: newspaper articles
- #9: press release from Rep. Don Young

Offered: 3/9/88  
 Referred: Transportation

Original sponsor: Resources Committee

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE JOINT RESOLUTION NO. 68 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Urging Congress to restore the exemption  
 6 from the federal excise tax on taxable  
 7 fuels for certain diesel fuel users.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 WHEREAS the State of Alaska has an extensive coastline, an economy  
 10 dependent on resource extraction and development, and long transportation  
 11 lines between principal commercial centers; and

12 WHEREAS transportation, commerce, and economic development in the  
 13 state are greatly dependent on the use of tax exempt fuels, especially  
 14 diesel fuel, by marine fuel consumers and by other fuel users engaged in  
 15 resource development and transportation; and

16 WHEREAS the federal government has long exempted from the excise tax  
 17 diesel fuel sold by a wholesale dealer to the ultimate consumer of the  
 18 fuel; and

19 WHEREAS, under the provision that allowed tax-free sales for certain  
 20 exempt sales purposes, most Alaskans who purchased diesel fuels for off-  
 21 road use involving, among other activities, commercial fishing, timber,  
 22 mining, farming, ranching, and marine transportation operations, did not  
 23 pay the federal excise tax; and

24 WHEREAS the Omnibus Budget Reconciliation Act (P.L. 100-203) requires  
 25 the collection of diesel fuel taxes at the wholesale level and repeals the  
 26 provision allowing tax-free sales of diesel and other fuels for certain  
 27 exempt purposes; and

28 WHEREAS, under that Act, effective April 1, 1988, except for sales of  
 29 fuel destined for use as heating oil, all sales involving diesel fuel

1 beyond the wholesale level are subject to the excise; and

2 WHEREAS, to implement authority given to the United States Treasury to  
3 make exemptions from the tax, regulations proposed by the Internal Revenue  
4 Service establish a system by which persons who qualify for exemption from  
5 the federal excise tax and who claim the benefit of exemption may, with  
6 documentation of the fuel's nontaxable use, apply for a refund of the  
7 amount of the excise tax that the person has paid, either quarterly, if the  
8 person pays more than \$1,000 per calendar quarter, or annually, as an  
9 adjustment to the person's individual income tax; and

10 WHEREAS the tax collection procedure imposed by this Act requires each  
11 purchaser of diesel fuel in the marketing chain to remit the tax, adding to  
12 the heavy cash flow burden of each party; and

13 WHEREAS the repeal of the exemption and substitution of the refund  
14 system will have a generally negative effect on the state's domestic econo-  
15 my by reducing the profit margins of many small ventures engaged in commer-  
16 cial fishing, timber, mining, farming, ranching, and marine transportation  
17 operations, and other resource extraction and development activities; and

18 WHEREAS, in a highly competitive seafood industry that is undercapi-  
19 talized and often economically uncertain, repeal of the exemption and  
20 imposition of the federal excise tax, even with a refund provision, will  
21 have an extraordinarily detrimental effect by making it more difficult for  
22 domestic marine fuel suppliers and consumers who use the fuel in fishery  
23 activities to compete against foreign flag operators;

24 BE IT RESOLVED by the Alaska State Legislature that the Alaska Con-  
25 gressional delegation is urged to introduce and support passage of legis-  
26 lation restoring the exemption from payment of the federal excise tax on  
27 sales of diesel fuel in place of the amendments made by the Omnibus Budget  
28 Reconciliation Act.

29 COPIES of this resolution shall be sent to the Honorable Ted Stevens

1 and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don  
2 Young, U.S. Representative, members of the Alaska delegation in Congress.  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29

Original sponsor: Resources Committee

1 IN THE HOUSE BY THE TRANSPORTATION COMMITTEE  
 2 CS FOR HOUSE JOINT RESOLUTION NO. 68 (Transportation)  
 3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
 4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Urging Congress to restore the exemption  
 6 from the federal excise tax on taxable  
 7 fuels for certain diesel fuel users.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 WHEREAS the State of Alaska has an extensive coastline, an economy  
 10 dependent on resource extraction and development, and long transportation  
 11 lines between principal commercial centers; and

12 WHEREAS transportation, commerce, and economic development in the  
 13 state are greatly dependent on the use of tax exempt fuels, especially  
 14 diesel fuel, by marine fuel consumers and by other fuel users engaged in  
 15 resource development and transportation; and

16 WHEREAS the federal government has long exempted from the excise tax  
 17 diesel fuel sold by a wholesale dealer to the ultimate consumer of the  
 18 fuel; and

19 WHEREAS, under the provision that allowed tax-free sales for certain  
 20 exempt sales purposes, most Alaskans who purchased diesel fuels for off-  
 21 road use involving, among other activities, commercial fishing, timber,  
 22 mining, farming, ranching, and marine transportation operations, did not  
 23 pay the federal excise tax; and

24 WHEREAS the Omnibus Budget Reconciliation Act (P.L. 100-203) requires  
 25 the collection of diesel fuel taxes at the wholesale level and repeals the  
 26 provision allowing tax-free sales of diesel and other fuels for certain  
 27 exempt purposes; and

28 WHEREAS, under that Act, effective April 1, 1988, except for sales of  
 29 fuel destined for use as heating oil, all sales involving diesel fuel

beyond the wholesale level are subject to the excise; and

WHEREAS, to implement authority given to the United States Treasury to make exemptions from the tax, regulations proposed by the Internal Revenue Service establish a system by which persons who qualify for exemption from the federal excise tax and who claim the benefit of exemption may, with documentation of the fuel's nontaxable use, apply for a refund of the amount of the excise tax that the person has paid, either quarterly, if the person pays more than \$1,000 per calendar quarter, or annually, as an adjustment to the person's individual income tax; and

WHEREAS the tax collection procedure imposed by this Act requires each purchaser of diesel fuel in the marketing chain to remit the tax, adding to the heavy cash flow burden of each party; and

WHEREAS the repeal of the exemption and substitution of the refund system will have a generally negative effect on the state's domestic economy by reducing the profit margins of many small ventures engaged in commercial fishing, timber, mining, farming, ranching, and marine transportation operations, and other resource extraction and development activities; and

WHEREAS, in a highly competitive seafood industry that is undercapitalized and often economically uncertain, repeal of the exemption and imposition of the federal excise tax, even with a refund provision, will have an extraordinarily detrimental effect by making it more difficult for domestic marine fuel suppliers and consumers who use the fuel in fishery activities to compete against foreign flag operators;

BE IT RESOLVED by the Alaska State Legislature that the Alaska Congressional delegation is urged to introduce and support passage of legislation restoring the exemption from payment of the federal excise tax on sales of diesel fuel in place of the amendments made by the Omnibus Budget Reconciliation Act.

COPIES of this resolution shall be sent to the Honorable Lloyd CSHJR 68(Trsp)

Bentsen, Chairman of the Senate Committee on Finance; the Honorable Dan Rostenkowski, Chairman of the House Committee on Ways and Means; and to the Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

1  
2  
3  
4  
5  
6  
7  
8  
9

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Commerce & Econ. Dev.  
 Title: Urging Congress to restore the BRU: Division of Business Development  
exemption from federal excise tax/certain diesel fuel users  
 Sponsor: House Resource Committee Components: \_\_\_\_\_  
 Requester: House Resource Committee

**EXPENDITURES / REVENUES : (Thousands of Dollars)**

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
---------	-----	-----	-----	-----	-----	-----

**FUNDING: (Thousands of dollars)**

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

**POSITIONS:**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary.)

Prepared by: Larry Mercurieff, Director Phone: 465-2017  
 Division: Business Development Date: March 8, 1988  
 Approved by Commissioner: J. Anthony Smith Date: March 8, 1988  
 Agency: Department of Commerce and Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



# STATE OF ALASKA

HOUSE OF REPRESENTATIVES

Box V, Juneau, Alaska 99811

(907) 465-2487 • 465-2498

REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

## M E M O R A N D U M

TO: Representative <sup>Bette</sup> Bette Cato, Chair  
House Transportation Committee

FROM: Representative Cliff Davidson <sup>CD</sup>

DATE: March 2, 1988

SUBJECT: House Joint Resolution 68 by the Resources Committee

Enclosed is a copy of House Joint Resolution 68, which was introduced today and assigned the Resources and Transportation Committees.

It will be heard on Wednesday, March 9 in the Resources Committee. May I request a hearing on this piece of legislation as soon as possible pending referral? There is a rush on getting HJR 68 to Congress before April 1, 1988.

This resolution requests Congress to preserve the way they collect the fifteen cent per gallon federal excise tax on diesel fuel.

Under legislation passed last December, tax-exempt categories must first pay the tax and then apply for a refund later. Under current practice, these tax exempt categories do not pay the tax at all.

While still technically exempt, the way the federal government will collect this tax unnecessarily raises the cost of doing business for many Alaskans. It will restrict their cash flow, increase paperwork and is essentially an interest free loan to the government.

This resolution asks Congress to reinstate the current practice and repeal the proposed changes, which take effect April 1, 1988.

Thank you for your support.



## NATIONAL FISHERIES INSTITUTE, INC.

2000 M STREET, N.W., STE. 580 ■ WASHINGTON, D.C. 20038 ■ (202) 296-5

February 12, 1988

## TAX ALERT

## ACTION REQUESTED

## NFI VESSEL OPERATORS

Vessel operators should be aware that as of April 1, 1988:

- o The up-front exemption from federal excise taxes will be repealed for diesel fuel purchased by fishery vessels.
- o Diesel fuel used for vessels will continue to be nontaxable, but operators will be required to pay a 15.1 cents per gallon tax when purchasing fuel, then apply to the Treasury Department on a quarterly basis for a refund.

NFI is asking Congress to restore the up-front exemption for our industry. You are urged to contact your Senators and Representatives and urge them to sponsor legislation to permit tax-free sales of diesel fuel for fishery vessels.

## BACKGROUND

A provision in the 1987 Budget Reconciliation Act passed in December requires federal excise taxes on diesel fuel to be collected at the wholesale level and repeals exempt sales beyond the wholesale level, except in four circumstances:

- o diesel fuel sold for use as a fuel in a diesel-powered train;
- o commercial aviation fuel;
- o taxable fuel sold for industrial use other than as a motor fuel; and
- o taxable fuel sold for use by a state or a political subdivision of a state.

These exemptions are not across-the-board; rather, they will have to be obtained on a case-by-case basis by each company.

All other current exemptions from the diesel fuels tax, including those for farmers, fishermen and other off-highway business use, have been eliminated. Instead, non-taxable uses will be taxed at time of purchase and refunds made pursuant to applications filed to document the non-taxable use. Although the regulations implementing this change have not been finalized, the Treasury Department indicates that they expect to use a quarterly refund process for amounts in excess of \$1,000 which is similar to the existing refund process for non-taxable gasoline and diesel fuel uses. All refunds less than \$1,000 per quarter will be handled annually.

The changes that were enacted had the objective of deterring tax-evasion schemes which are estimated to cost the Highway Trust Fund several hundred million dollars in lost revenues annually. However, the repeal of the exemption will place a heavy cash-flow burden on the seafood industry, which has legitimate tax exempt uses.

#### IMPACT

This law becomes effective April 1. The impact on fishery companies includes:

- o added cost for fuel;
- o additional recordkeeping and paperwork to enable recovery of funds through a yet-to-be established refund procedure; and
- o loss of the time value of the funds paid for fuel tax (which may be substantial as federal officials are swamped in an avalanche of refund requests).

#### LEGISLATIVE ACTIVITY

Several bills have been introduced. Four would restore the exemption for farmers only. These are:

- o H.R. 3850 sponsored by Congressman Jontz (D-IN)
- o H.R. 3844 sponsored by Congressman Daub (R-NE)
- o H.R. 3881 sponsored by Congresswoman Smith (R-NE)
- o S. 2003 sponsored by Senator Gramm (R-TX)

Two bills would restore exemptions for all off-highway uses including vessel operations. These are:

- o H.R. 3865 sponsored by Congressman Combest (R-TX)
- o H.R. 3866 sponsored by Congressman De la Garza (D-TX)

FEB 18 1968 14:18 LEG. OFFICE - KODAK

The key committees which will consider this matter are:

#### SENATE FINANCE COMMITTEE

Lloyd Bentsen, Tex.,  
Chairman

Spark M. Matsunaga, HI  
Daniel P. Moynihan, N.Y.  
Max Baucus, Mont.  
David L. Boren, Okla.  
Bill Bradley, N.J.  
George J. Mitchell, ME  
David Pryor, Ark.  
Donald W. Riegle, Jr., Mich.  
John D. Rockefeller IV, W.Va.  
Thomas A. Daschle, S.D.

Bob Packwood, Ore.,  
Ranking Minority Member  
Robert Dole, Kan.  
William V. Roth, Jr. Del.  
John C. Danforth, Mo.  
John H. Chafee, R.I.  
John Heinz, Pa.  
Malcolm Wallop, Wyo.  
David Durenberger, Minn.  
William L. Armstrong, Colo.

#### HOUSE WAYS AND MEANS COMMITTEE

##### MAJORITY MEMBERS

Dan Rostenkowski, Ill.  
Chairman  
Sam M. Gibbons, Fla.  
J.J. Pickle, TX  
Charles B. Rangel, NY  
Fortney H. (Pete) Stark, CA  
Andrew Jacobs, Jr., Ind.  
Harold E. Ford, Tenn.  
Ed Jenkins, Ga.  
Richard A. Gephardt, Mo.  
Thomas J. Downey, N.Y.  
Frank J. Guarini, N.J.

Marty Russo, Ill.  
Donald J. Pease, Ohio  
Robert T. Matsui, CA.  
Beryl F. Anthony, Jr. Ark.  
Ronnie G. Flipppo, Ala.  
Byron L. Dorgan, N.D.  
Barbara B. Kennelly, CT.  
Brian Donnelly, Mass.  
William J. Coyne, Pa.  
Michael A. Andrews, TX.  
Sander M. Levin, Mich.  
Jim Moody, Wis.

##### MINORITY MEMBERS

John J. Duncan, Tenn,  
Ranking Minority Member

Bill Archer, Tex.  
Guy Vander Jagt, Mich  
Philip M. Crane, Il.  
Bill Frenzel, Minn.  
Richard T. Schulze, Pa.  
Willis D. Gradison, Jr. Ohio  
William M. Thomas, Calif.  
Raymond J. McGrath, N.Y.  
Hal Daub, Neb.  
Judd Gregg, N.H.  
Hank Brown, Colo.  
Rod Chandler, Wash.

MOEN

100TH CONGRESS  
1st Session

HOUSE OF REPRESENTATIVES

REPORT  
100-495

*FUEL TAX Report Language.*

OMNIBUS BUDGET RECONCILIATION ACT  
OF 1987

---

CONFERENCE REPORT

TO ACCOMPANY

H.R. 3545



DECEMBER 21, 1987.—Ordered to be printed

maximum reduction in estate taxes to \$750,000, (5) imposes holding period requirements for the decedent and the ESOP, (6) prohibits the deduction in the case of securities acquired with assets transferred from another plan of the employer, and (7) imposes certain excise taxes on an ESOP or worker-owned cooperative for a failure to satisfy the allocation and holding period requirements.

The confirmation of the IRS Notice is effective as if included in the Tax Reform Act of 1986. The other provisions are effective with respect to sales of securities to ESOPs after February 26, 1987, except that the ESOP holding period requirement generally applies to dispositions of securities by the ESOP after February 26, 1987. Securities subject to the ESOP holding period requirement are qualified employer securities, which for this purpose includes employer securities sold before February 27, 1987, for which a deduction was allowed.

#### *Senate amendment*

The Senate amendment is the same as the House bill, except that the provisions (other than the confirmation of the IRS Notice) are effective with respect to sales of securities to ESOPs after February 27, 1987, and that the ESOP holding period requirement generally applies to dispositions of securities by the ESOP after February 27, 1987. Securities subject to the ESOP holding period requirement are qualified employer securities, which for this purpose includes employer securities sold before February 27, 1987, for which a deduction was allowed.

#### *Conference agreement*

The conference agreement follows the House bill.

### V. EXCISE TAXES; USER FEES

#### A. EXCISE TAXES

##### 1. Telephone excise tax: 3-year extension

#### *Present law*

A 3-percent excise tax is imposed on amounts paid for local telephone service, toll (long-distance) telephone service, and teletype-writer exchange service. This tax is scheduled to expire after December 31, 1987.

#### *House bill*

The House bill extends the present 3-percent telephone excise tax for 3 years, through December 31, 1990.

#### *Senate amendment*

The Senate amendment is the same as the House bill.

#### *Conference agreement*

The conference agreement follows the House bill and the Senate amendment.

##### 2. Collection of diesel fuel and sales tax

#### *Present law*

The excise taxes on diesel fuel and aviation fuel generally are levied on the sale of fuel by a retail dealer to the consumer (Section 4041). Under an exception, retail sale distributors collect and pay the tax on fuel sold to the retailer.

#### *House bill*

The excise tax on taxable fuel, including taxable special fuels, and the tax imposed on sale of the fuels to any person (including a retailer) (Section 4041). Taxable special fuels include: (1) gasoline or diesel fuel that are sold to a motorboat, nongasoline engine, or aircraft; (2) which tax would be imposed if the fuel were sold to a commercial aviation dealer.

Collection of the excise tax on taxable special fuels by wholesale dealers is made mandatory under the present law permitting tax-exempt sales of these fuels. These provisions are repealed.

Any taxable fuel that is held in inventory by a dealer at the time of sale is subject to a floor stock tax in addition to that fuel.

The provision is effective on January 1, 1988.

#### *Senate amendment*

The Senate amendment generally follows the House bill with the following differences.

The Treasury Department is required to provide information for purposes of making refunds of the diesel fuel excise taxes. In addition, the Treasury Department is required to provide information reporting on the distribution chain of these fuels to prevent evasion of the tax.

The Senate amendment also provides that the revenues raised by the floor stock tax on the Highway Trust Fund or the LUST Trust Fund.

The provision is effective on January 1, 1988.

#### *Conference agreement*

The conference agreement generally follows the Senate amendment, but it provides that the tax on special motor fuels is levied on the producer level. In the case of the taxes on aviation fuels, tax technically is levied on a taxable fuel by the producer, but the conference agreement provides, however, to include wholesale and retail persons in the chain of distribution of these fuels who are producers of these fuels.

xes to \$750,000, (5) imposes holding period and the ESOP, (6) prohibits securities acquired with assets transferred from employer, and (7) imposes certain worker-owned cooperative for a failure during period requirements.

Notice is effective as if included in the other provisions are effective with respect to ESOPs after February 26, 1987, the holding period requirement generally applies to the ESOP after February 26, 1987. The holding period requirements which for this purpose includes amendments effective February 27, 1987, for which a deduc-

is the same as the House bill, except for the confirmation of the IRS Notice) the sale of securities to ESOPs after February 26, 1987, the holding period requirement generally applies to the ESOP after February 26, 1987, the holding period requirements which for this purpose includes amendments effective February 27, 1987, for which a deduc-

follows the House bill.

#### TAXES; USER FEES

##### GISE TAXES

Excise tax: 3-year extension

Proposed on amounts paid for local telephone service, and teletype service, and teletype tax is scheduled to expire after December 31, 1990.

The present 3-percent telephone excise tax expires on December 31, 1990.

is the same as the House bill.

follows the House bill and the Senate

## \* 2. Collection of diesel fuel and certain other motor fuels taxes on sales to retailers

### *Present law*

The excise taxes on diesel fuel, special motor fuels, and nongasoline aviation fuel generally are imposed on the sale of the taxable fuel by a retail dealer to the ultimate consumer of the fuel (sec. 4041). Under an exception, retail dealers may elect to have wholesale distributors collect and pay the diesel fuel tax when the fuel is sold to the retailer.

### *House bill*

The excise tax on taxable fuels, which are defined as diesel fuel, taxable special fuels, and nongasoline aviation fuels, is to be imposed on sale of the fuels to any taxable fuel retailer.

Taxable special fuels include special motor fuels (other than gasoline or diesel fuel) that are sold for use as a fuel in a motor vehicle or motorboat. Nongasoline aviation fuels means any liquid on which tax would be imposed if sold for use in an aircraft in non-commercial aviation.

Collection of the excise tax on the sale of any taxable fuel by wholesale dealers is made mandatory for all sales. The provisions of present law permitting tax-free sales for certain exempt purposes are repealed.

Any taxable fuel that is held on January 1, 1988, by a dealer for sale is subject to a floor stocks tax at the rate applicable under this section to that fuel.

The provision is effective on January 1, 1988.

### *Senate amendment*

The Senate amendment generally is the same as the House bill, with the following differences.

The Treasury Department is authorized to prescribe regulations for purposes of making refunds or allowing credits of the non-gasoline fuels excise taxes. In addition, Treasury is authorized to require information reporting and registration from such persons in the distribution chain of these fuels as is deemed necessary to prevent evasion of the tax.

The Senate amendment also requires that amounts equivalent to revenues raised by the floor stocks taxes be transferred to the Highway Trust Fund or the Leaking Underground Storage Tank (LOST) Trust Fund.

The provision is effective on January 1, 1988.

### *Conference agreement*

The conference agreement generally follows the House bill and the Senate amendment, but includes several modifications. First, the tax on special motor fuels continues to be imposed at the retail level. In the case of the taxes on diesel fuel and nongasoline aviation fuels, tax technically is imposed on the sale (or earlier use) of a taxable fuel by the producer thereof. The term producer is defined, however, to include wholesale distributors and other intermediate persons in the chain of distribution of the taxable fuel. All persons who are producers of a taxable fuel must register with the

Treasury Department and satisfy such bonding requirements as Treasury may prescribe. Therefore, a wholesale distributor may buy fuels without payment of tax only upon satisfaction of these requirements.

In general, like the House bill and Senate amendment, all provisions permitting exempt sales beyond the wholesale level are repealed. Treasury is, however, given discretionary authority to exempt from tax certain sales where the purchaser demonstrates to the satisfaction of Treasury that the fuel will be used in a non-taxable use and also registers and posts such bond as Treasury may require. This authority is to be exercised on a case-by-case basis. Sales that may be exempted include (1) diesel fuel sold for use as a fuel in a diesel-powered train, (2) aviation fuel sold for use as a fuel in an aircraft in commercial aviation, (3) taxable fuels sold for industrial use other than as a motor fuel, and (4) taxable fuel sold for exclusive use of any State, a political subdivision of a State, or the District of Columbia.<sup>2</sup> As under the House bill and the Senate amendment, sales of fuel that Treasury determines is destined for use as heating oil may be made without payment of tax. All other exemptions from these taxes must be realized through refund procedures following purchase of the fuels tax-paid.

The conference agreement grants Treasury broad authority to ensure compliance generally with the provisions of the agreement. Specifically, Treasury may, in its discretion, require information reporting by and registration of any person in the distribution chain of any taxable fuel (including, e.g., any distributor of fuel destined for use as heating oil).

These provisions of the conference agreement are effective on and after April 1, 1988, with a floor stocks tax being imposed as was provided under the House bill and the Senate amendment on all persons holding non-tax-paid fuels on April 1, 1988.

### 3. Extension of termination date for coal excise tax rate

#### *Present law*

A manufacturer's excise tax is imposed on the sale or use of domestically mined coal by the producer (sec. 4121). Effective April 1, 1986, the tax rate was increased (by . . .) percent) to \$1.10 per ton of coal from underground mines, and 55 cents per ton of coal from surface mines, but not to exceed 4.4 percent of the sales price.

Under present law, the tax rate is scheduled to revert to the pre-1982 rate of 50 cents per ton on underground coal and 25 cents per ton on surface coal (but not to exceed two percent of price) on the earlier of January 1, 1996 or the first January 1 as of which there is (1) no balance of repayable advances from the general fund to

<sup>2</sup> States and local governmental units eligible to apply to the Treasury for approval to buy fuels without payment of tax generally include those governmental units that are permitted to buy tax-free under present law (sec. 4221(a)(4)). The conferees are aware that repeal of automatic tax-free sales of these fuels to States and local governments may, in certain cases, result in a temporary additional cost on certain of these entities, but determined that general concerns about compliance with these taxes outweigh that possibility. The discretionary exemption included in the agreement reconciles these compliance concerns with any potential burden on States and local governments. The conferees intend that in determining which governmental units may purchase taxable fuels without payment of tax under the agreement, the Treasury Department is to attempt to minimize any such costs to the extent consistent with the increased compliance objectives of the conference agreement.

the Black Lung Disability Trust I on such advances.

Amounts equal to the revenues are appropriated automatically to authorize repayable advances from Fund. The Trust Fund pays certain cases where no coal mine operator for the individual miner's disease.

#### *House bill*

No provision.

#### *Senate amendment*

The Senate amendment extends present-law coal excise tax rate from (1) January 1, 2014 or (2) the date of termination of the pre-1982 excise tax rate (as defined under the present law). The extension of the termination date of the excise tax rate is effective from January 1, 1988, subject to earlier termination as provided in the conference agreement described above.

#### *Conference agreement*

The conference agreement follows:

#### 4. Highway excise tax exemption

##### *Present law*

Receipts from excise taxes on motor fuels are deposited in the Highway Trust Fund. Receipts from excise taxes on bus finance expenditures which are deposited in the Highway Trust Fund. Exemptions from the excise taxes on bus finance expenditures apply to several purchasers of fuels, including interstate bus operators and certain private school bus operators and certain private school bus operators.

Private bus operators are exempt from the 9-cents-per-gallon excise tax on special motor fuels. Qualified local bus operators receive a 15-cents-per-gallon diesel fuel tax exemption. Interstate bus operators receive a 12-cents-per-gallon diesel fuel tax exemption. Local bus operators engaged in transportation along regular routes, unless the bus operator has at least 20 adults (not including the

##### *House bill*

The House bill repeals the motor fuel excise tax exemptions for buses, including bus operators. This repeal does not affect the excise tax on privately owned and operated mass transit buses. This provision is effective on January 1, 1988.

used to acquire employer securities from transferred assets (within the meaning of section 2057(c)(2)(B)).

"(d) ORDERING RULES.—For purposes of this section and section 4978, any disposition of employer securities shall be treated as having been made in the following order:

"(1) First, from qualified employer securities acquired during the 3-year period ending on the date of such disposition, beginning with the securities first so acquired.

"(2) Second, from qualified employer securities acquired before such 3-year period unless such securities (or the proceeds from such disposition) have been allocated to accounts of participants or their beneficiaries.

"(3) Third, from qualified securities (within the meaning of section 4978(e)(2)) to which section 1042 applied acquired during the 3-year period ending on the date of such disposition, beginning with the securities first so acquired.

"(4) Finally, from any other employer securities. In the case of a disposition to which section 4978(d) or subsection (e) applies, the disposition of employer securities shall be treated as having been made in the opposite order of the preceding sentence."

"(e) SECTION NOT TO APPLY TO CERTAIN DISPOSITIONS.—

"(1) IN GENERAL.—This section shall not apply to any disposition described in paragraph (1) or (3) of section 4978(d).

"(2) CERTAIN REORGANIZATIONS.—For purposes of this section, any exchange of qualified employer securities for employer securities of another corporation in any reorganization described in section 368(a)(1) shall not be treated as a disposition, but the employer securities which were received shall be treated—

"(A) as qualified employer securities of the plan or cooperative, and

"(B) as having been held by the plan or cooperative during the period the qualified employer securities were held.

"(3) DISPOSITION TO MEET DIVERSIFICATION REQUIREMENTS.—Any disposition which is made to meet the requirements of section 401(a)(28) shall not be treated as a disposition.

"(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) TERMS USED IN SECTION 2057.—Any term used in this section which is used in section 2057 shall have the meaning given such term by section 2057.

"(2) QUALIFIED EMPLOYER SECURITIES.—The term 'qualified employer securities' has the meaning given such term by section 2057, except that such term shall include employer securities sold before February 27, 1987, for which a deduction was allowed under section 2057.

"(3) DISPOSITION.—The term 'disposition' includes any distribution.

"(4) LIABILITY FOR PAYMENT OF TAXES.—The tax imposed by this section shall be paid by—

"(A) the employer, or

"(B) the eligible worker-owned cooperative,

which made the written statement described in section 2057(e)."

(b) CONFORMING AMENDMENTS.—

(1) Section 4978(b)(2) is amended by striking out the parenthetical and inserting in lieu thereof "(determined as if such securities were disposed of in the order described in section 4978(a)(e))".

(2) The table of sections for chapter 43 is amended by inserting after the item relating to section 4978 the following new item:

"Sec. 4978A. Tax on certain dispositions of employer securities to which section 2057 applied."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable events (within the meaning of section 4978A(c) of the Internal Revenue Code of 1986) occurring after February 26, 1987.

Subtitle E—Provisions Relating to Excise Taxes and User Fees

#### PART I—EXCISE TAXES

##### SEC. 10501. EXTENSION OF TELEPHONE EXCISE TAX.

Paragraph (2) of section 4251(b) (relating to applicable percentage) is amended to read as follows:

"(2) APPLICABLE PERCENTAGE.—The term 'applicable percentage' means 3 percent; except that, with respect to amounts paid pursuant to bills first rendered after 1990, the applicable percentage shall be zero."

##### SEC. 10502. DIESEL FUEL AND AVIATION FUEL TAXES IMPOSED AT WHOLESALE LEVEL.

(a) IN GENERAL.—Part III of subchapter A of chapter 32 is amended by inserting after subpart A the following new subpart:

###### "Subpart B—Diesel Fuel and Aviation Fuel

"Sec. 4091. Imposition of tax.

"Sec. 4092. Definitions.

"Sec. 4093. Exemptions; special rule.

###### "SEC. 4091. IMPOSITION OF TAX.

"(a) IN GENERAL.—There is hereby imposed a tax on the sale of any taxable fuel by the producer or the importer thereof or by any producer of a taxable fuel.

"(b) RATE OF TAX.—

"(1) IN GENERAL.—The rate of the tax imposed by subsection (a) shall be the sum of—

"(A)(i) the Highway Trust Fund financing rate in the case of diesel fuel, and

"(ii) the Airport and Airway Trust Fund financing rate in the case of aviation fuel, and

"(B) the Leaking Underground Storage Tank Trust Fund financing rate in the case of any taxable fuel.

"(2) HIGHWAY TRUST FUND FINANCING RATE.—For purposes of paragraph (1), except as provided in subsection (c), the Highway Trust Fund financing rate is 15 cents per gallon.

"(3) AIRPORT AND AIRWAY TRUST FUND FINANCING RATE.—For purposes of paragraph (1), the Airport and Airway Trust Fund financing rate is 14 cents per gallon.

"(4) LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING RATE.—For purposes of paragraph (1), the Leaking Underground Storage Tank Trust Fund financing rate is 0.1 cent per gallon.

"(5) TERMINATION OF RATES.—

"(A) The Highway Trust Fund financing rate shall not apply on and after October 1, 1993.

"(B) The Airport and Airway Trust Fund financing rate shall not apply on and after January 1, 1988.

"(C) The Leaking Underground Storage Tank Trust Fund financing rate shall not apply during any period during which the Leaking Underground Storage Tank Trust Fund financing rate under section 4081 does not apply.

"(c) REDUCED RATE OF TAX FOR DIESEL FUEL IN ALCOHOL MIXTURE, ETC.—Under regulations prescribed by the Secretary—

"(1) IN GENERAL.—The Highway Trust Fund financing rate shall be—

"(A) 9 cents per gallon in the case of the sale of any mixture of diesel fuel if—

"(i) at least 10 percent of such mixture consists of alcohol (as defined in section 4081(c)(3)), and

"(ii) the diesel fuel in such mixture was not taxed under subparagraph (B), and

"(B) 10 cents per gallon in the case of the sale of diesel fuel for use (at the time of such sale) in producing a mixture described in subparagraph (A).

"(2) LATER SEPARATION.—If any person separates the diesel fuel from a mixture of the diesel fuel and alcohol on which tax was imposed under subsection (a) at a Highway Trust Fund financing rate equivalent to 9 cents a gallon by reason of this subsection (or with respect to which a credit or payment was allowed or made by reason of section 6427(f)(1)), such person shall be treated as the producer of such diesel fuel. The amount of tax imposed on any sale of such diesel fuel by such person shall be 5 cents per gallon.

"(3) TERMINATION.—Paragraph (1) shall not apply to any sale after September 30, 1993.

"(d) EXEMPTION FROM TAX FOR AVIATION FUEL IN ALCOHOL MIXTURE, ETC.—

"(1) IN GENERAL.—The Airport and Airway Trust Fund financing rate shall not apply to the sale of—

"(A) any mixture of aviation fuel at least 10 percent of which consists of alcohol (as defined in section 4081(c)(3)), or

"(B) any aviation fuel for use (at the time of such sale) in producing a mixture described in subparagraph (A).

"(2) LATER SEPARATION.—If any person separates the aviation fuel from a mixture of the aviation fuel and alcohol on which the Airport and Airway Trust Fund financing rate did not apply by reason of this subsection (or with respect to which a credit or payment was allowed or made by reason of section 6427(f)(2)), such person shall be treated as the producer of such aviation fuel.

"(3) TERMINATION.—Paragraph (1) shall not apply to any sale after September 30, 1993.

##### "SEC. 4092. DEFINITIONS.

"(a) TAXABLE FUEL.—For purposes of this subpart—

"(1) IN GENERAL.—The term 'taxable fuel' means—

"(A) diesel fuel, and

"(B) aviation fuel.

"(2) DIESEL FUEL.—The term 'diesel fuel' means any liquid (other than any product taxable under section 4081) which is suitable for use as a fuel in a diesel-powered highway vehicle or a diesel-powered train.

"(3) AVIATION FUEL.—The term 'aviation fuel' means any liquid (other than any product taxable under section 4081) which is suitable for use as a fuel in an aircraft.

"(b) PRODUCER.—For purposes of this subpart—

"(1) CERTAIN PERSONS TREATED AS PRODUCERS.—

"(A) IN GENERAL.—The term 'producer' includes any person described in subparagraph (B) who elects to register under section 4101 with respect to the tax imposed by section 4091.

"(B) PERSONS DESCRIBED.—A person is described in this subparagraph if such person is—

"(i) a refiner, compounder, blender, or wholesale distributor of a taxable fuel, or

"(ii) a dealer selling any taxable fuel exclusively to producers of such taxable fuel.

"(C) TAX-FREE PURCHASERS TREATED AS PRODUCERS.—Any person to whom any taxable fuel is sold tax-free under this subpart shall be treated as the producer of such fuel.

"(2) WHOLESALE DISTRIBUTOR.—For purposes of paragraph (1), the term 'wholesale distributor' includes any person who sells a taxable fuel to producers, retailers, or to users who purchase in bulk quantities and deliver into bulk storage tanks. Such term does not include any person who (excluding

<sup>122</sup> Indentation wrong in copy on this sentence.

the term 'wholesale distributor' from paragraph (1) is a producer or importer.

**"(a) HEATING OIL.—**The tax imposed by section 4091 shall not apply in the case of sales of any taxable fuel which the Secretary determines is destined for use as heating oil.

**"(b) SALES TO PRODUCER.—**Under regulations prescribed by the Secretary, the tax imposed by section 4091 shall not apply in the case of sales of a taxable fuel to a producer of such fuel.

**"(c) AUTHORITY TO EXEMPT CERTAIN OTHER USES.—**Subject to such terms and conditions as the Secretary may provide (including the application of section 4101), the Secretary may by regulation provide that—

"(1) the Highway Trust Fund financing rate under section 4091 shall not apply to diesel fuel sold for use by any purchaser as a fuel in a diesel-powered train.

"(2) the Airport and Airway Trust Fund financing rate under section 4091 shall not apply to aviation fuel sold for use by any purchaser as a fuel in an aircraft not in non-commercial aviation (as defined in section 4041(c)(4)).

"(3) the tax imposed by section 4091 shall not apply to taxable fuel sold for use by any purchaser other than as a motor fuel, and

"(4) the tax imposed by section 4091 shall not apply to taxable fuel sold for the exclusive use of any State, any political subdivision of a State, or the District of Columbia.

**"(d) SPECIAL ADMINISTRATIVE RULES.—**The Secretary may require—

"(1) information reporting by each remitter of the tax imposed by section 4091, and

"(2) information reporting by, and registration of, such other persons as the Secretary deems necessary to carry out this subpart.

**"(e) CROSS REFERENCES.—**

"(1) For imposition of tax where certain uses of diesel fuel or aviation fuel occur before imposition of tax by section 4091, see subsections (a)(1) and (c)(1) of section 4041.

"(2) For provisions allowing a credit or refund for fuel not used for certain taxable purposes, see section 6427."

**(b) RETAIL DIESEL FUEL AND AVIATION FUEL TAXES TO BE RESIDUAL TAXES.—**

(1) Paragraph (1) of section 4041(a) is amended—

(A) by striking out "DIESEL FUEL" in the heading and inserting in lieu thereof "TAX ON DIESEL FUEL WHERE NO TAX IMPOSED ON FUEL UNDER SECTION 4091", and

(B) by adding at the end thereof the following new sentence:

"No tax shall be imposed by this paragraph on the sale or use of any liquid if there was a taxable sale of such liquid under section 4091."

(2) Paragraph (1) of section 4041(c) is amended—

(A) by striking out "IN GENERAL" in the heading and inserting in lieu thereof "TAX ON NONGASOLINE FUELS WHERE NO TAX IMPOSED ON FUEL UNDER SECTION 4091", and

(B) by adding at the end thereof the following new sentence:

"No tax shall be imposed by this paragraph on the sale or use of any liquid if there was a taxable sale of such liquid under section 4091."

(3) Subsection (d) of section 4041 is amended by redesignating paragraph (3) as paragraph (4) and by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

"(1) **TAX ON SALES AND USES SUBJECT TO TAX UNDER SUBSECTION (a).**—In addition to the taxes imposed by subsection (a), there is hereby imposed a tax of 0.1 cent a gallon on the sale or use of any liquid (other than liq-

uefied petroleum gas) if tax is imposed by subsection (a) on such sale or use.

**"(2) TAX ON DIESEL FUEL USED IN TRAINS.—**There is hereby imposed a tax of 0.1 cent a gallon on any liquid (other than a product taxable under section 4081)—

"(A) sold by any person to an owner, lessee, or other operator of a diesel-powered train for use as a fuel in such train, or

"(B) used by any person as a fuel in a diesel-powered train unless there was a taxable sale of such liquid under subparagraph (A).

No tax shall be imposed by this paragraph on the sale or use of any liquid if there was a taxable sale of such liquid under section 4091.

**"(3) LIQUIDS USED IN AVIATION.—**In addition to the taxes imposed by subsection (c), there is hereby imposed a tax of 0.1 cent a gallon on any liquid (other than any product taxable under section 4081)—

"(A) sold by any person to an owner, lessee, or other operator of an aircraft for use as a fuel in such aircraft, or

"(B) used by any person as a fuel in an aircraft unless there was a taxable sale of such liquid under subparagraph (A).

No tax shall be imposed by this paragraph on the sale or use of any liquid if there was a taxable sale of such liquid under section 4091."

(4) Subsection (n) of section 4041 is hereby repealed.

**(c) AMENDMENTS RELATING TO CREDITS AND REFUNDS.—**

(1) Section 6427 is amended by redesignating subsections (l) through (p) as subsections (m) through (q), respectively, and by inserting after subsection (k) the following new subsection:

**"(l) NONTAXABLE USES OF DIESEL FUEL AND AVIATION FUEL TAXED UNDER SECTION 4091.—**

"(1) **IN GENERAL.—**Except as provided in subsection (k) and in paragraph (3) of this subsection, if any fuel on which tax has been imposed by section 4091 is used by any person in a nontaxable use, the Secretary shall pay (without interest) to the ultimate purchaser of such fuel an amount equal to the aggregate amount of tax imposed on such fuel under section 4091.

"(2) **NONTAXABLE USE.—**For purposes of this subsection, the term 'nontaxable use' means, with respect to any fuel, any use of such fuel if such use is exempt from the taxes imposed by subsections (a)(1) and (c)(1) of section 4041 (other than by reason of the imposition of tax on any sale thereof).

"(3) **NO REFUND OF LEAKING UNDERGROUND STORAGE TANK TRUST FUND FINANCING TAX.—**Paragraph (1) shall not apply to so much of the tax imposed by section 4091 as is attributable to the Leaking Underground Storage Tank Trust Fund financing rate imposed by such section in the case of—

"(A) fuel used in a diesel-powered train, and

"(B) fuel used in any aircraft."

(2) Paragraph (1) of section 6427(b) is amended—

(A) by striking out "subsection (a) of section 4041" the first place it appears and inserting in lieu thereof "section 4041(a) or 4091", and

(B) by striking out "subsection (a) of section 4041" the second place it appears and inserting in lieu thereof "section 4041(a) or 4091, as the case may be".

(3) Subparagraph (B) of section 6427(e)(1) is amended by inserting "or 4091" after "section 4041".

(4) Subsection (f) of section 6427 is amended to read as follows:

**"(f) GASOLINE, DIESEL FUEL, AND AVIATION FUEL USED TO PRODUCE CERTAIN ALCOHOL FUELS.—**Except as provided in subsection (k)—

"(1) **GASOLINE AND DIESEL FUELS.—**

"(A) **IN GENERAL.—**If any gasoline or diesel fuel on which tax was imposed by section 4081 or 4091 at the regular Highway Trust Fund financing rate is used by any person in producing a mixture described in section 4081(c) or in section 4091(c)(1)(A) (as the case may be) which is sold or used in such person's trade or business, the Secretary shall pay (without interest) to such person an amount equal to the excess of the regular Highway Trust Fund financing rate over the incentive Highway Trust Fund financing rate with respect to such fuel.

"(B) **DEFINITIONS.—**For purposes of subparagraph (A)—

"(1) **REGULAR HIGHWAY TRUST FUND FINANCING RATE.—**The term 'regular Highway Trust Fund financing rate' means—

"(I) 9 cents per gallon in the case of gasoline, and

"(II) 15 cents per gallon in the case of diesel fuel.

"(2) **INCENTIVE HIGHWAY TRUST FUND FINANCING RATE.—**The term 'incentive Highway Trust Fund financing rate' means—

"(I) 3½ cents per gallon in the case of gasoline, and

"(II) 10 cents per gallon in the case of diesel fuel.

"(C) **COORDINATION WITH OTHER REPAYMENT PROVISIONS.—**No amount shall be payable under subparagraph (A) with respect to any gasoline or diesel fuel with respect to which an amount is payable under subsection (d), (e), or (f) of this section or under section 6420 or 6421.

"(2) **AVIATION FUEL.—**If any aviation fuel on which tax was imposed by section 4091 is used by any person in producing a mixture at least 10 percent of which is alcohol (as defined in section 4081(c)(3)) which is sold or used in such person's trade or business, the Secretary shall pay (without interest) to such person an amount equal to the aggregate amount of tax (attributable to the Airport and Airway Trust Fund financing rate) imposed on such fuel under section 4091.

"(3) **TERMINATION.—**Paragraphs (1) and (2) shall not apply with respect to any mixture sold or used after September 30, 1993."

(5)(A) Paragraph (1) of section 6427(l) is amended by striking out "or (h)" and inserting in lieu thereof "(h), or (l)".

(B) Clause (i) of section 6427(l)(2)(A) is amended by striking out "and (h)" and inserting in lieu thereof "(h), and (l)".

(6) Subsection (o) of section 6427 (as redesignated by paragraph (1)) is amended to read as follows:

"(o) **TERMINATION OF CERTAIN PROVISIONS.—**Except with respect to taxes imposed by section 4041(d) and sections 4081 and 4091 at the Leaking Underground Storage Tank Trust Fund financing rate, subsections (a), (b), (c), (d), (g), (h), and (i) shall only apply with respect to fuels purchased before October 1, 1993."

(d) **OTHER CONFORMING AMENDMENTS.—**

(1) Subsection (c) of section 40 is amended by striking out "or section 4081(c)" and inserting in lieu thereof "section 4081(c), or section 4091(c)".

(2) Subparagraph (B) of section 4081(e)(2), as amended by section 1503 of the Tax Reform Act of 1986, is amended by striking out "net revenues" and all that follows and inserting in lieu thereof the following: "net revenues are at least \$500,000,000 from taxes imposed by section 4041(c) and

taxes attributable to Leaking Underground Storage Tank Trust Fund financing rate imposed under this section and sections 4042 and 4091."

(3) Subsection (a) of section 4101, as amended by section 1703 of the Tax Reform Act of 1986, is amended by inserting "or 4091" after "section 4081".

(4) Subsection (a) of section 4221 is amended by striking out "(other than" and all that follows through "sale by the manufacturer" and inserting in lieu thereof "(other than under section 4121, 4081, or 4091) on the sale by the manufacturer".

(5) Section 6208 is amended by striking out "or 4041" and inserting in lieu thereof "or 4041 or 4091".

(6) Paragraph (2) of section 6416(b) is amended—

(A) by striking out "(other than coal taxable under section 4121)", and

(B) by adding at the end thereof the following new sentence: "This paragraph shall not apply in the case of any tax paid under section 4091 or 4121."

(7) Subparagraph (A) of section 6416(b)(3) is amended by inserting "and other than any fuel taxable under section 4091" after "section 4081".

(8) Subparagraph (B) of section 6416(b)(3) is amended by striking out ", such gasoline" and inserting in lieu thereof "or any fuel taxable under section 4091, such gasoline or fuel".

(9) Subparagraph (C) of section 6421(e)(2) is hereby repealed.

(10) The subsection (j) of section 6421 relating to cross references is amended by striking out paragraph (1) and by redesignating paragraphs (2), (3), and (4), as paragraphs (1), (2), and (3), respectively.

(11) Section 6852 is amended by striking out the subsection (j) added by section 1702(b) of the Tax Reform Act of 1986 and by redesignating subsections (l) and (m) as subsections (k) and (l), respectively.

(12) Subsection (b) of section 9502 is amended by striking out "and" at the end of paragraph (2), by redesignating paragraph (3) as paragraph (4), and by inserting after paragraph (2) the following new paragraph:

"(3) amounts determined by the Secretary to be equivalent to the taxes received in the Treasury before January 1, 1988, under section 4091 (to the extent attributable to the Airport and Airway Trust Fund financing rate), and";

(13) Paragraph (1) of section 9503(b) is amended by striking out subparagraph (F) and inserting in lieu thereof the following:

"(F) section 4091 (relating to tax on diesel fuel), and";

(14) Paragraph (4) of section 9503(b) is amended to read as follows:

"(4) CERTAIN ADDITIONAL TAXES NOT TRANSFERRED TO HIGHWAY TRUST FUND.—For purposes of paragraphs (1) and (2)—

"(A) there shall not be taken into account the taxes imposed by sections 4041(d), and

"(B) there shall be taken into account the taxes imposed by sections 4081 and 4091 only to the extent attributable to the Highway Trust Fund financing rates under such sections."

(15) Paragraph (2) of section 9503(e) is amended—

(A) by striking out "sections 4041 and 4081" and inserting in lieu thereof "sections 4041, 4081, and 4091", and

(B) by striking out "section 4041 or 4081" and inserting in lieu thereof "section 4041, 4081, or 4091".

(16) Subsection (b) of section 9508 is amended by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively, and by inserting after paragraph (2) the following new paragraph:

"(3) taxes received in the Treasury under section 4091 (relating to tax on diesel fuel and aviation fuel) to the extent attributable to the Leaking Underground Storage Trust Fund financing rate under such section.".

(17) Subparagraph (A) of section 9508(c)(2) is amended by striking out clause (ii) and all that follows and inserting in lieu thereof the following:

"(ii) credits allowed under section 34, with respect to the taxes imposed by section 4041(d) or by sections 4081 and 4091 (to the extent attributable to the Leaking Underground Storage Trust Fund financing rate under such sections)."

(18) The table of subparts for part III of subchapter A of chapter 32 is amended by inserting after the item relating to subpart A the following new item:

"Subpart B. Diesel fuel and aviation fuel."

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to sales after March 31, 1988.

(f) FLOOR STOCKS TAX.—

(1) IMPOSITION OF TAX.—On any taxable fuel which on April 1, 1988, is held by a taxable person, there is hereby imposed a floor stocks tax at the rate of tax which would be imposed if such fuel were sold on such date in a sale subject to tax under section 4091 of the Internal Revenue Code of 1986 (as added by this section).

(2) OVERPAYMENT OF FLOOR STOCKS TAXES, ETC.—Sections 6416 and 6427 of such Code shall apply in respect of the floor stocks taxes imposed by this subsection so as to entitle, subject to all provisions of such sections, any person paying such floor stocks taxes to a credit or refund thereof for any reason specified in such sections. All provisions of law, including penalties, applicable with respect to the taxes imposed by section 4091 of such Code (as so added) shall apply to the floor stocks taxes imposed by this subsection.

(3) DUE DATE OF TAX.—The taxes imposed by this subsection shall be paid before June 16, 1988.

(4) DEFINITIONS.—For purposes of this subsection—

(A) TAXABLE FUEL.—

(i) IN GENERAL.—The term "taxable fuel" means any taxable fuel (as defined in section 4092 of such Code, as added by this section) on which no tax has been imposed under section 4041 of such Code.

(ii) EXCEPTION FOR FUEL HELD FOR NONTAXABLE USES.—The term "taxable fuel" shall not include fuel held exclusively for any use which is a nontaxable use (as defined in section 6427(i) of such Code, as added by this section).

(B) TAXABLE PERSON.—The term "taxable person" means any person other than a producer (as defined in section 4092 of such Code, as so added) or importer of taxable fuel.

(C) HELD BY A TAXABLE PERSON.—An article shall be treated as held by a person if title thereto has passed to such person (whether or not delivery to such person has been made).

(5) SPECIAL RULE FOR FUEL HELD FOR USE IN TRAINS AND COMMERCIAL AIRCRAFT.—Only the Leaking Underground Storage Tank Trust Fund financing rate under section 4091 of such Code shall apply for purposes of this subsection with respect to—

(A) diesel fuel held exclusively for use as a fuel in a diesel-powered train, and

(B) aviation fuel held exclusively for use as a fuel in an aircraft not in noncommercial aviation (as defined in section 4041(c)(4) of such Code).

(6) TRANSFER OF FLOOR STOCK REVENUES TO TRUST FUNDS.—For purposes of determining the amount transferred to any trust fund, the tax imposed by this subsection shall be treated as imposed by section 4091 of such Code (as so added).

(g) COORDINATION WITH AIRPORT AND AIRWAY SAFETY AND CAPACITY EXPANSION ACT OF 1987.—If the Airport and Airway Safety and Capacity Expansion Act of 1987 is enacted, effective on December 31, 1987, sections 4091(b)(5)(B) and 9502(b)(3) of such Code (as added by this section) are each amended by striking out "January 1, 1988" and inserting in lieu thereof "January 1, 1991".

SEC. 10504. EXTENSION OF TEMPORARY INCREASE IN AMOUNT OF TAX IMPOSED ON COAL PRODUCERS.

Subparagraph (A) of section 4121(e)(2) (relating to temporary increase termination date) is amended by striking out "January 1, 1936" and inserting in lieu thereof "January 1, 2014".

PART II—TAX-RELATED USER FEES

SEC. 10511. FEES FOR REQUESTS FOR RULING, DETERMINATION, AND SIMILAR LETTERS.

(a) GENERAL RULE.—The Secretary of the Treasury or his delegate (hereinafter in this section referred to as the "Secretary") shall establish a program requiring the payment of user fees for requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters and for similar requests.

(b) PROGRAM CRITERIA.—

(1) IN GENERAL.—The fees charged under the program required by subsection (a)—

(A) shall vary according to categories (or subcategories) established by the Secretary,

(B) shall be determined after taking into account the average time for (and difficulty of) complying with requests in each category (and subcategory), and

(C) shall be payable in advance.

(2) EXEMPTIONS, ETC.—The Secretary shall provide for such exemptions (and reduced fees) under such program as he determines to be appropriate.

(3) AVERAGE FEE REQUIREMENT.—The average fee charged under the program required by subsection (a) shall not be less than the amount determined under the following table:

Category	Average Fee
Employee plan ruling and opinion.....	\$250
Exempt organization ruling.....	\$350
Employee plan determination.....	\$300
Exempt organization determination.....	\$275
Chief counsel ruling.....	\$200.

(c) APPLICATION OF SECTION.—Subsection (a) shall apply with respect to requests made on or after the 1st day of the second calendar month beginning after the date of the enactment of this Act and before September 30, 1990.

SEC. 10512. OCCUPATIONAL TAXES RELATING TO ALCOHOL, TOBACCO, AND FIREARMS.

(n) OCCUPATIONAL TAXES ON DISTILLED SPIRITS PLANTS, BONDED WINE CELLARS, BREWERIES, ETC.—

(1) DISTILLED SPIRITS PLANTS, BONDED WINE CELLARS, ETC.—

(A) IN GENERAL.—Part II of subchapter A of chapter 51 (relating to distilled spirits, wines, and beer) is amended by inserting before subpart B the following new subpart:

\*\*\* Copy read "taxable fuel".

\*\*\* Copy read "1991", and".



# PETRO MARINE SERVICES

A HARBOR ENTERPRISES COMPANY

P.O. Box 389 • Seward, Alaska 99664 • (907) 224-3190

February 04, 1988

Senator Frank H. Murkowski  
United States Senate  
709 Hart Building  
Washington, D.C.

Dear Senator Frank:

It has come to my attention that Congress passed a Mid-Distillates Fuel Tax Bill in the chaotic and waning hours of December 22, 1987 as a part of the overall U.S. Tax Reduction Act. A close examination of the provisions of the Act have raised serious concerns and accordingly I wish to bring them to your attention.

The Act states that a diesel fuel tax of \$.151 per gallon is to be levied on "any liquid suitable for use as a fuel in a diesel highway vehicle or a diesel powered train (does not apply to fuel for home heating use)". The key word here is "suitable"--whether the product is used as such or not. The collection of the excise tax on the sale of any taxable fuel by wholesale dealers is made mandatory on all sales. All tax free sales for certain exempt sales purposes are repealed. Wholesalers can buy diesel fuel for resale provided they are registered and have posted bonds as required by the Treasury.

Petro Marine Services is a marine-oriented fuel distributorship with a majority of our customers being fishing industry related. A recent review of our sales volumes reflect that less than one-percent of our total diesel fuel gallons are taxable highway and off-highway use fuel. Fronting this tax to the Treasury will significantly increase the cost of doing business for our customers by adversely affecting their cash flow and, of consequence, we dealers will be affected likewise. End-use consumers will not be able to apply for a refund of these taxes unless the amount of the tax withheld is over \$1,000 in a quarter. Furthermore, consumers must wait until year end and apply the overpayment to their income tax return as stipulated in the Bill. The Treasury is not obligated to pay interest on the refunds; thus, the collected amounts are, in essence, interest-free loans to the government from marine fuel consumers, many of whom are struggling to derive a living from an uncertain and undercapitalized fishing industry.

Anchorage  
(907) 278-7586

Nikiski  
(907) 776-8000

Kodiak  
(907) 486-3421

Dutch Harbor  
(907) 581-1350



Page 2

In addition this tax will have a negative impact on domestic marine fuel suppliers as opposed to foreign bunkerers and processors many of whom import their fuel and sell to U.S. flag vessels on the high-seas and within our Exclusive Economic Zone (EEZ). With the \$.151 per gallon Federal Excise Tax plus the \$.05 per gallon State of Alaska Marine Fuel Tax, it will be economically impossible to compete against foreign flag operators. I am certain this was not the intent of Congress.

One of the provisions in the law states that "the Treasury has been given discretionary authority to exempt certain sales from tax where the purchaser satisfactorily demonstrates to the Treasury that the fuel will be consumed for use deemed non-taxable in nature, that these parties must also register and post bonds as required by the Treasury". Let me assure you bonding requirements will only impose a further financial hardship on fuel distributorships some of whom are already faced with problems securing basic insurance needs. If indeed, the end-user is included in this Clause, we alone have several hundred customers who would be required to register and post bond with the Treasury in order to be deemed tax-exempt. This stipulation will be very cumbersome and difficult for all affected to comply with. The law further reads that the Treasury is expected to exercise the authority on a "case by case" basis. Inasmuch as our taxable highway use diesel fuel customer base is miniscule as compared to our predominate marine base, it seems reasonable to assume that an overwhelming amount of time and effort will be consumed by the Treasury in rendering these assessments. Under the aforementioned circumstances it would seem that a blanket waiver would be a viable alternative for marine oriented fuel distributors such as ourselves.

Without question the Mid-Distillate Fuel Tax Bill in its present form represents ill-conceived legislation. As a company, Petro Marine Services has consistently supported reasonable regulation at all levels of government; however, this particular Bill serves only to finance and broaden Federal bureaucracy at the expense of fuel dealers and end-use consumers. In view of this fact I respectfully urge that immediate consideration be given to amending those provisions in the Bill which are not applicable to highway diesel fuel use.

Sincerely,

  
Dale R. Lindsey, President  
HARBOR ENTERPRISES, INC.

DRL:tc



1988 FEB 22 11 22

ALASKA FACTORY TRAWLER ASSOCIATION

4039 21ST AVE. WEST, SUITE 400  
SEATTLE, WASHINGTON 98100  
(206) 286-6130

TELEFAX 206-285-1841  
TELEX 6106012568, ALASKA TRAWL SEA

The Honorable John Warner  
United States Senator  
421 Senate Russell Office Building  
Washington, D.C. 20510

February 22, 1988

Dear Senator Warner:

The Alaska Factory Trawler Association (AFTA), the trade association which represents the factory trawler fleet operating in the North Pacific groundfish fishery, seeks your assistance in a matter of significant economic importance to us and to other segments of the fishing industry - establishing an up-front exemption for fishing vessels from the 15.1 cent per gallon federal highway excise tax on diesel fuels.

This federal excise tax, passed December 22, 1987, was designed to tax highway users. However, current exemptions from diesel fuel taxes for off-highway users, including fishing vessels, has been eliminated. Loss of this up-front exemption means that fishermen will be required to pay the tax up front, then apply for a refund on a quarterly basis. This needlessly increases the recordkeeping and paperwork for both the fishermen and the government, and costs the fishermen significantly due to the loss of the time value of the money deposited with the government.

While this is a problem for all fishermen, the problem becomes particularly acute for the factory trawler operators. These large American owned and operated vessels participate in high volume, low margin fisheries and must compete in the world market against foreign producers who enjoy lower operating costs. As illustrated in the attached fact sheet, factory trawler operators can expect to have between \$22,500 and \$67,950 awaiting rebate at any time. This amount increases if rebates aren't made in a prompt manner.

At a time when prices for our products have declined and other operating costs have increased, many operators cannot afford this additional drain to their cash flow.

One of the objectives of doing away with the exemption was to deter tax-evasion schemes, in which fuel which is ostensibly purchased for off-highway use is diverted to use in a highway vehicle. Such a scheme is only a remote possibility for an operator of a vessel fishing in the Gulf of Alaska or the Bering Sea, and a burden of the magnitude imposed by this law is unjustified. If deterring such schemes is the goal of Congress, a provision applying the exemption only to fuel pumped directly into the fishing vessel would be appropriate.

You can help with this issue by supporting a bill, such as the one enclosed, which amends the Internal Revenue Code by providing fishing vessels, fish processing vessels, and tender vessels an up-front exemption from this highway tax.

The members of AFTA would like to thank you for the assistance you have given us in the past, and hope that you will work with us to resolve the problem we are facing today.

Sincerely,

*William R. Orr*

William R. Orr  
Director, Government Affairs



ALASKA FACTORY TRAWLER ASSOCIATION  
4039 21ST AVE. WEST, SUITE 400  
SEATTLE, WASHINGTON 98119  
(206) 286-6139  
TELEFAX 206-286-1841  
TELEX 5106012366, ALASKA TRAWL SEA

2/88

### FACTORY TRAWLER FUEL CONSUMPTION

An informal survey was conducted among factory trawler operators to determine fuel consumption patterns. The results, which are rough averages, are categorized into three categories: vessels less than 200 feet, vessels 200 - 250 feet, and vessels greater than 250 feet. The number of vessels include vessels which will enter the fishery this year.

#### Factory Trawlers less than 200 feet

Number of vessels:	16
Fuel carrying capacity:	75,000 - 100,000 gallons
Daily fuel consumption:	2000 gallons/day
Quarterly fuel consumption:	150,000 gallons
Quarterly tax @ \$.151/gal :	\$22,500

#### Factory Trawlers between 200 and 250 feet

Number of vessels:	14
Fuel carrying capacity:	150,000 gallons
Daily fuel consumption:	2600 gallons/day
Quarterly fuel consumption:	200,000 gallons
Quarterly tax @ \$.151/gal :	\$30,200

#### Factory Trawlers larger than 250 feet

Number of vessels:	10
Fuel carrying capacity:	200,000 to 325,000 gallons
Daily fuel consumption:	6000 gallons/day
Quarterly fuel consumption:	450,000 gallons
Quarterly tax @ \$.151/gal :	\$67,950

Nearly all of the fuel is taken at Alaskan ports. The average price of fuel (#2 diesel) purchased in Alaska is \$.75/gallon. (A quarter is figured as 75 days of operation.)

# Business

Current IRS regulations require fishermen to maintain complete fuel purchase records, and both buyers and sellers of diesel fuel predict a nightmare of paperwork under the new regulations.

