

ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 8672

10027 HOUSE TRANSPORTATION

HB

59

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 59

Revision Date/Time Correction 1/18/00 2:20pm Dept. Affected DOT&PF
 Title Motor Fuel Tax BRU _____
 Component _____
 Sponsor Rules _____
 Requester (H) TRA Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
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 EXPENDITURES	26,349.5	28,744.9	28,744.9	28,744.9	28,744.9	28,744.9
-----------------------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 G./Program Receipts						
1037 GF/Mental Health						
Other (1119)	26,349.5	28,744.9	28,744.9	28,744.9	28,744.9	28,744.9
TOTAL	26,349.5	28,744.9	28,744.9	28,744.9	28,744.9	28,744.9

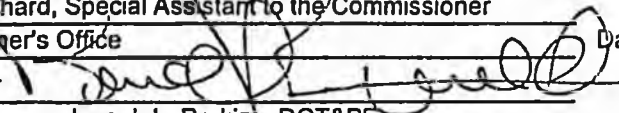
Estimate of any current year (FY2000) cost: _____

POSITIONS

Full-time					
Part-time					
Temporary					

ANALYSIS: (Attach a separate page if necessary)

Total projected Federal Highway program match requirement for FY01 is \$49,400.0

Prepared by: Dennis Poshard, Special Assistant to the Commissioner Phone 465-3904
 Division Commissioner's Office Date/Time 1/18/00 2:24 PM
 Approved by Commissioner  Date _____
 Agency Joseph L. Perkins, DOT&PF

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FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 59

Revision Date/Time (Note if correction) _____ Dept. Affected Revenue
 Title Motor Fuel Tax BRU Revenue Operations
 Component Income and Excise Audit
 Sponsor Rules
 Requester (H) TRA Component Serial No. 113

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	66.6	66.6	66.6	66.6	66.6	66.6
Travel	3.0	3.0	3.0	3.0	3.0	3.0
Contractual	6.0	2.5	2.5	2.5	2.5	2.5
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	6.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	83.1	73.1	73.1	73.1	73.1	73.1

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	26,349.5	28,744.9	28,744.9	28,744.9	28,744.9	28,744.9
-------------------------------	-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	83.1	73.1	73.1	73.1	73.1	73.1
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	83.1	73.1	73.1	73.1	73.1	73.1

Estimate of current year (FY00) cost: 0.0

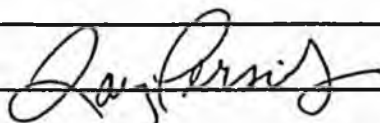
POSITIONS

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This fiscal note includes operating expenditures for one Revenue Auditor and the position's associated travel, contractual, supply and one-time equipment costs.

Further analysis of this legislation follows on pages 2 - 4.

Prepared by Brett Fried, Economist
 Division Income and Excise Audit
 Approved by Wilson L. Condon
 Commissioner 
 Agency Department of Revenue

Phone 465.3682
 Date/Time January 18, 2000
 Date January 18, 2000

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ALASKA DEPARTMENT OF REVENUE
Income and Excise Audit Division

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BILL ANALYSIS

Section 1 increases the tax rate on highway motor fuel from 8 cents a gallon to 17 cents a gallon.

Section 2 does not affect the seasonal gasohol tax rate reduction. The seasonal tax rate reduction on gasohol is six cents less than the highway motor fuel tax rate (for November-February in the Anchorage area). Consequently, if this bill passes the tax rate on gasohol will be 11 cents a gallon for the months November through February in the Anchorage area.

Section 3 changes the name from "highway fuel tax account" to the "highway construction and maintenance" account. Although money in this account is available for appropriation, the bill recommends that the money in the account be appropriated "first directly or as matched with available federal-aid highway money for planning, design, and construction of highway projects, ferries, and ferry terminals for construction of highway projects and second for secondary road paving and deferred maintenance projects."

Section 4 includes the name change discussed in Section 3.

Section 5 increases the off-road refund from 6 cents a gallon to 13 cents a gallon. Consequently, if the bill passes, taxpayers who receive this refund will pay a net tax rate of 4 cents a gallon.

Section 6 includes the name change discussed in Section 3.

Section 7 adds a new section that grants specific authority to the Commissioner of Revenue to assess civil penalties, revoke licenses, and require payment of restitution as a result of violations of motor fuel tax laws and regulations.

Section 8 clarifies which institutions qualify for the charitable institution exemption.

Section 9 establishes an effective date of July 1, 1999. In our revenue analysis we assume this is changed to July 1, 2000 prior to passage of the bill.

OPERATING EXPENDITURES

The Department of Revenue is requesting operating funds to cover the costs of a Revenue Auditor III position. With such a large increase in taxes due the state (increase from \$24 to \$52 million in the first complete year after the tax rate change) the department anticipates increased taxpayer noncompliance.

ALASKA DEPARTMENT OF REVENUE
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With significantly higher levels of tax, it is possible that taxpayers will look for loopholes. Certainly, the increase in the tax rate makes the use of refunds more attractive. These include exempt fuel (e.g., exported fuel, heating fuel and government fuel), fuel conversions and off-highway refunds. This position will be responsible for ensuring that all taxpayers are identified and are paying the proper amount of tax. The projected annual salary costs for this position comes to \$66,600.

The department is also requesting one-time FY 2000 funding of \$6,500 for equipment and \$3,500 for start-up contractual costs. The recurring costs will be \$6,500 annually to cover travel, contractual and supplies.

REVENUE

The attached analysis details the revenue increase due to changes in motor fuel tax rates. We did not include a factor for increased noncompliance or decreased consumption due to the increase in the tax rate. An elasticity factor was not included for the following three reasons:

- (1) The elasticity of motor fuel gas and diesel tends to be small in the first few years (changes in the motor vehicle stock take a relatively long time).
- (2) The percent change in price due to the tax rate increase is small relative to other factors (e.g., changes in crude oil prices).
- (3) The percent change in price due to the tax increase is small relative to the total cost of operating a motor vehicle.

We did not include a factor for noncompliance because we have no way of estimating the potential effect. We are not including the population factor because there is no clear upward trend in taxable motor fuel gallons for the years FY 1994 – FY 1999.

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FY 98 ACTUALS*

	GALLONS			REVENUE		
	GAS	DIESEL	TOTAL	GAS	DIESEL	TOTAL
Taxable Gallons (@ \$.08/gallon)	199,544,742	61,077,806	260,622,548	\$15,963,579	\$4,886,224	\$20,849,803
Gasohol (@ \$.02/gallon)	34,836,387	0	34,836,387	696,728	0	696,728
Off-Highway (@ \$.02/gallon)	2,196,526	105,483,946	107,680,472	43,931	2,109,679	2,153,610
Total FY 98	236,577,655	166,561,752	403,139,407	\$15,704,238	\$6,995,903	\$23,700,141

* Because of timely filing credits and timing differences FY 98 calculated revenue will not correspond exactly to the amount of revenue received in FY 98.

TAX RATE INCREASE PROJECTIONS

	PROJECTED REVENUES					
	FY 2001*	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Taxable Gallons (@ \$.17/gallon)	\$42,351,164	\$44,305,833	\$44,305,833	\$44,305,833	\$44,305,833	\$44,305,833
Gasohol (@ \$.11/gallon)	3,570,730	3,832,003	3,832,003	3,832,003	3,832,003	3,832,003
Off-Highway (@ \$.04/gallon)	4,127,751	4,307,219	4,307,219	4,307,219	4,307,219	4,307,219
Total	\$50,049,645	\$52,445,055	\$52,445,055	\$52,445,055	\$52,445,055	\$52,445,055
 NET INCREASE OVER FY 98	 26,349,504	 28,744,914	 28,744,914	 28,744,914	 28,744,914	 28,744,914

* Because we are assuming that the new rates would become effective on July 1, 2000, they would only be applicable for eleven months. Consequently, the FY 2001 estimate includes one month at the old rates and eleven months at the new rates.

ASSUMPTIONS - (1) Highway gas and diesel consumption patterns in FY 01-FY 06 are the same as those in FY 98 (e.g. no decrease in consumption due to tax increase), (2) no stockpiling of lower tax gas and diesel and (3) no increase in noncompliance. The revenue projection is constant between FY 2002 and FY 2006 because there is no clear trend in total highway taxable fuel gallons for the historical period for which this data is available (FY 94 - FY 99).

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

ALASKA DEPARTMENT OF REVENUE

Income and Excise Audit Division

Motor Fuel Tax
HB 59
January 18, 2000
Page 4 of 4

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Appendix B

Comparison of Highway Gasoline Tax Rates May 1999

State	Rate (¢ per gallon)	Other Tax ⁽¹⁾ (¢ per gallon)	Total (¢ per gallon)	Rank
Alabama	16	2.4	19.4	36
ALASKA	8	0	8	51
Arizona	18	1	19	38
Arkansas	18.5	0.2	18.7	41
California	18	14.0	32	4
Colorado	22	0	22	22
Connecticut	32	3.3	35.3	2
Delaware	23	0	23	20
Dist of Columbia	20	0	20	30
Florida	13.1	15.1	28.2	8
Georgia	7.5	3.7	11.2 ✓	50
Hawaii	16	19.8	35.8	1
Idaho	25	0	25	13
Illinois	19	5.7	24.7	14
Indiana	15	4.1	19.1	37
Iowa	20	1	21	28
Kansas	18	1	19	39
Kentucky	15	1.4	16.4 ✓	47
Louisiana	20	0	20	31
Maine	19	0	19	40
Maryland	23.5	0	23.5	19
Massachusetts	21.5	0	21.5	25
Michigan	19	6.5	25.5	11
Minnesota	20	2	22	23
Mississippi	18	2.4	20.4	29
Missouri	17	0	17	44
Montana	27	0.8	27.8	9
Nebraska	22.8	0.9	23.7	18
Nevada	23	10	33	3
New Hampshire	18	1.7	19.7	35
New Jersey	10.5	4	14.5 ✓	48
New Mexico	17	1	18	43
New York	8	21.8	29.8	5
North Carolina	21.2	0.3	21.5	26
North Dakota	20	0	20	32
Ohio	22	0	22	24
Oklahoma	16	1	17	45
Oregon	24	0	24	16
Pennsylvania	12	13.9	25.9	10
Rhode Island	28	1	29	6
South Carolina	16	1	17	46
South Dakota	22	2	24	17
Tennessee	20	1.4	21.4	27
Texas	20	0	20	33
Utah	24.5	0	24.5	15
Vermont	19	1	20	34
Virginia	17.5	1.1	18.6	42
Washington	23	0	23	21
West Virginia	20.5	4.9	25.4	12
Wisconsin	25.8	3	28.8	7
Wyoming	13	1	14 ✓	49
Federal	18.4	N/A	18.3	N/A
U.S. Average*	17.8	5.3	23.1	N/A

⁽¹⁾ Includes state sales tax, gross receipts tax and underground storage tank taxes. State sales taxes are based on selected city average retail gasoline prices as of April 1999.

* Weighted average

SOURCE: American Petroleum Institute, *A Summary of Nationwide and State-by-State Motor Fuel Taxes as of May 1999*.

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Gas prices at the pump hit new high

National average leaps to \$1.47 for one gallon of gas

ASSOCIATED PRESS

LOS ANGELES, Feb. 28 — Gasoline prices jumped 6 cents per gallon at the pump in the past two weeks, surpassing the all-time peak recorded in November 1990, an industry analyst said.

STORY CONTINUES BELOW

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HIGH CRUDE OIL prices and strong demand combined to drive up the national average price, including all grades and taxes, to \$1.4713 as of Friday. That was an increase of 6.08 cents from Feb. 11, according to the Lundberg Survey of 10,000 stations nationwide, analyst Trilby Lundberg said Sunday.

"The international oil community is speculating that key world oil producers may increase oil production in April, which would ease oil prices and therefore gasoline prices," Lundberg said. "But for now, gasoline prices will probably hover around their current levels or rise even further."

Before now, the highest average price for a gallon of gasoline in the nation was \$1.46 in 1990, Lundberg said. But strong demand indicates the price increase has not created a crisis.

"Despite this record high level for gasoline prices, unadjusted for inflation though it may be, consumption has not flinched," Lundberg said. "This suggests that prices are not at an emergency high level at this point."

Crude oil prices are up amid uncertainty over whether the Organization of Petroleum Exporting Countries will increase output when an agreement on lowered production expires next month



agreement on lowered production expires next month.

Prices recorded Friday at self-service stations averaged \$1.4239 per gallon for regular unleaded gasoline, \$1.5196 for mid-grade and \$1.6032 for premium.

Full-service prices were \$1.7263 per gallon for regular, \$1.8098 for mid-grade and \$1.8840 for premium.

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Local drivers jolted by gas price surge

February 26, 2000

By MARMIAN L. GRIMES
Staff Writer

As the dollars and cents racked up on the pump display at The Gas Line Friday evening, John Barbrick was regretting waiting to fill up the dual 19-gallon tanks on his Ford pickup.

Just moments before he arrived an employee at the station changed the store's sign, raising the price for unleaded by 5 cents a gallon.

"That is pretty steep," he said. "I come up and see it has gone up to \$1.48 and I am hacked off I didn't get it yesterday."

The story was the same all over Fairbanks and North Pole Thursday and Friday, with many stations increasing prices by 10 cents a gallon, to about \$1.54 per gallon for regular unleaded in most locations. A handful of stations had yet to follow suit Friday night.

Paul William said he pulled into a gas station across town earlier Friday, saw the \$1.54 price, and decided to only get a few gallons. "I didn't fill up. I thought I would wait and shop (around)."

William wasn't taken aback by the sudden increase though. "In the Lower 48 they were incrementally rising over time," he said. "I figure they were making a correction. I think they were just making up for lost time."

The prices are high for Fairbanks. According to data compiled by the borough community research department, pump prices haven't reached these levels since the first quarter of 1991.

The same trend is reflected around the nation, according to Charity Levis of AAA Alaska. The national average for self-serve unleaded gasoline in February 1999 was 96 cents per gallon, she said, which was historically low. A year before that the average was about \$1.11 per gallon.

"Generally all over the nation we are at about the highest levels in nine years," Levis said.

Inventories of crude oil have dropped to a 20-year low, she said. "The OPEC nations are sticking together like they haven't been able to do before and they are holding back their supply, and they are causing an artificial shortage."

Williams Alaska Petroleum vice president of external affairs Jeff Cook also noted that crude oil is up \$17 a barrel since last year.

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and the last
great lesson

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"The state is getting more for the crude. We have to pay more for our raw materials plus we have to pay more for the fuel that runs our refinery," Cook said.

And while the current increase may seem steep, Cook said Alaska prices haven't been increasing steadily with oil prices. "I think probably the Alaska retailers and refiners with the focus on gas prices, have held back hoping that crude might go the other way," he said.

It has become apparent that isn't going to happen, Cook said. "We can't continue to absorb those high costs."

However, state Attorney General Bruce Botelho is investigating gasoline distributors and refiners in Alaska for possible price fixing. According to Botelho and his assistants, Alaska has the highest pre-tax gas prices in the nation. This doesn't make sense, they say, when Alaska is home to North America's largest oil fields.

For consumers, the price increases will likely continue into the summer, Levis said, which is the peak time for automobile travel.

"We at this point can only offer the consumer tips to increase their gas mileage," Levis said. Keeping tires inflated to the proper PSI rating and gradual acceleration and braking can help, she said.

Barbrick said he is considering shopping for a diesel-fueled vehicle, one that would get better gas mileage, partially in response to the ever-increasing prices.

"I don't think it is going to drop back down for a while," he said.



FAIRBANKS DAILY NEWS-MINER

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"The state is getting more for the crude. We have to pay more for our raw materials plus we have to pay more for the fuel that runs our refinery," Cook said.

And while the current increase may seem steep, Cook said Alaska prices haven't been increasing steadily with oil prices. "I think probably the Alaska retailers and refiners with the focus on gas prices, have held back hoping that crude might go the other way," he said.

It has become apparent that isn't going to happen, Cook said. "We can't continue to absorb those high costs."

However, state Attorney General Bruce Botelho is investigating gasoline distributors and refiners in Alaska for possible price fixing. According to Botelho and his assistants, Alaska has the highest pre-tax gas prices in the nation. This doesn't make sense, they say, when Alaska is home to North America's largest oil fields.

For consumers, the price increases will likely continue into the summer, Levis said, which is the peak time for automobile travel.

"We at this point can only offer the consumer tips to increase their gas mileage," Levis said. Keeping tires inflated to the proper PSI rating and gradual acceleration and braking can help, she said.

Barbrick said he is considering shopping for a diesel-fueled vehicle, one that would get better gas mileage, partially in response to the ever-increasing prices.

"I don't think it is going to drop back down for a while," he said.



FAIRBANKS DAILY NEWS-MINER

Local drivers jolted by gas price surge

February 26, 2000

By MARMIAN L. GRIMES
Staff Writer

As the dollars and cents racked up on the pump display at The Gas Line Friday evening, John Barbrick was regretting waiting to fill up the dual 19-gallon tanks on his Ford pickup.

Just moments before he arrived an employee at the station changed the store's sign, raising the price for unleaded by 5 cents a gallon.

"That is pretty steep," he said. "I come up and see it has gone up to \$1.48 and I am hacked off I didn't get it yesterday."

The story was the same all over Fairbanks and North Pole Thursday and Friday, with many stations increasing prices by 10 cents a gallon, to about \$1.54 per gallon for regular unleaded in most locations. A handful of stations had yet to follow suit Friday night.

Paul William said he pulled into a gas station across town earlier Friday, saw the \$1.54 price, and decided to only get a few gallons. "I didn't fill up. I thought I would wait and shop (around)."

William wasn't taken aback by the sudden increase though. "In the Lower 48 they were incrementally rising over time," he said. "I figure they were making a correction. I think they were just making up for lost time."

The prices are high for Fairbanks. According to data compiled by the borough community research department, pump prices haven't reached these levels since the first quarter of 1991.

The same trend is reflected around the nation, according to Charity Levis of AAA Alaska. The national average for self-serve unleaded gasoline in February 1999 was 96 cents per gallon, she said, which was historically low. A year before that the average was about \$1.11 per gallon.

"Generally all over the nation we are at about the highest levels in nine years," Levis said.

Inventories of crude oil have dropped to a 20-year low, she said. "The OPEC nations are sticking together like they haven't been able to do before and they are holding back their supply, and they are causing an artificial shortage."

Williams Alaska Petroleum vice president of external affairs Jeff Cook also noted that crude oil is up \$17 a barrel since last year.

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"The state is getting more for the crude. We have to pay more for our raw materials plus we have to pay more for the fuel that runs our refinery," Cook said.

And while the current increase may seem steep, Cook said Alaska prices haven't been increasing steadily with oil prices. "I think probably the Alaska retailers and refiners with the focus on gas prices, have held back hoping that crude might go the other way," he said.

It has become apparent that isn't going to happen, Cook said. "We can't continue to absorb those high costs."

However, state Attorney General Bruce Botelho is investigating gasoline distributors and refiners in Alaska for possible price fixing. According to Botelho and his assistants, Alaska has the highest pre-tax gas prices in the nation. This doesn't make sense, they say, when Alaska is home to North America's largest oil fields.

For consumers, the price increases will likely continue into the summer, Levis said, which is the peak time for automobile travel.

"We at this point can only offer the consumer tips to increase their gas mileage," Levis said. Keeping tires inflated to the proper PSI rating and gradual acceleration and braking can help, she said.

Barbrick said he is considering shopping for a diesel-fueled vehicle, one that would get better gas mileage, partially in response to the ever-increasing prices.

"I don't think it is going to drop back down for a while," he said.

www.shopin.com

CS FOR HOUSE BILL NO. 59(TRA)

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

BY THE HOUSE TRANSPORTATION COMMITTEE

Offered:
Referred:

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

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the motor fuel tax; creating a municipal road maintenance
2 account; and providing for an effective date."

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

4 * Section 1. AS 29.60 is amended by adding a new section to article 2 to read:

5 Sec. 29.60.185. Municipal road maintenance account. The municipal road
6 maintenance account is established. Money to carry out the provisions of
7 AS 29.60.110 and 29.60.160 shall be allocated by the department to the account in
8 accordance with AS 29.60.280. If amounts in the account are insufficient to pay each
9 municipality's share authorized under AS 29.60.110 and 29.60.160, the amounts that
10 are available shall be distributed pro rata among eligible municipalities.

11 * Sec. 2. AS 29.60.280(a) is amended to read:

12 (a) Each year, the department shall allocate money appropriated to the
13 accounts established in AS 29.60.060, 29.60.170, 29.60.185, and former AS 29.90.020
14 in the amounts determined by the legislature.

1 * Sec. 3. AS 29.60.280 is amended by adding a new subsection to read:

2 (d) Money in the municipal road maintenance account established in
3 AS 29.60.185 that exceeds the amount required to fully fund distributions authorized
4 by AS 29.60.110 and 29.60.160 shall be reallocated to the tax equalization account
5 established in AS 29.60.060 and distributed according to the provisions of
6 AS 29.60.010 - 29.60.080.

7 * Sec. 4. AS 43.40.010(a) is amended to read:

8 (a) There is levied a tax of 17 [EIGHT] cents a gallon on all motor fuel sold
9 or otherwise transferred within the state, except that

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

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

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

15 (4) the tax rate on motor fuel that is blended with alcohol is the same
16 tax rate a gallon as other motor fuel; however,

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

23 (B) notwithstanding (A) of this paragraph, through June 30,
24 2004, the tax on motor fuel sold or otherwise transferred within the state is
25 eight cents a gallon less than the tax on other motor fuel not described in (1) -
26 (3) of this subsection if the motor fuel

27 (i) is at least 10 percent alcohol by volume, has been
28 produced from the processing of lignocellulose derived from wood, and
29 was produced in a facility that processes lignocellulose from wood, but
30 this reduction in the rate of tax applies to motor fuel sold or transferred
31 that contains alcohol that was produced only during the first five years

1 of the facility's processing of lignocellulose from wood; or
2 (ii) is at least 10 percent alcohol by volume, has been
3 produced from the processing of waste seafood, and was produced in
4 a facility that processes alcohol from waste seafood, but this reduction
5 in the rate of tax applies to motor fuel sold or transferred that contains
6 alcohol that was produced only during the first five years of the
7 facility's processing of alcohol from waste seafood.

8 * Sec. 5. AS 43.40.010(a) is amended to read:

9 (a) There is levied a tax of eight [~~17~~] cents a gallon on all motor fuel sold or
10 otherwise transferred within the state, except that

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

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

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

16 (4) the tax rate on motor fuel that is blended with alcohol is the same
17 tax rate a gallon as other motor fuel; however,

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

24 (B) notwithstanding (A) of this paragraph, through June 30,
25 2004, the tax on motor fuel sold or otherwise transferred within the state is
26 eight cents a gallon less than the tax on other motor fuel not described in (1) -
27 (3) of this subsection if the motor fuel

28 (i) is at least 10 percent alcohol by volume, has been
29 produced from the processing of lignocellulose derived from wood, and
30 was produced in a facility that processes lignocellulose from wood, but
31 this reduction in the rate of tax applies to motor fuel sold or transferred

1 that contains alcohol that was produced only during the first five years
2 of the facility's processing of lignocellulose from wood; or

3 (ii) is at least 10 percent alcohol by volume, has been
4 produced from the processing of waste seafood, and was produced in
5 a facility that processes alcohol from waste seafood, but this reduction
6 in the rate of tax applies to motor fuel sold or transferred that contains
7 alcohol that was produced only during the first five years of the
8 facility's processing of alcohol from waste seafood.

9 * Sec. 6. AS 43.40.010(b) is amended to read:

10 (b) There is levied a tax of 17 [EIGHT] cents a gallon on all motor fuel
11 consumed by a user, except that

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

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

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

18 (4) the tax rate on motor fuel that is blended with alcohol is the same
19 tax rate a gallon as other motor fuel; however,

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

26 (B) notwithstanding (A) of this paragraph, through June 30,
27 2004, the tax on motor fuel consumed by a user within the state is eight cents
28 a gallon less than the tax on other motor fuel not described in (1) - (3) of this
29 subsection if the motor fuel

30 (i) is at least 10 percent alcohol by volume, has been
31 produced from the processing of lignocellulose derived from wood, and

1 was produced in a facility that processes lignocellulose from wood, but
2 this reduction in the rate of tax applies to motor fuel consumed by a
3 user that contains alcohol that was produced only during the first five
4 years of the facility's processing of lignocellulose from wood; or

5 (ii) is at least 10 percent alcohol by volume, has been
6 produced from the processing of waste seafood, and was produced in
7 a facility that processes alcohol from waste seafood, but this reduction
8 in the rate of tax applies to motor fuel consumed by a user that contains
9 alcohol that was produced only during the first five years of the
10 facility's processing of alcohol from waste seafood.

11 * Sec. 7. AS 43.40.010(b) is amended to read:

12 (b) There is levied a tax of eight [17] cents a gallon on all motor fuel
13 consumed by a user, except that

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

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

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

20 (4) the tax rate on motor fuel that is blended with alcohol is the same
21 tax rate a gallon as other motor fuel; however,

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

28 (B) notwithstanding (A) of this paragraph, through June 30,
29 2004, the tax on motor fuel consumed by a user within the state is eight cents
30 a gallon less than the tax on other motor fuel not described in (1) - (3) of this
31 subsection if the motor fuel

1 (i) is at least 10 percent alcohol by volume, has been
 2 produced from the processing of lignocellulose derived from wood, and
 3 was produced in a facility that processes lignocellulose from wood, but
 4 this reduction in the rate of tax applies to motor fuel consumed by a
 5 user that contains alcohol that was produced only during the first five
 6 years of the facility's processing of lignocellulose from wood; or

7 (ii) is at least 10 percent alcohol by volume, has been
 8 produced from the processing of waste seafood, and was produced in
 9 a facility that processes alcohol from waste seafood, but this reduction
 10 in the rate of tax applies to motor fuel consumed by a user that contains
 11 alcohol that was produced only during the first five years of the
 12 facility's processing of alcohol from waste seafood.

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

14 (g) The proceeds of the revenue from the tax on all motor fuels, except as
 15 provided in (e), (f), [AND] (j), and (m) of this section, shall be deposited in a special
 16 highway maintenance [FUEL TAX] account in the state general fund. The legislature
 17 may appropriate an amount equal to the revenue obtained from the first 12 cents
 18 of the tax collected under (a) and (b), except (a)(1) - (4) and (b)(1) - (4), of this
 19 section [FUNDS] from the account [IT] for expenditure by the Department of
 20 Transportation and Public Facilities directly or as matched with available federal-aid
 21 highway money for projects included in the program provided for in AS 19.10.150,
 22 including maintenance of highways, ^{public transit} [CONSTRUCTION OF HIGHWAY PROJECTS
 23 AND] ferries and ferry terminals, and road paving and deferred maintenance
 24 projects [INCLUDED IN THE PROGRAM PROVIDED FOR IN AS 19.10.150,
 25 INCLUDING APPROACHES, APPURTENANCES AND RELATED FACILITIES
 26 AND ACQUISITION OF RIGHTS-OF-WAY OR EASEMENTS, AND OTHER
 27 HIGHWAY COSTS INCLUDING SURVEYS, ADMINISTRATION, AND RELATED
 28 MATTERS]. All departments of the state government authorized to spend money
 29 [FUNDS] collected from taxes imposed by this chapter shall perform, when feasible,
 30 all [CONSTRUCTION OR RECONSTRUCTION] projects by contract after the
 31 projects have been advertised for competitive bids. However, when it appears to be

→ DOTPF

1 in the best interests of the state, the department may perform the work,
2 notwithstanding any other provisions of law [, EXCEPT THAT, WHEN FEASIBLE,
3 ARRANGEMENTS SHALL BE MADE WITH POLITICAL SUBDIVISIONS TO
4 CARRY OUT THE CONSTRUCTION OR RECONSTRUCTION PROJECTS. IF IT
5 IS NOT FEASIBLE FOR THE WORK TO BE PERFORMED BY STATE
6 ENGINEERING FORCES, THE COMMISSIONER OF TRANSPORTATION AND
7 PUBLIC FACILITIES MAY CONTRACT ON A PROFESSIONAL BASIS WITH
8 PRIVATE ENGINEERING FIRMS FOR ROAD DESIGN, BRIDGE DESIGN, AND
9 SERVICES IN CONNECTION WITH SURVEYS. IF MORE THAN ONE PRIVATE
10 ENGINEERING FIRM IS AVAILABLE FOR THE WORK THE CONTRACTS
11 SHALL BE ENTERED INTO ON A NEGOTIATED BASIS].

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

13 (g) The proceeds of the revenue from the tax on all motor fuels, except as
14 provided in (e), (f), and (j) [, AND (m)] of this section, shall be deposited in a special
15 highway fuel tax [MAINTENANCE] account in the state general fund. The legislature
16 may appropriate funds [AN AMOUNT EQUAL TO THE REVENUE OBTAINED
17 FROM THE FIRST 12 CENTS OF THE TAX COLLECTED UNDER (a) AND (b),
18 EXCEPT (a)(1) - (4) AND (b)(1) - (4), OF THIS SECTION] from it [THE
19 ACCOUNT] for expenditure by the Department of Transportation and Public Facilities
20 directly or as matched with available federal-aid highway money for [PROJECTS
21 INCLUDED IN THE PROGRAM PROVIDED FOR IN AS 19.10.150, INCLUDING]
22 maintenance of highways, construction of highway projects and ferries included in
23 the program provided for in AS 19.10.150, including approaches, appurtenances
24 and related facilities and acquisition of rights-of-way or easements, and other
25 highway costs including surveys, administration, and related matters [AND
26 FERRY TERMINALS, AND ROAD PAVING AND DEFERRED MAINTENANCE
27 PROJECTS]. All departments of the state government authorized to spend funds
28 [MONEY] collected from taxes imposed by this chapter shall perform, when feasible,
29 all construction or reconstruction projects by contract after the projects have been
30 advertised for competitive bids, except that, when feasible, arrangements shall be
31 made with political subdivisions to carry out the construction or reconstruction

1 projects. If it is not feasible for the work to be performed by state engineering
2 forces, the commissioner of transportation and public facilities may contract on
3 a professional basis with private engineering firms for road design, bridge design,
4 and services in connection with surveys. If more than one private engineering
5 firm is available for the work the contracts shall be entered into on a negotiated
6 basis [. HOWEVER, WHEN IT APPEARS TO BE IN THE BEST INTERESTS OF
7 THE STATE, THE DEPARTMENT MAY PERFORM THE WORK,
8 NOTWITHSTANDING ANY OTHER PROVISIONS OF LAW].

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

10 (h) All motor fuel tax receipts shall be paid into the general fund and
11 distributed to the proper accounts in the general fund. Valid motor fuel tax refund
12 claims shall be paid from the highway maintenance [FUEL TAX] account in the
13 general fund.

14 * Sec. 11. AS 43.40.010(h) is amended to read:

15 (h) All motor fuel tax receipts shall be paid into the general fund and
16 distributed to the proper accounts in the general fund. Valid motor fuel tax refund
17 claims shall be paid from the highway fuel tax [MAINTENANCE] account in the
18 general fund.

19 * Sec. 12. AS 43.40.010 is amended by adding a new subsection to read:

20 (m) An amount equal to the revenue obtained from five cents of the tax
21 collected under (a) and (b), except (a)(1) - (4) and (b)(1) - (4), of this section shall be
22 deposited into the municipal road maintenance account created under AS 29.60.185.

23 * Sec. 13. AS 43.40.030(a) is amended to read:

24 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
25 operate an internal combustion engine is entitled to a refund of 13 [SIX] cents a gallon
26 if

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

28 (2) the motor fuel is not aviation fuel [,] or motor fuel used in or on
29 watercraft; and

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

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

2 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
3 operate an internal combustion engine is entitled to a refund of six [13] cents a gallon
4 if

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

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

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

10 * Sec. 15. AS 43.40.070 is amended to read:

11 Sec. 43.40.070. Refund warrants. Upon approval of a refund claim by the
12 department, a warrant shall be drawn on the highway maintenance [FUEL TAX]
13 account in the general fund in favor of the applicant in the amount of the claim.

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

15 Sec. 43.40.070. Refund warrants. Upon approval of a refund claim by the
16 department, a warrant shall be drawn on the highway fuel tax [MAINTENANCE]
17 account in the general fund in favor of the applicant in the amount of the claim.

18 * Sec. 17. AS 43.40 is amended by adding a new section to read:

19 Sec. 43.40.087. Civil penalties and enforcement. (a) Notwithstanding the
20 provisions of AS 43.05.130 or 43.05.220, the department shall assess a civil penalty
21 in accordance with this section for a violation of this chapter or a regulation adopted
22 under this chapter. The department shall establish the amount and other standards for
23 the assessment by regulations adopted under AS 43.05.080, but the maximum penalty
24 assessed under this section may not exceed

25 (1) \$10,000 for the first violation;

26 (2) \$50,000 for each subsequent violation.

27 (b) A civil penalty assessed under (a) of this section is in addition to any
28 criminal penalty imposed under AS 43.05.290.

29 (c) In addition to a civil penalty assessed under (a) of this section, a criminal
30 penalty imposed under AS 43.05.290, interest imposed under this title, and any other
31 remedy or other means of enforcement available under this title, for a violation of this

1 chapter or a regulation under this chapter, the department may, in accordance with
2 regulations adopted under AS 43.05.080,

3 (1) revoke a license issued under this chapter; and

4 (2) assess restitution in an amount of up to twice the amount of unpaid
5 tax or unwarranted refund received.

6 * Sec. 18. AS 43.40.100(2) is amended to read:

7 (2) "motor fuel" means fuel used in an engine for the propulsion of a
8 motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a
9 stationary engine, machine, or mechanical contrivance that is run by an internal
10 combustion motor; "motor fuel" does not include

11 (A) fuel consigned to foreign countries;

12 (B) fuel sold for use in jet propulsion aircraft operating in
13 flights

14 (i) to foreign countries; or

15 (ii) that continue from foreign countries, unless
16 exemption of the motor fuel from taxation is disallowed because of the
17 refiner's failure to comply with the provisions of a voluntary agreement
18 under AS 43.40.092 in conjunction with expansion of refinery capacity;

19 (C) fuel used in stationary power plants operating as public
20 utility plants and generating electrical energy for sale to the general public;

21 (D) fuel used by nonprofit power associations or corporations
22 for generating electric energy for resale;

23 (E) fuel used by charitable institutions approved under
24 26 U.S.C. 501(c)(3);

25 (F) fuel sold or transferred between qualified dealers;

26 (G) fuel sold to federal, state, and local government agencies
27 for official use;

28 (H) fuel used in stationary power plants that generate electrical
29 energy for private residential consumption;

30 (I) fuel used to heat private or commercial buildings or
31 facilities;

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

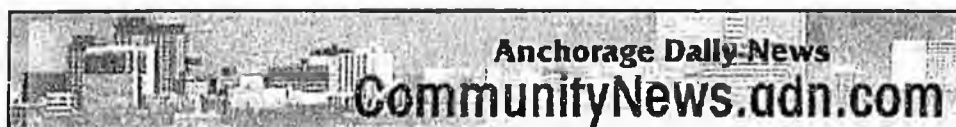
(K) fuel used in stationary power plants of 100 kilowatts or less that generate electrical power for commercial enterprises not for resale; or

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

* Sec. 19. AS 43.40.010(m) is repealed.

* Sec. 20. Sections 1 - 4, 6, 8, 10, 12, 13, 15, 17, and 18 of this Act take effect July 1, 2000.

* Sec. 21. Sections 5, 7, 9, 11, 14, 16, and 19 of this Act take effect July 1, 2005.



Anchorage Daily News

Friday, February 18, 2000

Fuel tax bill cuts cities in on revenues

By DAN JOLING
The Associated Press

JUNEAU - Alaska municipalities would get a share of an increase in gasoline taxes under the version of a motor fuel tax bill adopted by the House Transportation Committee on Thursday.

House Bill 59, proposed last year by Gov. Tony Knowles, would increase fuel taxes from 8 cents to 17 cents a gallon.

The bill was amended Thursday to send 5 cents a gallon of the proposed tax increase to municipalities based on how many road miles they have.

Committee Chairman Andrew Halcro, R-Anchorage, said he considers the gasoline tax a user fee. He said Alaskans would support the measure if they knew it could translate into improved road maintenance.

"I think people who pay at the pump will understand that scenario," Halcro said.

Halcro said cities could use the money to fix potholes, remove snow or simply lower property taxes for residents. Halcro said the bill would bring the state added money and make up some of the revenue lost to cities through cuts in state support.

The Matanuska-Susitna Borough has 1,035 miles of road, the most of any municipality. The borough receives \$448,000 through state revenue sharing for maintaining local roads. The gas tax increase under the bill would give the borough another \$2 million.

Anchorage's share of the fuel tax would be \$1.6 million and the city and borough in Fairbanks would split \$1.2 million more.

Not all committee members were ready to support the tax increase. Though Alaskans have the lowest gas tax in the nation, said Rep. John Cowdery, R-Anchorage, they probably pay the highest prices per gallon.

Rep. Beverly Masek, R-Willow, said she has polled constituents in

her district on higher fuel taxes.

"The surveys that have come back say the gas tax is not acceptable in my area," she said.

Halcro urged members to support advancing the bill as a means of involving Alaskans in the discussion of how to close the gap between state revenue and spending.

"This is a good way, I feel, to start the discussion," Halcro said. "If we're not willing to start the discussion, what are we doing here?"

Halcro said reductions in the state's budget for transportation has resulted in less snow removal and closing of seasonal roads.

"We have created a transportation infrastructure and we have no way to pay for the maintenance and repair," Halcro said.

The new version of the bill contains a clause that would end the tax increase in 2005 without legislative action to continue it.

Rep. Albert Kookesh, D-Angoon, said the bill should include a provision to make sure small communities receive road maintenance money.

Halcro said he will bring up the bill again within two weeks.

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HB 59 CS With 5 Cent Allocation to SRS Road Maintenance Account at FY 00 Road Miles

Feb-16-00 01:34pm From-DCRA MUNICIPAL & REGIONAL ASSISTANCE DIV 8074655085 T-384 P 02 F-884

Municipality	Public Road Miles	FY 00 SRS Payment	HB 59 CS With 5 Cent Allocation	Difference From FY 00	Ice Road Miles	FY 00 SRS Payment	HB 59 CS With 5 Cent Allocation	Difference From FY 00
City of Akhiok	3.10	\$917.00	\$5,043.72	\$4,126.72	0.00	\$0.00	\$0.00	\$0.00
City of Akiak	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Akutan	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Alakanuk	4.00	\$2,238.00	\$12,309.54	\$10,071.54	22.50	\$7,558.00	\$41,570.81	\$34,012.81
City of Aleknagik	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Anchorage	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Allakaket	8.24	\$4,786.00	\$26,324.16	\$21,538.16	0.00	\$0.00	\$0.00	\$0.00
City of Ambler	8.36	\$4,855.00	\$26,703.67	\$21,848.67	30.00	\$10,454.00	\$57,499.50	\$47,045.50
City of Anaktuvuk Pass	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
Municipality of Anchorage	885.12	\$369,064.00	\$2,029,941.18	\$1,660,877.18	0.00	\$0.00	\$0.00	\$0.00
City of Anderson	9.80	\$5,692.00	\$31,307.38	\$25,615.38	0.00	\$0.00	\$0.00	\$0.00
City of Angoon	4.79	\$2,072.00	\$11,396.50	\$9,324.50	0.00	\$0.00	\$0.00	\$0.00
City of Aniak	17.76	\$10,313.00	\$56,723.99	\$46,410.99	15.00	\$15,679.00	\$86,238.26	\$70,559.26
City of Anvik	7.75	\$4,502.00	\$24,762.09	\$20,260.09	0.00	\$0.00	\$0.00	\$0.00
City of Atka	18.50	\$9,981.00	\$54,897.91	\$44,916.91	0.00	\$0.00	\$0.00	\$0.00
City of Atkasuk	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Barrow	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Bethel	16.75	\$9,375.00	\$51,564.77	\$42,189.77	82.30	\$27,642.00	\$152,037.62	\$124,395.62
City of Bethles	3.05	\$1,771.00	\$9,740.93	\$7,969.93	30.00	\$10,454.00	\$57,499.50	\$47,045.50
City of Brevig Mission	2.00	\$1,161.00	\$6,385.78	\$5,224.78	0.00	\$0.00	\$0.00	\$0.00
City of Bristol Bay Borough	26.01	\$14,034.00	\$77,190.39	\$63,156.39	0.00	\$0.00	\$0.00	\$0.00
City of Buckland	2.50	\$1,451.00	\$7,980.85	\$6,529.85	44.50	\$15,508.00	\$85,297.72	\$69,789.72
City of Chefomak	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Chevak	5.70	\$3,191.00	\$17,551.27	\$14,360.27	0.00	\$0.00	\$0.00	\$0.00
City of Chignik	2.41	\$1,300.00	\$7,150.31	\$5,850.31	0.00	\$0.00	\$0.00	\$0.00
City of Chuathbaluk	4.00	\$2,324.00	\$12,782.56	\$10,458.56	0.00	\$0.00	\$0.00	\$0.00
City of Clark's Point	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Coffman Cove	72.74	\$30,330.00	\$166,822.33	\$136,492.33	0.00	\$0.00	\$0.00	\$0.00
City of Cold Bay	29.20	\$15,754.00	\$86,650.81	\$70,896.81	0.00	\$0.00	\$0.00	\$0.00
City of Cordova	12.90	\$6,232.00	\$34,277.51	\$28,045.51	0.00	\$0.00	\$0.00	\$0.00
City of Craig	18.16	\$7,572.00	\$41,647.83	\$34,075.83	0.00	\$0.00	\$0.00	\$0.00
City of Deering	4.65	\$2,698.00	\$14,839.65	\$12,141.65	56.00	\$19,505.00	\$107,282.17	\$87,777.17
City of Delta Junction	29.41	\$14,210.00	\$78,158.43	\$63,948.43	0.00	\$0.00	\$0.00	\$0.00
City of Denali Borough	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Dillingham	21.75	\$11,735.00	\$64,545.34	\$52,810.34	0.00	\$0.00	\$0.00	\$0.00
City of Diomedes	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Eagle	5.10	\$2,464.00	\$13,552.60	\$11,088.60	0.00	\$0.00	\$0.00	\$0.00
City of Eek	1.83	\$1,024.00	\$5,632.25	\$4,608.25	0.00	\$0.00	\$0.00	\$0.00
City of Egegik	18.50	\$9,982.00	\$54,903.41	\$44,921.41	20.00	\$6,474.00	\$35,608.55	\$29,134.55
City of Ekwok	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Elim	11.80	\$6,854.00	\$37,698.66	\$30,844.66	0.00	\$0.00	\$0.00	\$0.00
City of Emmonak	5.92	\$3,314.00	\$18,227.80	\$14,913.80	7.00	\$2,351.00	\$12,931.06	\$10,580.06
City of Fairbanks	106.72	\$51,560.00	\$283,592.46	\$232,032.46	0.00	\$0.00	\$0.00	\$0.00

HB 59 CS With 5 Cent Allocation to SRS Road Maintenance Account at FY 00 Road Miles

Feb-16-00 01:34pm From-DCRA MUNICIPAL & REGIONAL ASSISTANCE DIV 8074655085 T-384 P 03 F-984

Municipality	Public Road Miles	FY 00 SRS Payment	HB 59 CS With 5 Cent Allocation	Difference From FY 00	Ice Road Miles	FY 00 SRS Payment	HB 59 CS With 5 Cent Allocation	Difference From FY 00
Fairbanks North Star Borough	430.34	\$207,914.00	\$1,143,577.24	\$935,663.24	0.00	\$0.00	\$0.00	\$0.00
City of False Pass	3.00	\$1,618.00	\$8,899.39	\$7,281.39	0.00	\$0.00	\$0.00	\$0.00
City of Fort Yukon	17.00	\$9,873.00	\$54,303.89	\$44,430.89	0.00	\$0.00	\$0.00	\$0.00
City of Galena	7.10	\$4,123.00	\$22,677.50	\$18,554.50	0.00	\$0.00	\$0.00	\$0.00
City of Gambell	8.50	\$4,937.00	\$27,154.69	\$22,217.69	0.00	\$0.00	\$0.00	\$0.00
City of Golovin	5.22	\$2,029.00	\$11,159.99	\$9,130.99	15.00	\$5,226.00	\$28,744.25	\$23,518.25
City of Goodnews Bay	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Grayling	7.00	\$4,066.00	\$22,363.98	\$18,297.98	0.00	\$0.00	\$0.00	\$0.00
City of Haines	13.55	\$6,082.00	\$33,452.47	\$27,370.47	0.00	\$0.00	\$0.00	\$0.00
Haines Borough	13.09	\$5,876.00	\$32,319.42	\$26,443.42	0.00	\$0.00	\$0.00	\$0.00
City of Holy Cross	15.30	\$8,886.00	\$48,875.15	\$39,989.15	0.00	\$0.00	\$0.00	\$0.00
City of Homer	23.83	\$10,695.00	\$58,825.08	\$48,130.08	0.00	\$0.00	\$0.00	\$0.00
City of Hoonah	75.00	\$33,663.00	\$185,154.63	\$151,491.63	0.00	\$0.00	\$0.00	\$0.00
City of Hooper Bay	1.74	\$974.00	\$5,357.24	\$4,383.24	0.00	\$0.00	\$0.00	\$0.00
City of Houston	41.33	\$17,879.00	\$98,338.82	\$80,459.82	0.00	\$0.00	\$0.00	\$0.00
City of Hughes	5.75	\$3,339.00	\$18,365.31	\$15,026.31	0.00	\$0.00	\$0.00	\$0.00
City of Huslia	18.18	\$10,559.00	\$58,077.05	\$47,518.05	0.00	\$0.00	\$0.00	\$0.00
City of Hydaburg	6.20	\$1,676.00	\$9,218.40	\$7,542.40	0.00	\$0.00	\$0.00	\$0.00
City and Borough of Juneau	92.53	\$38,581.00	\$212,204.82	\$173,623.82	0.00	\$0.00	\$0.00	\$0.00
City of Kachemak	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Kake	13.89	\$6,010.00	\$33,056.45	\$27,046.45	0.00	\$0.00	\$0.00	\$0.00
City of Kaktovik	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Kaltag	8.17	\$4,745.00	\$26,098.65	\$21,353.65	0.00	\$0.00	\$0.00	\$0.00
City of Kasan	8.45	\$3,521.00	\$19,382.85	\$15,861.85	0.00	\$0.00	\$0.00	\$0.00
City of Kenai	61.81	\$27,742.00	\$152,587.70	\$124,845.70	0.00	\$0.00	\$0.00	\$0.00
Kenai Peninsula Borough	265.71	\$280,832.00	\$1,544,643.86	\$1,263,811.86	0.00	\$0.00	\$0.00	\$0.00
City of Ketchikan	22.51	\$9,385.00	\$51,619.77	\$42,234.77	0.00	\$0.00	\$0.00	\$0.00
Ketchikan Gateway Borough	3.29	\$1,372.00	\$7,546.33	\$6,174.33	0.00	\$0.00	\$0.00	\$0.00
City of Kiina	7.82	\$4,541.00	\$24,976.60	\$20,435.60	25.00	\$8,711.00	\$47,912.59	\$39,201.59
City of King Cove	7.82	\$4,220.00	\$23,211.02	\$18,991.02	0.00	\$0.00	\$0.00	\$0.00
City of Kivalina	1.09	\$632.00	\$3,476.15	\$2,844.15	12.00	\$4,182.00	\$23,002.00	\$18,820.00
City of Klawock	9.70	\$4,045.00	\$22,248.48	\$18,203.48	0.00	\$0.00	\$0.00	\$0.00
City of Kobuk	8.11	\$4,710.00	\$25,906.14	\$21,196.14	9.40	\$3,276.00	\$18,018.78	\$14,742.78
City of Kodiak	25.31	\$11,360.00	\$62,482.74	\$51,122.74	0.00	\$0.00	\$0.00	\$0.00
Kodiak Island Borough	25.00	\$11,247.00	\$61,861.22	\$50,614.22	0.00	\$0.00	\$0.00	\$0.00
City of Kotlik	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Kotzebue	28.30	\$16,435.00	\$90,396.47	\$73,961.47	73.00	\$25,437.00	\$139,909.59	\$114,472.59
City of Koyuk	4.26	\$2,474.00	\$13,607.60	\$11,133.60	0.00	\$0.00	\$0.00	\$0.00
City of Koyukuk	4.19	\$2,434.00	\$13,387.59	\$10,953.59	0.00	\$0.00	\$0.00	\$0.00
City of Kupreanof	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Kwethluk	1.93	\$1,081.00	\$5,945.76	\$4,864.76	0.00	\$0.00	\$0.00	\$0.00
Adak and Peninsula Borough	53.62	\$28,929.00	\$159,116.49	\$130,187.49	80.50	\$26,059.00	\$143,330.74	\$117,271.74
City of Larsen Bay	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00

HB 59 CS With 5 Cent Allocation to SRS Road Maintenance Account at FY 00 Road Miles

Municipality	Public Road Miles	FY 00 SRS Payment	HB 59 CS With 5 Cent Allocation	Difference From FY 00	Ice Road Miles	FY 00 SRS Payment	HB 59 CS With 5 Cent Allocation	Difference From FY 00
City of Lower Kalskag	3.67	\$2,131.00	\$11,721.01	\$9,590.01	40.00	\$13,939.00	\$76,667.84	\$62,728.84
City of Manokotak	7.93	\$4,278.00	\$23,530.03	\$19,252.03	0.00	\$0.00	\$0.00	\$0.00
City of Marshall	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
Indianuska-Susiina Borough	1,035.97	\$448,160.00	\$2,464,988.29	\$2,016,828.29	0.00	\$0.00	\$0.00	\$0.00
City of McGrath	21.85	\$12,690.00	\$69,798.07	\$57,108.07	0.00	\$0.00	\$0.00	\$0.00
City of Mekoryuk	3.30	\$1,848.00	\$10,164.45	\$8,316.45	0.00	\$0.00	\$0.00	\$0.00
City of Mountain Village	7.50	\$4,199.00	\$23,095.51	\$18,896.51	0.00	\$0.00	\$0.00	\$0.00
City of Napakiak	4.81	\$2,705.00	\$14,878.15	\$12,173.15	0.00	\$0.00	\$0.00	\$0.00
City of Napaskiak	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Nenana	26.39	\$14,772.00	\$81,249.57	\$66,477.57	0.00	\$0.00	\$0.00	\$0.00
City of New Stuyahok	2.50	\$1,349.00	\$7,419.83	\$6,070.83	0.00	\$0.00	\$0.00	\$0.00
City of Newhalen	0.00	\$0.00	\$0.00	\$0.00	20.00	\$6,475.00	\$35,614.05	\$29,139.05
City of Nightmute	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Nikolai	5.00	\$2,904.00	\$15,972.70	\$13,068.70	0.00	\$0.00	\$0.00	\$0.00
City of Nome	17.52	\$10,174.00	\$55,959.46	\$45,785.46	0.00	\$0.00	\$0.00	\$0.00
City of Nondalton	25.00	\$13,488.00	\$74,187.26	\$60,699.26	1.50	\$485.00	\$2,667.62	\$2,182.62
City of Noorvik	7.20	\$4,181.00	\$22,996.51	\$18,815.51	40.00	\$13,938.00	\$76,662.34	\$62,724.34
City of North Pole	15.23	\$7,358.00	\$40,470.78	\$33,112.78	0.00	\$0.00	\$0.00	\$0.00
North Slope Borough	101.97	\$59,220.00	\$325,724.31	\$266,504.31	43.00	\$14,983.00	\$82,410.09	\$67,427.09
Northwest Arctic Borough	64.09	\$37,221.00	\$204,724.49	\$167,503.49	142.38	\$49,613.00	\$272,883.39	\$223,270.39
City of Nuiqsut	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Nulato	12.21	\$7,092.00	\$39,007.71	\$31,915.71	0.00	\$0.00	\$0.00	\$0.00
City of Nunapitchuk	0.00	\$0.00	\$0.00	\$0.00	67.75	\$22,756.00	\$125,163.45	\$102,407.45
City of Old Harbor	5.02	\$2,253.00	\$12,392.04	\$10,139.04	0.00	\$0.00	\$0.00	\$0.00
City of Ouzinkie	3.60	\$1,615.00	\$8,882.89	\$7,267.89	0.00	\$0.00	\$0.00	\$0.00
City of Palmer	32.74	\$14,163.00	\$77,899.92	\$63,736.92	0.00	\$0.00	\$0.00	\$0.00
City of Pelican	0.90	\$404.00	\$2,222.10	\$1,818.10	0.00	\$0.00	\$0.00	\$0.00
City of Petersburg	21.56	\$9,326.00	\$51,295.25	\$41,969.25	0.00	\$0.00	\$0.00	\$0.00
City of Pilot Point	14.00	\$7,553.00	\$41,543.33	\$33,990.33	0.00	\$0.00	\$0.00	\$0.00
City of Pilot Station	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Platinum	9.00	\$5,038.00	\$27,710.22	\$22,672.22	0.00	\$0.00	\$0.00	\$0.00
City of Point Hope	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Port Alexander	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Port Heiden	27.40	\$14,784.00	\$81,315.57	\$66,531.57	0.00	\$0.00	\$0.00	\$0.00
City of Port Lions	4.29	\$1,925.00	\$10,587.97	\$8,662.97	0.00	\$0.00	\$0.00	\$0.00
City of Port Lions	7.33	\$4,103.00	\$22,567.49	\$18,464.49	0.00	\$0.00	\$0.00	\$0.00
City of Quinhagak	6.00	\$3,485.00	\$19,168.34	\$15,683.34	1.00	\$348.00	\$1,914.08	\$1,566.08
City of Ruby	1.97	\$1,103.00	\$6,066.77	\$4,963.77	0.00	\$0.00	\$0.00	\$0.00
City of Russian Mission	16.28	\$8,784.00	\$48,314.12	\$39,530.12	0.00	\$0.00	\$0.00	\$0.00
City of Saint George	8.68	\$4,860.00	\$26,731.17	\$21,871.17	0.00	\$0.00	\$0.00	\$0.00
City of Saint Mary's	4.82	\$1,845.00	\$10,147.95	\$8,302.95	0.00	\$0.00	\$0.00	\$0.00
City of Saint Michael	42.82	\$23,102.00	\$127,066.58	\$103,964.58	0.00	\$0.00	\$0.00	\$0.00
City of Saint Paul	11.50	\$6,205.00	\$34,129.00	\$27,924.00	0.00	\$0.00	\$0.00	\$0.00

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 P-04
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 From-DCRA MUNICIPAL & REGIONAL ASSISTANCE
 01:35pm
 Feb-16-00

HB 59 CS With 5 Cent Allocation to SRS Road Maintenance Account at FY 00 Road Miles

Feb-16-00 01:35pm From-DCRA MUNICIPAL & REGIONAL ASSISTANCE DIV 9074855085 T-384 P.05 F-884

Municipality	Public Road Miles	FY 00 SRS Payment	HB 59 CS With 5 Cent Allocation	Difference From FY 00	Ice Road Miles	FY 00 SRS Payment	HB 59 CS With 5 Cent Allocation	Difference From FY 00
City of Savoonga	7.07	\$4,106.00	\$22,583.99	\$18,477.99	0.00	\$0.00	\$0.00	\$0.00
City of Saxman	4.27	\$1,781.00	\$9,795.93	\$8,014.93	0.00	\$0.00	\$0.00	\$0.00
City of Scammon Bay	2.15	\$1,203.00	\$6,616.79	\$5,413.79	0.00	\$0.00	\$0.00	\$0.00
City of Selawik	3.53	\$1,745.00	\$9,597.92	\$7,852.92	54.00	\$16,017.00	\$88,097.34	\$72,080.34
City of Seldovia	6.30	\$2,827.00	\$15,549.18	\$12,722.18	0.00	\$0.00	\$0.00	\$0.00
City of Seward	27.27	\$12,239.00	\$67,317.46	\$55,078.46	0.00	\$0.00	\$0.00	\$0.00
City of Shageluk	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Shaktoolik	3.50	\$2,033.00	\$11,181.99	\$9,148.99	0.00	\$0.00	\$0.00	\$0.00
City of Sheldon Point	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Shishmaref	3.98	\$2,312.00	\$12,716.56	\$10,404.56	1.55	\$540.00	\$2,970.13	\$2,430.13
City of Shungnak	5.00	\$2,903.00	\$15,967.20	\$13,064.20	30.00	\$10,454.00	\$57,499.50	\$47,045.50
City and Borough of Sitka	25.11	\$10,862.00	\$59,743.62	\$48,881.62	0.00	\$0.00	\$0.00	\$0.00
City of Skagway	12.05	\$5,409.00	\$29,750.81	\$24,341.81	0.00	\$0.00	\$0.00	\$0.00
City of Soldotna	37.29	\$16,737.00	\$92,057.54	\$75,320.54	0.00	\$0.00	\$0.00	\$0.00
City of Stebbins	8.17	\$4,745.00	\$26,098.65	\$21,353.65	0.00	\$0.00	\$0.00	\$0.00
City of Tanana	29.50	\$17,133.00	\$94,235.64	\$77,102.64	0.00	\$0.00	\$0.00	\$0.00
City of Teller	2.69	\$1,562.00	\$8,591.38	\$7,029.38	0.00	\$0.00	\$0.00	\$0.00
City of Tenakee Springs	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Thome Bay	33.45	\$13,948.00	\$76,717.37	\$62,769.37	0.00	\$0.00	\$0.00	\$0.00
City of Togiak	10.21	\$5,509.00	\$30,300.83	\$24,791.83	0.00	\$0.00	\$0.00	\$0.00
City of Toksook Bay	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Unalakleet	9.62	\$5,588.00	\$30,735.35	\$25,147.35	0.00	\$0.00	\$0.00	\$0.00
City of Unalaska	35.91	\$19,375.00	\$106,567.18	\$87,192.18	0.00	\$0.00	\$0.00	\$0.00
City of Upper Kalskag	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Valdez	24.30	\$12,180.00	\$66,992.94	\$54,812.94	0.00	\$0.00	\$0.00	\$0.00
City of Wainwright	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Wales	0.00	\$0.00	\$0.00	\$0.00	0.00	\$0.00	\$0.00	\$0.00
City of Wasilla	59.42	\$25,705.00	\$141,383.71	\$115,678.71	0.00	\$0.00	\$0.00	\$0.00
City of White Mountain	2.75	\$1,053.00	\$5,791.75	\$4,738.75	0.00	\$0.00	\$0.00	\$0.00
City of Whittier	8.60	\$4,155.00	\$22,853.50	\$18,698.50	0.00	\$0.00	\$0.00	\$0.00
City of Wrangell	10.99	\$4,754.00	\$26,148.15	\$21,394.15	0.00	\$0.00	\$0.00	\$0.00
City and Borough of Yakutat	16.54	\$7,424.00	\$40,833.79	\$33,409.79	0.00	\$0.00	\$0.00	\$0.00
Totals	5,043.96	\$2,338,270.00	\$12,861,050.00	\$10,522,780.00	993.38	\$338,064.00	\$1,859,433.00	\$1,521,369.00

Equitable Sharing of Gas Tax with Local Taxpayers from Gas Used on Local Roads

- ❖ Taxpayers pay twice to maintain their local roads: once at the gas pump; and then again when they pay property taxes.
- ❖ 43.5 % of all roads in Alaska are municipally maintained roads. 43.5% of the gas tax should be shared with local taxpayers.
- ❖ Most states share gas taxes with municipalities and local taxpayers because it is the fair and equitable thing to do. Also, a fair gas tax revenue sharing program will be an incentive for municipalities to accept maintenance of more state roads.
- ❖ Citizens are far more likely to support a gas tax increase if they know how their taxes will be used. **Sharing the gas tax with local taxpayers specifically for road maintenance is the most direct way to gain public trust and acceptance.**

Lane miles maintained by the State Department of Transportation:

(figures provided by DOT 8/12/99)

Central Region Lane Miles	4,669.3 lane miles
Northern Region Lane Miles	8,353.0 lane miles
Southeast Region Lane Miles	<u>1,347.0 lane miles</u>
TOTAL State Lane miles	14,369.3 lane miles

Lane miles maintained by Municipal Governments:

(figures provided by the Dept of Community and Economic Development 8/11/99)

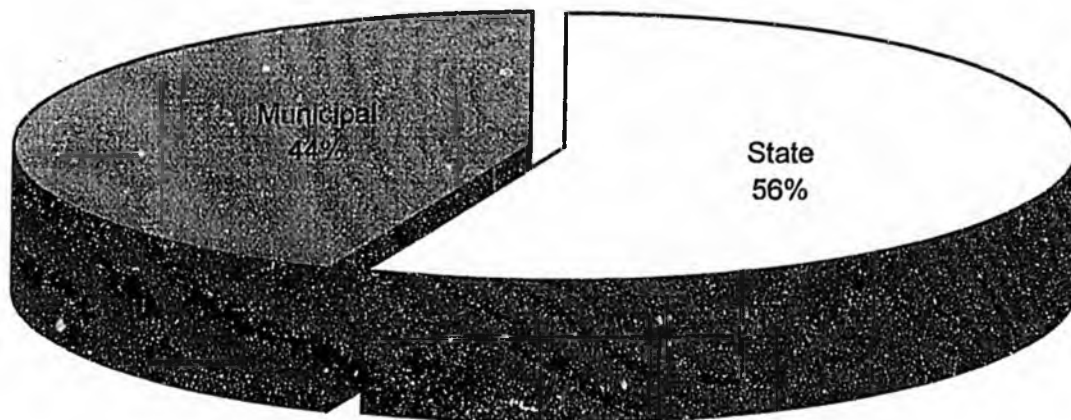
TOTAL Public Roads lane Miles*	10,087.92
TOTAL Ice Road Miles	<u>993.38</u>
TOTAL Municipal Lane Miles	11,081.3 lane miles

* DCED maintains records in miles (5,043.96) this was converted to lane miles by multiplying by a factor of 2

Ratio of Municipal and State Lane Miles:

Total State plus Municipal Lane Miles =	25,450.6 Lane Miles	
Municipal Lane Miles as a % of all Lane Miles (11,081.3 / 25,450.6) =		43.5%
State Lane Miles as a % of all Lane Miles = (14,369.3 / 25,450.6) =		56.5%

Municipal Taxpayers Maintain 43.5% of Alaska's Roads



Total State Lane Miles = 14,369.3 (per Department of Transportation)
Total Municipal Lane Miles = 11,081.3 (per DCED)



750 W. 2nd Ave. #109, Anchorage AK 99501 / Ph. 907-258-6171 / Fax 907-258-6177

P.O. Box 22151, Juneau AK 99802 / Ph. 907-463-3366 / Fax 907-463-3312 / unite@akvoice.org

TO: Members of House Transportation Committee

FROM: Alaska Conservation Voters
Kay Brown, Executive Director, and *Tony*
Cheryl Richardson, Transportation Issue Group Chair

SUBJECT: comments on HB 59, motor fuel tax

DATE: Jan. 20, 2000

The bill as proposed makes a small increase of 9 cents per gallon to Alaska's current 8 cent per gallon tax on motor fuels.

It deposits these funds into a special account, the "maintenance and construction account." The first priority of these monies is to match the federal highway dollars for planning, design and construction of highways, ferries and ferry terminals. The second priority of the account is for secondary road paving and deferred maintenance projects.

The Alaska Conservation Voters (ACV) believe that an increase in the motor fuel tax is a desirable way to raise money to meet the state's revenue needs and encourage consumers to adopt more environmentally sound methods of transportation.

Despite these positive features, we have reservations about the bill as written because it attempts to dedicate this money as the federal match for highway and ferry construction.

We feel this money should be shared with local governments for them to operate and maintain their transportation systems. This is especially important considering recent and proposed cuts to the state's Municipal Assistance and Revenue Sharing Programs.

We urge the committee to consider sharing additional motor fuel tax dollars with local governments.

We are concerned about the practice of segregating transportation dollars that makes the Department of Transportation and Public Facilities less accountable. We think that more accountability over transportation spending is needed and that accountability is best accomplished at the local government level.

Conserve Alaska. It's Only Natural.



ASSOCIATED GENERAL CONTRACTORS of ALASKA

4041 B STREET - ANCHORAGE, ALASKA 99503
P.O. BOX 240609 - ANCHORAGE, ALASKA 99524-0609
TELEPHONE (907) 561-5355 • FAX (907) 562-6118

February 19, 1999

To: Whom it may concern

Subject: State of Alaska "Fiscal Gap"

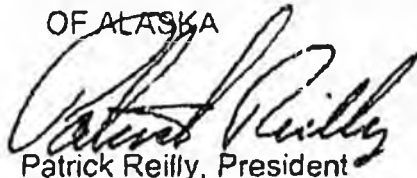
The following is a position taken by AGC of Alaska in regards to the state's fiscal gap. These recommendations address some points of concern and offer a strategy to overcome the projected difference between revenue and expenditures. Temporary measures may be necessary to overcome initial difficulties; however, a long term solution is achievable.

- 1) Maximize use of federal match programs for capital work.
- 2) Maintain a structured approach to a Capital Program within the limits set in article IX Section 16 of the Alaska Constitution.
- 3) Reduce state government to meet basic state government function in accordance with articles II through X of the Alaska Constitution. Customary operations by other states can serve as a guideline to define these basic functions. Employment considerations for public employees should resemble parity with similar work in the private sector.
- 4) Lower state expenditures through increased privatization of services.
- 5) Use of the non-designated earnings of the Permanent Fund is recommended to balance the budget.
- 6) Bonding for capital program should be used to bridge short-term fiscal gaps.
- 7) We support an increase to the state motor fuel tax provided the revenues are used for additional maintenance of our transportation infrastructure and distributed through a designated fund.
- 8) No income tax is warranted if the stated activities are implemented.

We welcome any suggestions or questions.

Thank you.

ASSOCIATED GENERAL CONTRACTORS
OF ALASKA


Patrick Reilly, President

TONY KNOWLES
GOVERNOR



HB 59

P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 20, 1999

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker ^{Brian} Porter:

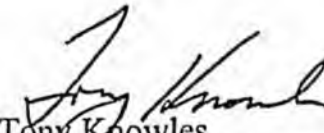
In order for Alaska's economy to grow and diversify, we must improve our transportation infrastructure. With additional funds available under the new federal transportation law, the state can secure \$400 million in federal highway construction dollars each year for the next five years by meeting the required \$50.6 million state match. We can meet the state match for this enormous opportunity with a reasonable user-pays motor fuels tax increase of nine cents per gallon, as proposed in this bill I transmit today.

At the current eight cents per gallon, Alaska's gas taxes are now the lowest in the nation. Even after the proposed increase, forty-five states would have higher rates. We would still be well below the 23.4 cent average for large western states. In fact, had the tax rate been indexed for inflation when it was last raised in 1961, it would currently be 43 cents per gallon.

Under existing law, revenue from the motor fuel tax used on roads and highways is deposited in a highway fuel tax account in the general fund. Under the bill, that account is renamed the highway construction and maintenance account. Its recommended use is, first, for planning, design, and construction of highway projects, ferries, and ferry terminals and, second, for secondary road paving and deferred maintenance projects. This bill would not affect taxes on aviation or marine fuel nor the current seasonal tax reduction allowed for gasohol users.

This proposal represents a modest, user-pays approach to leveraging valuable federal highway dollars. The benefit to Alaska would be multiplied many times over.

Sincerely,


Tony Knowles
Governor

STATE OF ALASKA

DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

3132 CHANNEL DRIVE
JUNEAU, ALASKA 99801-7898

TEXT: (907) 465-3652
FAX: (907) 586-8365
PHONE: (907) 465-3900

February 1, 1999

The Honorable Beverly Masek
Chair, House Transportation
Alaska State Legislature
State Capitol, Room 432
Juneau AK 99801-1182

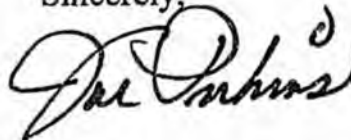
Bew
Dear Representative Masek:

I am writing to request that you schedule a hearing on House Bill 59 which amends Alaska's motor fuel tax statutes. This legislation would increase the tax on highway motor fuel from eight (8) cents to 17 cents a gallon. The revenue would be statutorily dedicated to paying the state match for Federal Highway funds and for highway maintenance.

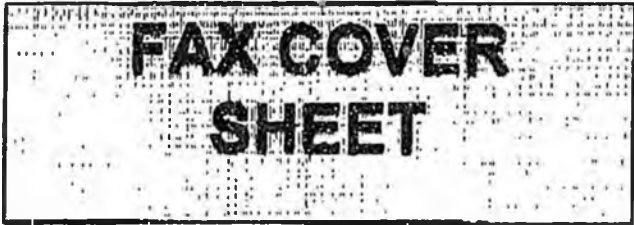
The proposed legislation represents a modest user-pays approach to leveraging valuable federal funding (90% Federal funds - 10% State matching funds) necessary to improve our highway transportation system. Even after the proposed increase, Alaska's motor fuel tax rate would still be reasonable and below what 45 other states charge. The existing tax rate has not been increased in 28 years.

House Bill 59 provides the financial resources (without negatively affecting existing programs) required, to obtain increased federal funding. I look forward to working with you and ask that you schedule a hearing on this bill at your earliest convenience.

Sincerely,



Joseph L. Perkins, P.E.
Commissioner



TO: Andrew Hallcro or Kevin - Alaska House Transportation Committee
2100 Eleventh Avenue
P.O. Box 4129
Helena, MT 59804
TEL (406) 447-8119
FAX (408) 442-5671
Toll Free (800) 391-4222

FAX Number: 907 465 2418

FROM: Alice Parker, Marketing Dir

DATE: January 20, 2000

Number of sheets including this one: 4

Attached are the pre-holiday gas prices. If you need further information, please contact Charity Watt Levis after February 4, 2000 @ 1 800 332-6119 x 8130.

Thanks



NEWS

AAA news releases can be downloaded from <http://www.aaa.com/news>

FOR IMMEDIATE RELEASE

Contact: Jerry Cheske
Geoff Sundstrom
(407) 444-8000

PRE-HOLIDAY GAS PRICE

HIGHEST SINCE 1990,

AAA SURVEY SHOWS

ORLANDO, Fla., Dec. 7 – Gasoline prices increased 2.8 cents per gallon in the last three weeks, rising to their highest pre-Christmas level since 1990, according to AAA.

AAA's monthly Fuel Gauge Report shows self-serve regular unleaded gasoline averages \$1.31 per gallon nationwide, the highest December price since 1990 when the average was \$1.371 per gallon. In November, the nationwide average price was \$1.282 per gallon.

Gas prices are up 28.7 cents per gallon since last December, when the average fuel price was \$1.023.

Self-serve mid-grade averages \$1.404 per gallon, up 3.2 cents from November. Self-serve premium averages \$1.468, up 3 cents in three weeks.

- more -

fuelgauge/2222

Self-serve regular unleaded gasoline is most expensive in the West at \$1.397 per gallon, down .1 cent from last month. It is least expensive in the Southeast at \$1.253, up 5.7 cents from the previous month. One year ago the average price of self-serve regular unleaded in the West was \$1.179. In the Southeast, the average price was 95.3 cents a year ago.

Other regional prices for self-serve regular unleaded are: New England, \$1.353 per gallon, 1.9 cents higher than last month and 29.9 cents higher than a year ago; Mid-Atlantic, \$1.307, up 3.4 cents since last month and up 29.2 cents from last year; Great Lakes, \$1.311, up 6.3 cents from last month and 34.1 cents above last year; Midwest, \$1.247 up 3.4 cents from November and 29.7 cents higher than a year ago; and Southwest, \$1.265, 3.1 cents higher than last month and 29.2 cents above last year.

The national average prices for self-serve regular unleaded gasoline for the last six months were: November, \$1.282 per gallon; October, \$1.293; September, \$1.282; August, \$1.255; July, \$1.174; June, \$1.142; May, \$1.157.

The national average prices for December in the last nine years were: 1998, \$1.023 per gallon; 1997, \$1.26; 1996, \$1.288; 1995, \$1.118; 1994, \$1.149; 1993, \$1.091; 1992, \$1.128; 1991, \$1.113; 1990, \$1.371.

AAA's Fuel Gauge Report is based on data from Oil Price Information Service - the nation's most comprehensive source of petroleum pricing information (800-929-4824, ext. 2645).

###

12/99/74

FUEL GAUGE SURVEY OVERVIEW**December 7, 1999****FOR USE BY AAA CLUBS**

Gasoline prices are at their highest pre-holiday level since 1990, reflecting the widely-reported curtailment of supply by OPEC nations, as well as concern that Iraqi oil shipments will not resume unless a new food-for-oil agreement is struck with the United Nations. Iraq stopped shipping oil November 22.

The average nationwide price of self-serve regular unleaded is still below the \$1.37 per gallon mark hit in the days preceding the Persian Gulf War.

In the last three weeks, the nationwide average price has moved up an average 2.8 cents as prices in the Great Lakes and Southeast began to catch-up with the rest of the country. The Great Lakes price is up 6.3 cents since November and the average price in the southeast is 5.7 cents higher than last month. Prices in the west declined by one-tenth of a cent.

Yesterday's Dow Jones commodity report quoted the per barrel oil price at \$26.66, more than a dollar short of \$27.98; the highest price posted this year.

#

HB59

CONCEPT DISCUSSION DRAFT - HB 59

The concept:

- requires all gas tax money to be used for road regular and deferred maintenance
- shares only proceeds over 5 cents a gallon with municipalities.
- maintenance costs are related to both mileage and usage. (e.g. Anchorage is more densely populated and therefore roads get more use and requires more maintenance.)

Why sharing with municipalities is good.

- It is fair and reasonable, especially in the long term. Most states do it.
- It targets the whole road system, not just the State half. The public is most likely to support.
- AML can work within each community before the end of the session to discuss this concept with citizens and ask for their support as part of a long-range plan.
- This program provides the beginning of a long term funding strategy for municipal revenue sharing that will stabilize municipal property taxes.

(g) The proceeds of the revenue from the tax on all motor fuels, (except as 25 provided in (e), (f) , and (j) of this section???) , shall be deposited in a **Road Maintenance** ~~special highway 26 construction and maintenance~~ [HIGHWAY FUEL TAX] account in the state general 27 fund. The legislature ~~shall may~~ appropriate money [FUNDS] from the account [IT] for 28 **regular and deferred maintenance of state and municipal roads.**

The legislature shall allocate the proceeds as follows:

- ◆ The proceeds of the first 5 cents go to State road maintenance
- ◆ The proceeds in excess of 5 cents shall be allocated part to State road maintenance and part to Municipal road maintenance based in the ratio of State lane miles regularly maintained by the State vs. Municipal lane miles regularly maintained by a municipality.
- ◆ DOTPF shall maintain records of state and municipally maintained lane miles.
- ◆ The municipal allocation shall only be used for regular and deferred maintenance of municipal roads.
- ◆ The municipal allocation shall be distributed to municipalities by the following formula: 66.66% allocated based on regularly maintained lane miles; and 33.33% based on per capita (related to road use)

~~expenditure by the Department of Transportation and Public Facilities first directly or 29 as matched with available federal aid highway money for planning, design, and 30 [MAINTENANCE OF HIGHWAYS.] construction of highway projects, [AND] ferries, 31 and ferry terminals included in the program provided for in AS 19.10.150, and~~

~~01 second for secondary road paving and deferred maintenance projects included in
02 the program provided for in AS 19.10.150. Eligible construction projects include
03 [INCLUDING] approaches, appurtenances and related facilities and acquisition of
04 rights of way or easements, and other highway costs including surveys, administration,
05 and related matters. All departments of the state government authorized to spend
06 money [FUNDS] collected from taxes imposed by this chapter shall perform, if
07 [WHEN] feasible, all construction or reconstruction projects by contract after the
08 projects have been advertised for competitive bids, except that, when feasible,
09 arrangements shall be made with political subdivisions to carry out the construction
10 or reconstruction projects. If it is not feasible for the work to be performed by state
11 engineering forces, the commissioner of transportation and public facilities may issue
12 a best interest determination and contract on a professional basis with private
13 engineering firms for road design, bridge design, and services in connection with
14 surveys. If more than one private engineering firm is available for the work, the
15 contracts shall be entered into on a negotiated basis.~~

16 * Sec. 4. AS 43.40.010(h) is amended to read:

17 (h) All motor fuel tax receipts shall be paid into the general fund and
18 distributed to the proper accounts in the general fund. Valid motor fuel tax refund
19 claims shall be paid from the **Road Maintenance** ~~highway construction and
20 maintenance [HIGHWAY
21 FUEL TAX]~~ account in the general fund.

21 * Sec. 5. AS 43.40.030(a) is amended to read:

22 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
23 operate an internal combustion engine is entitled to a refund of 13 [SIX] cents a gallon
24 if

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

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

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

30 * Sec. 6. AS 43.40.070 is amended to read:

31 **Sec. 43.40.070. Refund warrants.** Upon approval of a refund claim by the
01 department, a warrant shall be drawn on the **Road Maintenance** ~~highway construction
02 and maintenance
03 [HIGHWAY FUEL TAX]~~ account in the general fund in favor of the applicant in the
03 amount of the claim.

* *Traffic fees*

HOUSE BILL NO. 59

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 1/22/99

Referred: Transportation, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the motor fuel tax; and providing for an effective date."

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

3 * **Section 1.** AS 43.40.010(a) is amended to read:

4 (a) There is levied a tax of 17 [EIGHT] cents a gallon on all motor fuel sold
5 or otherwise transferred within the state, except that

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

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

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

11 (4) the tax rate on motor fuel that is blended with alcohol is the same
12 tax rate a gallon as other motor fuel; however,

13 (A) in an area and during the months in which fuel containing
14 alcohol is required to be sold, transferred, or used in an effort to attain air
15 quality standards for carbon monoxide as required by federal or state law or

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regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon less than the tax on other motor fuel not described in (1) - (3) of this subsection;

(B) notwithstanding (A) of this paragraph, through June 30, 2004, the tax on motor fuel sold or otherwise transferred within the state is eight cents a gallon less than the tax on other motor fuel not described in (1) - (3) of this subsection if the motor fuel

(i) is at least 10 percent alcohol by volume, has been produced from the processing of lignocellulose derived from wood, and was produced in a facility that processes lignocellulose from wood, but this reduction in the rate of tax applies to motor fuel sold or transferred that contains alcohol that was produced only during the first five years of the facility's processing of lignocellulose from wood; or

(ii) is at least 10 percent alcohol by volume, has been produced from the processing of waste seafood, and was produced in a facility that processes alcohol from waste seafood, but this reduction in the rate of tax applies to motor fuel sold or transferred that contains alcohol that was produced only during the first five years of the facility's processing of alcohol from waste seafood.

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

(b) There is levied a tax of 17 [EIGHT] cents a gallon on all motor fuel consumed by a user, except that

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

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

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

(4) the tax rate on motor fuel that is blended with alcohol is the same tax rate a gallon as other motor fuel; however,

(A) in an area and during the months in which fuel containing

~~DATE?~~

~~NOT NECESSARY TO CHANGE~~

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

~~DATE~~

NOT NECESSARY
TO CHANGE

6 (B) notwithstanding (A) of this paragraph, through June 30,
7 2004, the tax on motor fuel consumed by a user within the state is eight cents
8 a gallon less than the tax on other motor fuel not described in (1) - (3) of this
9 subsection if the motor fuel

10 (i) is at least 10 percent alcohol by volume, has been
11 produced from the processing of lignocellulose derived from wood, and
12 was produced in a facility that processes lignocellulose from wood, but
13 this reduction in the rate of tax applies to motor fuel consumed by a
14 user that contains alcohol that was produced only during the first five
15 years of the facility's processing of lignocellulose from wood; or

16 (ii) is at least 10 percent alcohol by volume, has been
17 produced from the processing of waste seafood, and was produced in
18 a facility that processes alcohol from waste seafood, but this reduction
19 in the rate of tax applies to motor fuel consumed by a user that contains
20 alcohol that was produced only during the first five years of the
21 facility's processing of alcohol from waste seafood.

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

23 (g) The proceeds of the revenue from the tax on all motor fuels, except as
24 provided in (e), (f), and (j) of this section, shall be deposited in a special highway
25 construction and maintenance [HIGHWAY FUEL TAX] account in the state general
26 fund. The legislature may appropriate money [FUNDS] from the account [IT] for
27 expenditure by the Department of Transportation and Public Facilities first directly or
28 as matched with available federal-aid highway money for planning, design, and
29 ~~MAINTENANCE OF HIGHWAYS,~~ construction of highway projects, [AND] ferries,
30 and ferry terminals included in the program provided for in AS 19.10.150, and
31 second for secondary road paving and deferred maintenance projects included in

✓ ?
FURTHER
SUPPORTING
DOT ENGINEER
STAFF ?

1 the program provided for in AS 19.10.150. Eligible construction projects include
 2 ([INCLUDING] approaches, appurtenances and related facilities and acquisition of
 3 rights-of-way or easements, and other highway costs including surveys, administration,
 4 and related matters.) All departments of the state government authorized to spend
 5 money [FUNDS] collected from taxes imposed by this chapter shall perform, if
 6 [WHEN] feasible, all construction or reconstruction projects by contract after the
 7 projects have been advertised for competitive bids, except that, when feasible,
 8 arrangements shall be made with political subdivisions to carry out the construction
 9 or reconstruction projects. If it is not feasible for the work to be performed by state
 10 engineering forces, the commissioner of transportation and public facilities may issue
 11 a best interest determination and contract on a professional basis with private
 12 engineering firms for road design, bridge design, and services in connection with
 13 surveys. If more than one private engineering firm is available for the work, the
 14 contracts shall be entered into on a negotiated basis.

20 years

Engineering & planning? privatize only when state can't build?

15 * Sec. 4. AS 43.40.010(h) is amended to read:

16 (h) All motor fuel tax receipts shall be paid into the general fund and
 17 distributed to the proper accounts in the general fund. Valid motor fuel tax refund
 18 claims shall be paid from the highway construction and maintenance [HIGHWAY
 19 FUEL TAX] account in the general fund.

20 * Sec. 5. AS 43.40.030(a) is amended to read:

21 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
 22 operate an internal combustion engine is entitled to a refund of 13 [SIX] cents a gallon
 23 if why!

??

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

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

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

29 * Sec. 6. AS 43.40.070 is amended to read:

30 **Sec. 43.40.070. Refund warrants.** Upon approval of a refund claim by the
 31 department, a warrant shall be drawn on the highway construction and maintenance

li

1 [HIGHWAY FUEL TAX] account in the general fund in favor of the applicant in the
2 amount of the claim.

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

4 **Sec. 43.40.087. Civil penalties and enforcement.** (a) Notwithstanding the
5 provisions of AS 43.05.130 or 43.05.220, the department shall assess a civil penalty
6 in accordance with this section for a violation of this chapter or a regulation adopted
7 under this chapter. The department shall establish the amount and other standards for
8 the assessment by regulations adopted under AS 43.05.080, but the maximum penalty
9 assessed under this section may not exceed

10 (1) \$10,000 for the first violation;

11 (2) \$50,000 for each subsequent violation.

12 (b) A civil penalty assessed under (a) of this section is in addition to any
13 criminal penalty imposed under AS 43.05.290.

14 (c) In addition to a civil penalty assessed under (a) of this section, any
15 criminal penalties imposed under AS 43.05.290, interest imposed under this title, and
16 any other remedy or other means of enforcement available under this title, for a
17 violation of this chapter or a regulation under this chapter the department may, in
18 accordance with regulations adopted under AS 43.05.080,

19 (1) revoke a license issued under this chapter; and

20 (2) assess restitution in an amount of up to twice the amount of unpaid
21 tax or unwarranted refund received.

22 * Sec. 8. AS 43.40.100(2) is amended to read:

23 (2) "motor fuel" means fuel used in an engine for the propulsion of a
24 motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a
25 stationary engine, machine, or mechanical contrivance that is run by an internal
26 combustion motor; "motor fuel" does not include

27 (A) fuel consigned to foreign countries;

28 (B) fuel sold for use in jet propulsion aircraft operating in
29 flights

30 (i) to foreign countries; or

31 (ii) that continue from foreign countries, unless

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

4 (C) fuel used in stationary power plants operating as public
5 utility plants and generating electrical energy for sale to the general public;

6 (D) fuel used by nonprofit power associations or corporations
7 for generating electric energy for resale;

8 (E) fuel used by charitable institutions approved under
9 26 U.S.C. 501(c)(3);

10 (F) fuel sold or transferred between qualified dealers;

11 (G) fuel sold to federal, state, and local government agencies
12 for official use;

13 (H) fuel used in stationary power plants that generate electrical
14 energy for private residential consumption;

15 (I) fuel used to heat private or commercial buildings or
16 facilities;

17 (J) fuel used for other nontaxable purposes as prescribed by
18 regulations adopted by the department;

19 (K) fuel used in stationary power plants of 100 kilowatts or less
20 that generate electrical power for commercial enterprises not for resale; or

21 (L) residual fuel oil used in and on watercraft if the residual
22 fuel oil is sold or transferred in the state or consumed by a user; for purposes
23 of this subparagraph, "residual fuel oil" means the heavy refined hydrocarbon
24 known as number 6 fuel oil that is the residue from crude oil after refined
25 petroleum products have been extracted by the refining process and that may
26 be consumed or used only when sufficient heat is provided to the oil to reduce
27 its viscosity rated by kinetic unit and to give it fluid properties sufficient for
28 pumping and combustion;

29 * Sec. 9. This Act takes effect July 1, 1999.

CS FOR HOUSE BILL NO. 59(TRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE HOUSE TRANSPORTATION COMMITTEE

**Offered:
Referred:**

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the motor fuel tax; and providing for an effective date."**

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

3 *** Section 1. AS 43.40.010(a) is amended to read:**

4 (a) There is levied a tax of 17 [EIGHT] cents a gallon on all motor fuel sold
5 or otherwise transferred within the state, except that

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

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

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

11 (4) the tax rate on motor fuel that is blended with alcohol is the same
12 tax rate a gallon as other motor fuel; however,

13 (A) in an area and during the months in which fuel containing
14 alcohol is required to be sold, transferred, or used in an effort to attain air
15 quality standards for carbon monoxide as required by federal or state law or

1 regulation the tax rate on motor fuel that is blended with alcohol is six cents
2 a gallon less than the tax on other motor fuel not described in (1) - (3) of this
3 subsection;

4 (B) notwithstanding (A) of this paragraph, through June 30,
5 2004, the tax on motor fuel sold or otherwise transferred within the state is
6 eight cents a gallon less than the tax on other motor fuel not described in (1) -
7 (3) of this subsection if the motor fuel

8 (i) is at least 10 percent alcohol by volume, has been
9 produced from the processing of lignocellulose derived from wood, and
10 was produced in a facility that processes lignocellulose from wood, but
11 this reduction in the rate of tax applies to motor fuel sold or transferred
12 that contains alcohol that was produced only during the first five years
13 of the facility's processing of lignocellulose from wood; or

14 (ii) is at least 10 percent alcohol by volume, has been
15 produced from the processing of waste seafood, and was produced in
16 a facility that processes alcohol from waste seafood, but this reduction
17 in the rate of tax applies to motor fuel sold or transferred that contains
18 alcohol that was produced only during the first five years of the
19 facility's processing of alcohol from waste seafood.

20 * Sec. 2. AS 43.40.010(b) is amended to read:

21 (b) There is levied a tax of 17 [EIGHT] cents a gallon on all motor fuel
22 consumed by a user, except that

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

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

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

29 (4) the tax rate on motor fuel that is blended with alcohol is the same
30 tax rate a gallon as other motor fuel; however,

31 (A) in an area and during the months in which fuel containing

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

6 (B) notwithstanding (A) of this paragraph, through June 30,
7 2004, the tax on motor fuel consumed by a user within the state is eight cents
8 a gallon less than the tax on other motor fuel not described in (1) - (3) of this
9 subsection if the motor fuel

10 (i) is at least 10 percent alcohol by volume, has been
11 produced from the processing of lignocellulose derived from wood, and
12 was produced in a facility that processes lignocellulose from wood, but
13 this reduction in the rate of tax applies to motor fuel consumed by a
14 user that contains alcohol that was produced only during the first five
15 years of the facility's processing of lignocellulose from wood; or

16 (ii) is at least 10 percent alcohol by volume, has been
17 produced from the processing of waste seafood, and was produced in
18 a facility that processes alcohol from waste seafood, but this reduction
19 in the rate of tax applies to motor fuel consumed by a user that contains
20 alcohol that was produced only during the first five years of the
21 facility's processing of alcohol from waste seafood.

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

23 (g) The proceeds of the revenue from the tax on all motor fuels, except as
24 provided in (e), (f), and (j) of this section, shall be deposited in a special highway
25 maintenance [FUEL TAX] account in the state general fund. The legislature may
26 appropriate the first 12 cents of the tax collected under (a) and (b), except (a)(1) -
27 (4) and (b)(1) - (4), of this section [FUNDS] from the account [IT] for expenditure
28 by the Department of Transportation and Public Facilities firstly, directly or as
29 matched with available federal-aid highway money for maintenance of highways,
30 [CONSTRUCTION OF HIGHWAY PROJECTS AND] ferries, and ferry terminals
31 included in the program provided for in AS 19.10.150, and, secondly, for secondary

1 road paving and deferred maintenance projects included in the program provided
 2 for in AS 19.10.150. Eligible projects include [INCLUDING] approaches,
 3 appurtenances, and related facilities, and acquisition of rights-of-way or easements, and
 4 other highway costs, including surveys, administration, and related matters. All
 5 departments of the state government authorized to spend money [FUNDS] collected
 6 from taxes imposed by this chapter shall perform, when feasible, all
 7 [CONSTRUCTION OR RECONSTRUCTION] projects by contract after the projects
 8 have been advertised for competitive bids [, EXCEPT THAT, WHEN FEASIBLE,
 9 ARRANGEMENTS SHALL BE MADE WITH POLITICAL SUBDIVISIONS TO
 10 CARRY OUT THE CONSTRUCTION OR RECONSTRUCTION PROJECTS. IF IT
 11 IS NOT FEASIBLE FOR THE WORK TO BE PERFORMED BY STATE
 12 ENGINEERING FORCES, THE COMMISSIONER OF TRANSPORTATION AND
 13 PUBLIC FACILITIES MAY CONTRACT ON A PROFESSIONAL BASIS WITH
 14 PRIVATE ENGINEERING FIRMS FOR ROAD DESIGN, BRIDGE DESIGN, AND
 15 SERVICES IN CONNECTION WITH SURVEYS]. If more than one private
 16 engineering firm is available for the work, the contracts shall be entered into on a
 17 negotiated basis. The legislature may appropriate the remaining five cents of the
 18 tax collected under (a) and (b), except (a)(1) - (4) and (b)(1) - (4), of this section
 19 to municipalities for road maintenance under AS 29.60.110.

20 * Sec. 4. AS 43.40.010(h) is amended to read:

AS 21.60.175

21 (h) All motor fuel tax receipts shall be paid into the general fund and
 22 distributed to the proper accounts in the general fund. Valid motor fuel tax refund
 23 claims shall be paid from the highway maintenance [FUEL TAX] account in the
 24 general fund.

25 * Sec. 5. AS 43.40.030(a) is amended to read:

26 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to
 27 operate an internal combustion engine is entitled to a refund of 13 [SIX] cents a gallon
 28 if

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

30 (2) the motor fuel is not aviation fuel [,] or motor fuel used in or on

31 watercraft; and

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

3 * Sec. 6. AS 43.40.070 is amended to read:

4 **Sec. 43.40.070. Refund warrants.** Upon approval of a refund claim by the
5 department, a warrant shall be drawn on the highway maintenance [FUEL TAX]
6 account in the general fund in favor of the applicant in the amount of the claim.

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

8 **Sec. 43.40.087. Civil penalties and enforcement.** (a) Notwithstanding the
9 provisions of AS 43.05.130 or 43.05.220, the department shall assess a civil penalty
10 in accordance with this section for a violation of this chapter or a regulation adopted
11 under this chapter. The department shall establish the amount and other standards for
12 the assessment by regulations adopted under AS 43.05.080, but the maximum penalty
13 assessed under this section may not exceed

14 (1) \$10,000 for the first violation;

15 (2) \$50,000 for each subsequent violation.

16 (b) A civil penalty assessed under (a) of this section is in addition to any
17 criminal penalty imposed under AS 43.05.290.

18 (c) In addition to a civil penalty assessed under (a) of this section, a criminal
19 penalty imposed under AS 43.05.290, interest imposed under this title, and any other
20 remedy or other means of enforcement available under this title, for a violation of this
21 chapter or a regulation under this chapter, the department may, in accordance with
22 regulations adopted under AS 43.05.080,

23 (1) revoke a license issued under this chapter; and

24 (2) assess restitution in an amount of up to twice the amount of unpaid
25 tax or unwarranted refund received.

26 * Sec. 8. AS 43.40.100(2) is amended to read:

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

31 (A) fuel consigned to foreign countries;

- 1 (B) fuel sold for use in jet propulsion aircraft operating in
2 flights
- 3 (i) to foreign countries; or
4 (ii) that continue from foreign countries, unless
5 exemption of the motor fuel from taxation is disallowed because of the
6 refiner's failure to comply with the provisions of a voluntary agreement
7 under AS 43.40.092 in conjunction with expansion of refinery capacity;
- 8 (C) fuel used in stationary power plants operating as public
9 utility plants and generating electrical energy for sale to the general public;
- 10 (D) fuel used by nonprofit power associations or corporations
11 for generating electric energy for resale;
- 12 (E) fuel used by charitable institutions approved under
13 26 U.S.C. 501(c)(3);
- 14 (F) fuel sold or transferred between qualified dealers;
- 15 (G) fuel sold to federal, state, and local government agencies
16 for official use;
- 17 (H) fuel used in stationary power plants that generate electrical
18 energy for private residential consumption;
- 19 (I) fuel used to heat private or commercial buildings or
20 facilities;
- 21 (J) fuel used for other nontaxable purposes as prescribed by
22 regulations adopted by the department;
- 23 (K) fuel used in stationary power plants of 100 kilowatts or less
24 that generate electrical power for commercial enterprises not for resale; or
- 25 (L) residual fuel oil used in and on watercraft if the residual
26 fuel oil is sold or transferred in the state or consumed by a user; for purposes
27 of this subparagraph, "residual fuel oil" means the heavy refined hydrocarbon
28 known as number 6 fuel oil that is the residue from crude oil after refined
29 petroleum products have been extracted by the refining process and that may
30 be consumed or used only when sufficient heat is provided to the oil to reduce
31 its viscosity rated by kinetic unit and to give it fluid properties sufficient for

HB

182

MEMORANDUM

State of Alaska
Department of Law

To: Larry Persily
Deputy Commissioner
Department of Revenue

DATE: February 15, 2000

FILE NO.: 663-000-0108

TELEPHONE NO.: (907) 465-3600

FROM: Dan Branch *D-B*
Assistant Attorney General
Commercial Section

SUBJECT: Impact of HB 182 on Indian
gaming in Alaska

I was asked to review the impact on Indian gaming in Alaska if HB 182 became law. HB 182 would sanction the use of "video lottery machines" on ferries operated by the Alaska Marine Highway¹ and in bars, fraternal clubs, bingo parlors and pull-tab shops in the state.² Video lottery machines are defined as electronic video game machines able to play video games, including video poker, keno, and blackjack.³

If it passes, HB 182 will expand the gaming opportunities for some Alaska tribes. Federal law permits Indian tribes to conduct certain gaming activities on "Indian lands" without state approval. The tribe may only carry out Class III type gaming if the state permits such gaming for any purpose by any entity, person or organization.⁴ No class III gaming may take place until the state enters into a compact with the tribe. The state may not block an otherwise proper Indian gaming activity by refusing to compact with the tribe.⁵ However, the state is under no duty to compact with a tribe for gaming activities that are not otherwise permitted under state law.⁶

If HB 182 becomes law, tribes able to demonstrate jurisdiction over Indian lands, as defined by the Indian Gaming Regulatory Act, could seek a compact with the state for the operation of video poker, blackjack and keno gambling. The definition of "video lottery machine" provided in HB 182 does not exclude the use of other forms of similar video game machines.

¹ See HB 182, Section 32.

² See HB 182, Section 21.

³ See HB 182, Section 28.

⁴ 25 USC 2710(d)(1)(B) of Indian Gaming Regulation Act.

⁵ See for example, *Chemehuevi Indian Tribe v. Wilson*, 987 F.Supp. 804 (N.D. Ca. 1997). The ability of a tribe to enforce this right is doubt following an U.S. Supreme Court decision concerning the 11th amendment and tribes.

⁶ *Rumsey Indian Rancheria of Wintun v. Wilson*, 64 F.3d 1250 (9th Cir. 1995).

Therefore, it is possible that tribes could seek tribal state compacts covering such other forms of video game machines.

It is clear that HB 182 would open the door to expanded Indian gaming in Alaska. The extent of the expansion would depend upon the final language of the bill. It would also depend upon federal court interpretation of the Indian Gaming Regulatory Act.

Federal Indian Gaming Law: In 1990, the United States Court of Appeals for the Second Circuit found that since Connecticut permitted charities to engage in episodic casino like gaming at "Las Vegas nights," the state had to compact with a tribe concerning the conduct of casino-type games of chance on the reservation.⁷ If the same interpretation of law were applied in Alaska, the state would be required to negotiate with tribes for casino type gaming on Indian lands if HB 182 became law. This is not the case.

Since the Ninth Circuit U.S. Court of Appeals has jurisdiction of Alaska matters, it is proper to look first to decisions of that court concerning Indian gaming issues. Four years after the Second Circuit issued its "Las Vegas nights" decision, the Ninth Circuit issued a decision which reached a more restrictive result. The case was *Rumsey Indian Rancheria of Wintun Ind. v. Wilson*.⁸ In *Rumsey*, the court held that even though California allows some forms of gambling, the state had no duty to negotiate with a tribe over the tribe's ability to conduct any game that is illegal under state law.⁹

The U.S. Supreme Court denied the tribes' petition for *certiorari* (review) of *Rumsey*. In 1999, the Ninth Circuit affirmed its holding in *Rumsey* in a case concerning Washington State.¹⁰ Therefore, unless overturned by a subsequent U.S. Supreme Court case, the Ninth Circuit's interpretation of Indian gaming law in *Rumsey* should control the outcome of Indian gaming issues in Alaska.

At the current time, Alaska prohibits anyone from gaming with video machines. Therefore, under *Rumsey*, it is not possible for a tribe to operate a video gaming operation. That may change if HB 182 becomes law. However, passage of the bill is not likely to open the door to Indian casinos where customers gamble at card table versions of the games that will be available on video machines.

⁷ *Mashantucket Pequot Tribe. v. Connecticut*, 913 F.2d 1024,1032 (2nd Cir.1990).

⁸ *Id.*

⁹ *Id.* at 1253.

¹⁰ *U.S. v. Shoalwater Bay Indian Tribe et.al.*, 1999 WL 1269343 (9th Cir. 1999) (The tribes were operating video gambling machines that offer video poker, blackjack, and video eight-liner in violation of Washington law)

Eligible Alaska Native tribes: The Metlakatla Indian Community, located on the Annette Island Reserve, has jurisdiction over Indian lands upon which it could operate gaming if HB 182 becomes law. Native communities in Akiachak, Barrow, Kenaitze, and Klawock have made claims to governmental jurisdiction over "Indian lands" enabling them to offer gaming under the Indian Gaming Regulatory Act. There may be more such claims raised.

Conclusion: If HB 182 becomes law in its present form, it will open the door to the use of video poker, blackjack and keno machines on "Indian lands" in Alaska, as defined by the Indian Gaming Regulatory Act. The result would be the same, even if the bill were amended so that the machines could not be used on vessels of the Alaska Marine Highway. It is highly unlikely that the bill would be interpreted by a court to allow card table-casino type versions of the games.

DNB:rgw

Sponsor Statement
HB 182
Transportation Issues

HB 182 also allows machines to be used on vessels of the Alaska marine highway. It allows the Commissioner of Revenue to adopt the necessary regulations for use of electronic machines on vessels of the Alaska marine highway. Revenues generated from this use go to the general fund and may be appropriated for funding the Alaska marine Highway.

HB 182 does not require that the Alaska Marine Highway System to install electronic gaming machines, but it would only permit or allow their existence. There are several benefits for permitting electronic gaming machines on our ferries.

- Increased revenue, mostly from out of state passengers.
- The ferry system presently allows video games, but adult entertainment is minimal.
- The charitable beneficiaries of gaming would receive increased revenue, which would be a benefit to the overall public good.

Alaska State Legislature

House of Representatives

COMMITTEES
JUDICIARY COMMITTEE, CHAIR
RULES
MILITARY & VETERANS AFFAIRS
UTILITY RESTRUCTURING
ETHICS



INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

Memorandum

TO: Representative Beverly Masek, Chairman
House Transportation Committee

FROM: Representative Pete Kott

SUBJECT: Request for Hearing, HB 182

DATE: April 22, 1999

I request that HB 182, an Act relating to charitable gaming and to gaming on state ferries; and providing for an effective date, be heard as soon as possible. Enclosed with this request is the following:

- Current version of the bill
- Sponsor Statement
- Sectional Analysis

Backup material and teleconference requirements will be provided well before the hearing. Pat Harman of my staff will be handling this bill, he may be reach at x6841



Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us



Sponsor Statement, HB 182

House Bill 182 is reform charitable gaming legislation. It allows for electronic gaming in Alaska and it changes the way that gaming proceeds are distributed in Alaska. Under HB 182 the distribution of revenue is as follows: Cities and Boroughs receive 20% of the proceeds, the State receives 20% of the proceeds, Vendors receive 30% of the proceeds, and Permittees receive 30% of the proceeds. Under current statutes, the state receives minimal revenues from charitable gaming and cities and boroughs receive nothing other than the amount they might tax locally.

House Bill 182 does not in any way restrict the current charitable gaming activity in the state. Bingo and pull-tab activity will be allowed to continue in its current form. It does allow pull-tab parlors and bingo halls to use a limited number of electronic gaming machines.

House Bill 182 is reform legislation because it allows the State to track through a central computer the exact activity of every electronic gaming machine in the state. The State will know exactly how much is being played on each machine, how much is being paid out on each machine, and how much money should be distributed to the state, cities and boroughs, and permittees from each machine. The only party with control over the machines will be the state. There will no longer be any arguments over how much money belongs to permittees. Electronic machines don't lie and can't be manipulated by anyone.

Each electronic machine will provide the state's computer with a report on all transactions, revenue put in the machines and revenue paid out in prizes etc. This data will be accumulated in the central computer and when quarterly reports are due the state can generate this data eliminating the need for permittees to complete the reports they currently have difficulty completing.

Each electronic machine is secure. The state's computer is capable of determining if anyone has tampered with any machine at any location in the state. The state has the ability through the central computer to shut down a machine immediately. Each electronic machine will have a built in security system as well as secure lines of communications to the central computer.

HB 182 also allows machines to be used on vessels of the Alaska marine highway. It allows the Commissioner of Revenue to adopt the necessary regulations for use of electronic machines on vessels of the Alaska marine highway. Revenues generated from this use go to the general fund and may be appropriated for funding the Alaska marine Highway.

In summary, HB 182 does not restrict current permittees or operators. It allows them to participate in a new secure form of electronic charitable gaming. It

generates revenue for local governments and the state. It is a much more secure form of charitable gaming than currently exists in the state.

HB 182

SECTION BY SECTION REVIEW

House Bill 182

By: Representative Kott

Introduced: 4/8/99

Referred: Transportation, Judiciary, Finance

"An act relating to charitable gaming and to gaming on state ferries; and providing for an effective date."

Section 1. AS 05.15.020(b) is amended to read:

Net proceeds from video lottery gaming activities will not be subject to the annual fee, one percent of net proceeds, required for all other gaming activities.

Section 2. AS 05.15.060(a) is amended to read:

Adds video lottery vendors to existing statute on issuance, renewal and revocation of all gaming permits. Changes existing statute from the general term "vendor" to pull-tab vendor and video lottery vendor.

Section 3. AS 05.15.070 is amended to read:

Examination of books and records. Adds pull-tab vendor, video lottery vendor and video lottery machines to existing statute for examination by the department.

Section 4. AS 05.15.095(a) is amended to read:

Adds licensed video lottery machine distributor or agent, licensed video lottery machine manufacturer or agent, registered video lottery vendor or agent, registered pull-tab vendor or agent, to existing statute requiring applications to the state.

Section 5. AS 05.15.100 is amended by adding a new subsection to read:

Adds new subsection (e) allowing video lotteries through the use of video lottery machines and the authority to issue permits.

Section 6. AS 05.15.105(a) is amended to read:

Adds pull-tab and video lottery vendors to existing statute regarding restrictions on persons not eligible to participate in gaming activities.

Section 7. AS 05.15.115(c) is amended to read:

Adds exception for operators, as defined under existing statutes, to contract with permittees to conduct video lottery gaming activities.

Section 8. AS 05.15.124 is amended to read:

Adds pull-tab vendor and video lottery vendor to existing language that allows municipalities to prohibit gaming activities.

Section 9. AS 05.15.128(a) is amended to read:

Adds video lottery language to existing language concerning operators.

Section 10. AS 05.15.150(a) is amended to read:

Deletes "Political" from text preventing net proceeds from being used for political uses. Adds video lottery proceeds with bingo and pull-tab proceeds to prevent use for payment of lobbyists.

Section 11. AS 05.15.160(d) is amended to read:

Adds video lotteries with existing pull-tab language regarding maximum authorized expenses to operate gaming activities.

Section 12. AS 05.15.170 is amended to read:

Adds pull-tab or video lottery under existing statute for suspension or revocation conditions.

Section 13. AS 05.15.180(a) is amended to read:

This will allow the use of coin/cash operated machines for gaming activities. It includes video lottery machines and pull-tab dispensing machines that accept coin/cash.

Section 14. AS 05.15.180(b) is amended to read:

Adds video lotteries as another exception to conduct activities that may be licensed if it did not exist as a gaming activity before 1 January 1959.

Section 15. AS 05.15.180(g) is amended to read:

Adds video lotteries with bingo under existing language which excludes maximum prize awards per year.

Section 16. AS 05.15.183(e) is amended to read:

Adds the word "pull-tab" before the word "vendor" where written in existing statute.

Section 17. AS 05.15.187(h) is amended to read:

Adds the words "pull-tab" before the word "vendor" where written in existing statute.

Section 18. AS 05.15.187(i) is amended to read:

REMOVES a requirement that a winner of a pull-tab price of \$50 or more to sign a state approved receipt. Allows the winner to sign the winning pull-tab as a receipt.

Section 19. AS 05.15.187 is amended by adding a new section to read:

(i) The department may approve the use of coin-operated machines for the sale of pull-tabs.

This allows the use of coin/cash machines to sell pull/tabs.

Section 20. AS 05.15.188 is amended to read:

Adds the word "pull-tab" before the word "vendor" where written in existing statute.

SECTION 21. AS 05.15 IS AMENDED BY ADDING NEW SECTIONS TO READ:

Article 2A. Video Lotteries.

Sec> 05.15.300 Video lottery

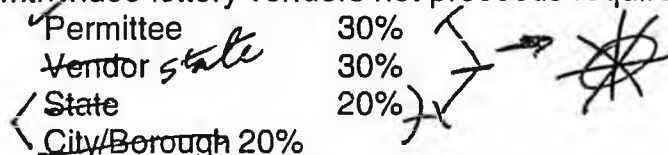
This allows the department to issue video lottery endorsements to a permittee. The permittee may conduct video lotteries in pull-tab parlors or bingo halls where the permittee **directly** sells pull-tabs or conducts bingo sessions; or may contract with a video lottery vendor; or use video lottery machines in their private clubs licensed under Title IV statutes.

The gaming permit, video lottery gaming endorsement and machine permit must be posted at the establishment clearly visible to the public.

Requires contracts between permittee and video lottery vendor(s).

Only video lottery machines **owned or leased by the department** may be used for video lottery charitable gaming.

Contracts with video lottery vendors net proceeds requirements:



Locations outside organized cities or boroughs – 40% to the state.

The odds of winning must be posted on each video lottery machine – the department determines the manner in which odds are calculated.

Video lottery machines cannot be played or accessible to persons under the age of 21; can only be played during regular business hour or, if licensed under Title IV, played during the legal hours of operation allowed the licensee under applicable municipal ordinance.

No more than 10 video lottery machines per permittee endorsement.
No more than 10 video lottery machines located in the same location in the building.
No more than 10 video lottery machines in the building where bingo or pull-tab games are conducted.

A permittee may contract with five video lottery vendors.
A video lottery vendor may not have more than 10 video lottery machines at each video lottery vendor location.
A permittee may not have endorsements cumulatively totaling more than 50 machines.

All video lottery machines must be monitored during business hours.
Cannot advertise in any manner the availability of video lottery machines at locations.

Allows municipalities where alcohol beverages are not allowed to conduct video lottery charitable gaming activities under written specifications.

The department may by regulation exempt a permittee under this section from REPORTING REQUIREMENTS of AS 05.15.080 if the information required to be submitted in the report CAN BE OBTAINED

DIRECTLY by the department from the video lottery machines.

Sec> 05.15.310. Video lottery machines.

The department approves all machines and games to be used. The machines accept cash and pay out winnings through a receipt or ticket voucher stating the value of the prize.

The machines have accounting software that keep electronic records and are linked to a central communications system approved by the department. A machine total payoff of at least 85% of the value of one \$.25 credit.

Maximum \$1.00 (four credits) played per game. Award a maximum of \$25 per credit value of \$.25 played.

The department shall purchase or lease video lottery machines and provide permittees to use.

The department shall contract for the installation and maintenance of the video lottery machines.

Contractors must be qualified and be able to respond to malfunction or repair problems within 24 hours.

Sec> 05.15.320. Video lottery machine manufacturers.

Manufacturers must pay a \$5,000 annual license fee.

May manufacture only those machines approved by the department for use in Alaska.

May only distribute video lottery machines to state licensed video lottery distributors.

Complete monthly reporting requirements.

Sec> 05.15.330. Video lottery machine distributors.

Video lottery machine distributors pay a \$5,000 annual license fee.

May not take an order from or sell a video lottery machine to a permittee of video lottery vendor.

Sec> 05.14.340. Distribution of net income from video lottery charitable gaming.
60% to the permittee

or, if the permittee used a video lottery vendor

30% Permittee

30% Video lottery vendor

20% State

20% Municipality in which the machine
is located, or to the state if the
machine is located in the
unorganized borough outside of
municipalities.

Sec> 05.15.350. Video lottery revenues may be appropriated for education.
The state's percentage of adjusted gross income may be appropriated to
provide for education.

Sec> 05.15.360. Department to contract.

The department, to the extent possible, will contract for the
performance of duties required to monitor and conduct video
lottery charitable gaming activities.

Section 22. AS 05.15.620(c) is amended to read:

This section allows municipalities to have an election to eliminate
charitable gaming pull-tab or video lottery gaming activities.

Section 23. AS 05.15.620 is amended by adding a new subsection to read:

This section provides ballot language for municipalities to take
action noted in the previous section.

Section 24. AS 05.15.680 is amended to read:

Describes penalties and provides definitions for Article 2, Video
lottery gaming.

Section 25. AS 05.15.680 is amended by adding new subsections to read:

Describes and defines activities not allowed in video lottery gaming.

Section 26. AS 05.15.690(36) is amended to read:

Deletes Labor and Political organizations from the definition of
"qualified organization".

Section 27. AS 05.15.690(44) is amended to read:

Adds the word "pull-tab" in front of the word "vendor".

Section 28. AS 05.15.690 is amended by adding new paragraphs to read:

Defines (46) net machine income; (47) video lottery; (48) video
lottery machine and (49) video lottery vendor.

Video lottery vendor includes an OPERATOR licensed by the department to conduct bingo or pull-tab games on the effective date of this Act.

Section 29. AS 11.66.280(2) is amended to read:

Defines "gambling" – adds AS 19.65.035 as an activity authorized by the Department of Revenue under AS 05.15.
AS 19.65.035 is video lottery machines on the Alaska Marine Highway System.

Section 30. AS 11.66.280(3) is amended to read:

Defines "gambling device" – adds (C) a video lottery machine or a pull tab sales machine permitted or authorized by the Commissioner of Revenue under AS 05.15 or AS 19.65.035.

Section 31. AS 11.66.290(4) is amended to read:

Defines "gambling enterprise" exempts (i) vessels of the Alaska Marine Highway System or the Department of Transportation and Public Facilities when they are under AS 19.65.035 activities.

Section 32. AS 19.65 is amended by adding new sections to article 1 to read:

Allows video lottery machines on vessels of the Alaska Marine Highway System and stipulations. May contract under AS 36.30 to conduct video gaming operations. Allows Commissioner of Revenue to adopt the necessary operation regulations specific to Alaska Marine Highway System.

Describes penalties and prohibitions for video lottery machines and operations on Alaska Marine Highway System vessels.

Revenues go to general fund and legislators may appropriate the revenues generated from video gaming activities on the Alaska Marine Highway System to the Alaska Marine Highway System. Nothing in this section creates a dedicated fund.

Section 33. AS 29.10.200(47) is amended to read:

Adds (i) to (47).

Section 34. AS 29.42.650 is amended to read:

Disallows a borough, home rule and general municipalities, from the levy or collection of sales tax or use tax on video lottery machines and video lottery charitable gaming.

Section 35. AS 29.45.700(d) is amended to read:

Further defines home rule and general municipality authority to tax video lottery machines or video lottery charitable gaming.

Section 36. Repeal and reenactment of applicable statutes required to enact this bill and (c) allows an operator to conduct video lottery charitable gaming for a permittee.

Section 37. Repeal and reenactment of applicable statutes required to enact this bill.

Section 38. AS 05.15.960(25) and 05.15.690(34) are repealed.

Section 39. REGULATIONS

All regulations for this act take effect January 1, 2000 or as soon thereafter as possible.

Section 40. Except for sec. 39 of this Act, this Act takes effect January 1, 2000

Section 41. Section 39 take effect immediately under AS 01.10.070(c)

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 182

Revision Date/Time (Note if correction) _____ Dept. Affected DOT&PF
 Title Charitable gaming and gaming on state ferries BRU Alaska Marine Highway System
 Component Southeast Vessel Operations
 Sponsor Representative Kott
 Requester (H) TRA Component No. 630

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	13.5	27.1	27.1	27.1	27.1	27.1
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	13.5	27.1	27.1	27.1	27.1	27.1

CAPITAL EXPENDITURES	160.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	90.5	181.0	181.0	181.0	131.0	181.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Alaska Marine Highway System Fund	13.5	27.1	27.1	27.1	27.1	27.1
TOTAL	13.5	27.1	27.1	27.1	27.1	27.1

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: Dennis Poshard, Special Assistant to the Commissioner Phone 465-3904
 Division Commissioner's Office Date/Time 1/31/00 8:22 AM
 Approved by Commissioner *Joseph L. Perkins* Date _____
 Agency Joseph L. Perkins, DOT&PF

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**Fiscal Note Analysis
HB 182**

“An Act relating to charitable gaming and to gaming on state ferries; and providing for an effective date.”

Department of Transportation and Public Facilities

This bill would permit the use of video lottery machines aboard the Alaska marine highway system vessels. If the Department of Transportation were to implement the use of these machines, we estimate a total of 16 machines would be purchased for use aboard the vessels. These machines would be placed in the bar areas of the vessels which is restricted to those ages 21 and older. It is assumed an implementation date of January 1, 2001. Cost and revenue estimates follow:

Capital Costs:

Video lottery machines cost about \$10,000 each. The total initial capital cost would therefore be 16 X \$10,000 or \$160,000.

Operating costs:

The cost of maintaining the machines is estimated at 15 % of the net machine revenues. We estimate a total yearly net revenue of \$181,000. The cost of maintenance would therefore be \$27,100 per year in contractual services.

Other operating costs would include power, telecommunications, and perhaps fees to the Dept. of Revenue. It is estimated these costs would be negligible.

Revenue:

Estimates from other states indicate we can expect \$400 in net machine revenue for each week a machine is in operation. The total number of machine operating weeks for the Marine Highway fleet would be approximately 452. This takes into account the number of weeks the vessels are in service as well as how many machines are aboard each vessel. Our total annual revenue is therefore 452 X \$400 or \$181,000.

Note: The operating costs and revenues for FY 2001 are half the yearly total because of a start date of January 1, 2001, which would only provide six months of service the first year.