

12226

HOUSE

L&C

be able to trust that their personal information will be protected. Some have chosen to demagogue about RFID in an effort to gain publicity for themselves. That is unfortunate. Following are several myths and urban legends about RFID and privacy that often propagated in the media and popular culture.

## ***Myths and Legends***

### **1. Companies and Governments Plan to Track You Using RFID**

One popular nightmare scenario painted by some privacy advocates involves the tracking of individuals through the use of RFID technology. This myth often is based upon the mistaken fear that RFID tags worn by people could potentially be used as a global locator in conjunction with Global Positioning Systems (GPS).

The reality is quite different. An RFID tag has no awareness of geographical data, unlike expensive GPS technology, which is capable of providing continuous and accurate geographical data. Passive RFID, used primarily in supply chain applications, transmits, when queried, a unique identifier within a close range of 10 to 30 feet of a reader. Outside of that range, RFID tags do not emit a signal. Ubiquitous "Big Brother"-type surveillance around the world would require millions and millions of readers and antennas within 10 to 30 feet of a tag.

### **2. RFID Creates a Big Data Base in the Sky**

Some privacy advocates claim that deployment of RFID will lead to a single database that tracks all your purchases. To say the least, many of these scenarios are unrealistic, speculative, and far-fetched for a variety of reasons. Additionally, bar codes, credit cards, and loyalty cards already enable stores to link personally identifiable information to purchases with the approval of consumers. RFID does not change the equation.

### **3. RFID Urban Legends**

Some privacy advocates have made the following claims about RFID:

- Cards could squeal on you as you enter malls.
- Readers hidden in doors, walls, displays, and floors could frisk the RFID chips in your clothes and other items on your person to determine your age, sex, preference or personally identifying information.
- Your location could be pinpointed on the globe in real time.
- RFID is the Biblical "mark of the beast."
- RFID brings us closer to the world imagined in George Orwell's Novel, *1984*.

The end point of all of these theories is that the implementation of an RFID device in people's flesh to number, identify and track them wherever they go. There have been early implementations embedding chips under individuals' skin for purposes of personal identification and a few individuals have had themselves chipped purely for convenience or experimentation. But such an application for the purpose of involuntary and/or widespread tracking or surveillance would be as impractical as it is unethical. These types of hyperbolic and erroneous claims make for good sound bites. Candidly, they instead represent irresponsible fear-mongering and political grandstanding.

#### **4. RFID Drive-By Reads**

Some contend that RFID offers the ability to read tags without a direct line of sight, giving rise to fears of drive-by RFID snooping like being able to read what prescriptions you have in your medicine cabinet. Reading tags within your home is highly unlikely since the passive tag read rate is normally 10 to 30 feet within a circular range meaning your home would need to be surrounded by readers. RFID is affected by water, metal, and other interference and unlike in movies like *Enemy of the State* cannot read through walls. The read range of an RFID tag depends upon operational frequency and environment. Current technology does not allow for reading tags from the street outside your home.

#### **5. RFID Tags Contain Personally Identifiable Information and Can Lead to Identity Theft**

RFID tags transmit unique identifiers but *do not* usually contain personally identifiable information. Opponents of RFID technology argue that it provides yet another manner to compromise privacy yet passive tags function like a license plate to identify a product as a pointer in a database entry for a tag similar to a URL. In the cases where tags do include personal data, such as those contained in soon to be deployed e-passports, encryption and a variety of other widely available technologies can prevent hacking.

The public and private sector should make certain the data collected using RFID is protected wherever it resides, on a card or in a database. We must apply the same rigorous privacy standards applied to personal data collected from other sources and keep our focus on the information, rather than the tools used to collect it.

### ***Conclusion***

Industry practices are emerging to respect and safeguard the needs for privacy and security giving consumers the tools and choices they need to protect themselves while sustaining innovation. Voluntary guidelines providing clear and conspicuous notice when personally identifiable information is collected through an RFID system provide a model. However, there are many applications of RFID that do not implicate personally identifiable information.

Our discussion of RFID needs to be constructive and respectful, not based in myths, urban legends, and science fiction. Much of the bad behavior described by opponents of RFID is already illegal and against the law. We need to enforce existing laws against bad behavior rather than prematurely regulating such promising and exciting new technology.

Working together, we can ensure that technology neutral policy approaches converge to provide the benefits of this innovative technology to enhance economic growth, improve efficiencies, and enhance quality of life.

**HB**

**4004**

# LEGAL SERVICES

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

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

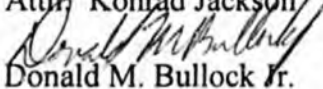
State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

July 23, 2008

**SUBJECT:** Amendments A.3 and A.4 (posting a sign) to HB 4004  
(Work Order Nos. 25-GH4060\A.3 and A.4)

**TO:** Representative Kurt Olson  
Attn: Konrad Jackson

**FROM:**   
Donald M. Bullock Jr.  
Legislative Counsel

Enclosed are the amendments that include the sign-posting requirement from amendment A.2 and the revised description of the suspension period to accommodate any effective date for the bill. Please read these amendments carefully to ensure that they are consistent with your intent.

In amendment A.4, the Department of Revenue is required to determine the actual language for the sign because of the unknown description of the suspension period; the suspension period may not be determined before the effective date is known. I also added the language from amendment A.3 that describes the suspension period by reference to the effective date.

Bottom line, amendment A.4 includes the substance of amendment A.2 as well as amendment A.3.

In both amendments, the repeal provision has been deleted. The period of suspension ends by definition and a repeal is unnecessary. The duty to file the report with the department continues past what had been the repeal date; removing the repeal removes an issue relating to filing a report after the law requiring the filing has been repealed.

If I may be of further assistance, please advise.

DMB:med  
08-322.med

Enclosure

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 4004

1 Page 1, line 7:

2 Delete "a period beginning August 1, 2008, and ending July 31, 2009"

3 Insert "the 12 consecutive calendar months immediately following the month of the  
4 effective date of this Act"

5

6 Page 2, line 5:

7 Delete all material.

8

9 Renumber the following bill section accordingly.

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 4004

1 Page 1, line 1, following "tax;":

2 Insert "requiring a retail dealer of motor fuel to post a sign notifying a consumer  
3 of the tax suspension and providing a penalty for failing to post the sign;"

4

5 Page 1, following line 2:

6 Insert a new bill section to read:

7 "\*\* Section 1. AS 45.50.471(b) is amended by adding a new paragraph to read:

8 (53) failing to post a sign on a pump notifying a consumer that the  
9 motor fuel tax has been suspended during the period of a suspension."

10

11 Page 1, line 3:

12 Delete "Section 1"

13 Insert "Sec. 2"

14

15 Renumber the following bill sections accordingly.

16

17 Page 1, line 7:

18 Delete "a period beginning August 1, 2008, and ending July 31, 2009"

19 Insert "the 12 consecutive calendar months immediately following the month of the  
20 effective date of this Act"

21

22 Page 2, following line 2:

23 Insert a new subsection to read:

1           "(c) During the period described in (a) of this section during which the motor fuel tax  
2 is suspended and may not be collected, a retail dealer that sells or transfers motor fuel for  
3 highway use shall post a sign on each pump that (1) describes the period during which the tax  
4 is suspended; (2) states that the amount of tax that would otherwise be collected during the  
5 suspension is eight cents a gallon; and (3) states that the price for the motor fuel on the pump  
6 reflects the elimination of the tax during the period of suspension. The Department of  
7 Revenue shall determine the specific language that must be included on the sign. The sign  
8 must be four inches by eight inches and easily and clearly visible to the consumer. Failure to  
9 post the sign on each pump is a violation of AS 45.50.471, and the retail dealer is subject to a  
10 fine of up to \$5,000 a pump for each day on which the sign required under this subsection is  
11 not posted on a pump."

12

13 Reletter the following subsection accordingly.

14

15 Page 2, line 5:

16 Delete all material and insert:

17       "\* Sec. 3. AS 45.50.471(b)(53) is repealed the first day immediately following the last day  
18 of the period described in sec. 2(a) of this Act during which the motor fuel tax is suspended  
19 and may not be collected."

**Rep. Kurt Olson**

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**From:** Margaret Manousoff [margaret@alaskaconservationsolutions.com]  
**Sent:** Tuesday, July 22, 2008 4:06 PM  
**To:** Rep. Kurt Olson; Rep. Mark Neuman; Rep. Carl Gatto; Rep. Jay Ramras; Rep. Bob Buch;  
Rep. Berta Gardner  
**Subject:** HB4004 document to be introduced in 7/23 testimony  
**Attachments:** Reasons not to suspend the motor fuel tax final.doc

Dear Members of the House Labor and Commerce Committee:

Deborah Williams, President of Alaska Conservation Solutions, plans to participate by teleconference in the July 23 Public Testimony regarding HB4004, Suspending the Motor Fuel Tax.

Please find attached a document entitled, "Six Reasons Not to Suspend the Motor Fuel Tax," which Ms. Williams will discuss and submit for the record.

Thank you for all your hard work regarding energy issues in Alaska.

Sincerely,

**Margaret Manousoff**

Outreach and Advocacy Coordinator  
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## **Six Reasons Not to Suspend the Motor Fuel Tax**

by Alaska Conservation Solutions  
July 16, 2008

### **1) The fuel tax suspension may not, and according to economic theory will not, actually result in lowering the price of motor fuel to the full extent of the suspension.**

If the State eliminates fuel taxes, will our residents benefit from the entire amount of that tax elimination? In other words, will gasoline prices, for example, decrease by the entire 8 cents of the tax elimination for the duration of the suspension? This is highly unlikely.

Alaska collects motor fuel taxes primarily from wholesalers and distributors that hold "qualified dealer" licenses issued by the Tax Division. What will prevent gasoline and other fuel vendors from increasing the cost of fuel as a result of this program? Our economy is driven by supply, demand, and the ability to pay. If the demand is higher and the ability to pay greater, economic theory and experience demonstrate that prices will increase. How much of the tax suspension will be "consumed" by higher fuel prices? This is a troubling and significant unknown.

This issue was highlighted in numerous analyses concerning the recently-tabled summertime federal gas-tax holiday proposal. The move to suspend federal gas taxes "*had no support in the White House, and virtually none in the Democratic Congress. A hundred economists, including... James Galbraith, Alice Rivlin, and the Nobelist Joseph Stiglitz, denounced it...according to the economists, it would probably do nothing more than just transfer revenue from the government to the oil companies.*" (Hendrik Hertzberg, *The New Yorker*, May 19, 2008)

Professor Michael Dorf of Columbia University likewise noted that "*the gas tax holiday will not even lower prices at the pump by very much: the greater demand stimulated ... because of the temporary elimination of the tax will in turn tighten supplies, leading suppliers to raise prices.*" (FindLaw, May 9, 2008)

It does not make sense to suspend fuel taxes in Alaska unless consumers benefit from all or at least most of the suspension – and there is no evidence that they will.

### **2) Alaska has the lowest motor fuel gasoline tax in the United States, according to The Tax Foundation, but it also suffers from the highest gasoline prices.**

On July 15, 2008, the American Automobile Association announced that the average price of regular gas in Alaska is the highest in the nation, topping this month's list at \$4.64 a gallon. Of that, only 8 cents a gallon (a rate that has not changed since 1970) is potentially attributable to the state highway motor fuel tax.

Nationwide, there is no direct, causal relationship between fuel taxes and prices. Consider the following city comparisons, provided by the Department of Energy's Energy Information Administration:

City	State tax/gallon	Average Fuel Price (7/14/08)
Anchorage	8 cents	\$4.39
Seattle	37.5 cents	\$4.33
Miami	33.2 cents	\$4.18
Denver	22 cents	\$4.01
Houston	20.0 cents	\$3.91

In other words, fuel taxes do not "drive" prices.

A better use for some or all of the revenues from Alaskan fuel taxes would be to identify and combat the market factors that, unlike state taxation, are the true causes of soaring fuel costs in this state.

**3) Just as is the case with the proposed \$1200 rebate, a fuel tax suspension will be politically difficult, if not impossible, to end so long as energy prices remain high.**

We need only look at the Alaska Permanent Fund dividend program and entitlement programs to recognize how difficult it is to discontinue or reduce them. With fossil fuel prices projected to continue to increase to \$150 to \$200 per barrel, and with conservation and energy efficiency measures made to seem less urgent due to the proposed ARRP program and fuel tax suspension, our state will be in a worse position a year from now if we adopt this approach. It is very unlikely that the legislature would be able to discontinue or significantly reduce either the fuel tax suspension or the rebate program twelve months from now.

**4) All vehicles impose wear and tear on Alaska's infrastructure. In keeping with cost-causer/cost-payer principles, consumers of motor fuels ought to contribute to the maintenance costs of the highways and other forms of infrastructure their vehicles use.**

Maintenance costs for state-operated roads and airports are funded through the Department of Transportation. A ballpark figure for the DOT statewide road maintenance budget for FY09 is \$77 million, and for aviation maintenance another \$26 million. It only makes sense for the users of Alaska's resources, especially those who are not state residents, to contribute to the upkeep of our roads, bridges and airports.

Even though suspending the gasoline tax would have a nearly insignificant impact on the average Alaskan's household budget, it would result in a significant loss of state revenue: nearly \$30 million from highway gasoline taxes, according to The Tax Foundation and prior Alaska Tax Division Annual Reports. Moreover, Alaskans already rank 48<sup>th</sup> in the nation in terms of the amount of motor fuel taxes they pay per capita: just \$62.81 annually in FY 2006, according to The Tax Foundation. This is a negligible amount for Alaskans to be asked to contribute towards vital infrastructure upkeep.

**5) Motor Fuel taxes are collected, in part, from visitors to the state. If we suspend these taxes, we lose this non-resident revenue.**

Visitors to Alaska, either driving here from other states or renting cars, pay motor fuel taxes. If we eliminate this tax, we will be losing revenue from non-residents who use our roads and other infrastructure.

**6) The approximately \$40 million that Alaska would forfeit by suspending all forms of motor fuel tax could be invested in public transit or other programs that would proactively reduce energy costs and greenhouse gas emissions.**

Instead of suspending motor fuel taxes, the approximately \$40 million at stake could be invested in strategies that will reduce transportation costs to Alaskans in the short-, mid-, and long-term. For example, this money could be invested in expanding public transit, car pooling, and van pooling; providing loans for marine engine efficiency conversion; and expanding the use of biofuels, especially from fish waste. All of these efforts would have both immediate and far-reaching benefits, unlike the tax suspension.

**BACKGROUND:**

Alaska Tax Division 2007 Annual Report

State taxes on motor fuels: Total was approx. \$40m in FY2007

Highway	8 cents a gallon	\$29.4m
Marine fuel	5 cents a gallon	5.6m
Jet fuel	3.2 cents a gallon	4.1m
Aviation gasoline	4.7 cents a gallon	0.7m

**SARAH PALIN**  
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



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July 21, 2008

**VIA HAND DELIVERY**

The Honorable Kurt Olson  
Alaska State Representative  
Chair, House Labor and Commerce Committee  
State Capitol, Room 408  
Juneau, AK 99801

Re: HB 4004 (Suspending the Motor Fuel Tax)

Dear Chairman Olson:

Thank you for scheduling HB 4004 for a hearing. As you know, the bill would suspend the state motor fuel tax for a year. Certain areas of our economy would benefit significantly from a suspension of the motor fuel tax. The Alaska fishing industry is one such area.

High fuel prices are threatening our state's largest private employer and a vital part of our economy, the fishing industry. Our fishermen, their families, and coastal communities of this state need assistance. Consider this: nearly the entire process of commercial fishing involves the use of motor fuel, from the fisherman catching the fish, to the tender vessel running the fish to a processor, to transporting fish products by air or sea to markets overseas and to the "lower 48" states.

Suspending the state motor fuel tax for a year would save a fisherman putting 2,000 hours a year on his engine and generator and burning 12 gallons an hour about \$1,200. A large processor using tender vessels to transport fish and buying 500,000 gallons of diesel fuel a year would save roughly \$25,000. These are very significant savings and come at a time when every penny counts. Fishermen and processors could also save on costs to transport their fish to markets overseas by air and sea as cargo carriers would also pay reduced fuel costs.

This bill is just one of several efforts to assist fishermen at the state and federal levels. The state Division of Investments is also offering low-interest loans for fishermen to install more fuel-efficient engines. At the federal level, Senator Lisa

The Honorable Kurt Olson  
July 21, 2008  
Page 2

Murkowski has recently introduced legislation aimed at assisting fishermen ("The Fisheries Fuel Tax Relief Act of 2008"). That bill would provide fishermen with a fuel tax credit on their federal taxes.

I would also note suspending the motor fuel tax is particularly important for the many rural communities which have high numbers of residents holding either limited entry or open access fishing permits. A list of Alaska communities and the numbers of permits held by residents of those communities is enclosed.

Also enclosed is a draft amendment that should help ensure the savings from the tax suspension are passed on to consumers. Please enter this letter and these documents into the record of the committee. I urge your support in moving the bill to the floor of the House for a vote.

I am available at your convenience to answer any questions you might have.

Sincerely,

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

Randy Ruaro  
Special Staff Assistant

Enclosures

cc: The Honorable Lisa Murkowski, United States Senator  
Alaska State Legislature

AMENDMENT

OFFERED IN THE HOUSE LABOR AND  
COMMERCE COMMITTEE  
TO: HB 4004

BY \_\_\_\_\_

1 Page 2, following line 2:

2 Insert:

3 "(c) Every retail dealer who sells or transfers motor fuel for highway use shall  
4 post a sign on each pump that states "As of August 1, 2008, the State of Alaska has  
5 suspended the Alaska motor fuel tax. This tax suspension will continue through July 31,  
6 2009. The amount of this tax is eight cents per gallon. The price on this pump reflects  
7 the elimination of this tax." The sign must be 4 inches by 8 inches, and clearly visible to  
8 the consumer. Failure to post this sign on each pump is a violation of AS 45.50.471, and  
9 the retail dealer is subject to a fine up to \$5,000 for each day that, and for each pump on  
10 which, the required sign is not posted."

11

12 Page 2, line 3:

13 Delete "(c)"

14 Insert "(d)"

State of Alaska  
Commercial Fisheries Entry Commission

July 14, 2008

**Number of 2007 Year-End Permits by Alaskan Community  
(Ranked by Total Permits)**

CITY	STATE	Resident			Nonresident			Overall		
		Limited Entry	Open Access	Total	Limited Entry	Open Access	Total	Limited Entry	Open Access	Total
KODIAK	AK	578	674	1,252	10	15	25	588	689	1,277
PETERSBURG	AK	760	374	1,134	12	7	19	772	381	1,153
SITKA	AK	590	464	1,054	9	6	15	599	470	1,069
HOMER	AK	563	383	946	4	9	13	567	392	959
ANCHORAGE	AK	696	127	823	7	4	11	703	131	834
CORDOVA	AK	464	98	562	25	2	27	489	100	589
KETCHIKAN	AK	459	114	573	3	1	4	462	115	577
JUNEAU	AK	375	187	562	2	0	2	377	187	564
WRANGELL	AK	315	111	426	2	0	2	317	111	428
TOGIAK	AK	292	26	318	0	0	0	292	26	318
CRAIG	AK	231	72	303	13	0	13	244	72	316
DILLINGHAM	AK	241	54	295	7	0	7	248	54	302
KENAI	AK	223	49	272	9	1	10	232	50	282
YAKUTAT	AK	190	71	261	5	1	6	195	72	267
SAND POINT	AK	94	130	224	1	0	1	95	130	225
BETHEL	AK	204	5	209	0	0	0	204	5	209
WASILLA	AK	157	41	198	0	1	1	157	42	199
HAINES	AK	126	60	186	1	0	1	127	60	187
SOLDOTNA	AK	133	41	174	5	2	7	138	43	181
KASILOF	AK	140	35	175	2	0	2	142	35	177
HOONAH	AK	110	41	151	1	0	1	111	41	152
FAIRBANKS	AK	123	11	134	0	0	0	123	11	134
NAKNEK	AK	113	13	126	1	0	1	114	13	127
SEWARD	AK	65	60	125	0	2	2	65	62	127
KOTZEBUE	AK	116	6	122	0	0	0	116	6	122
UNALAKLEET	AK	114	8	122	0	0	0	114	8	122
TOKSOOK BAY	AK	57	61	118	0	0	0	57	61	118
EMMONAK	AK	98	19	117	0	0	0	98	19	117
MANOKOTAK	AK	113	3	116	0	0	0	113	3	116
QUINHAGAK	AK	89	12	101	0	0	0	89	12	101
KING COVE	AK	52	47	99	1	1	2	53	48	101
DOUGLAS	AK	63	36	99	0	0	0	63	36	99
ALAKANUK	AK	85	7	92	0	0	0	85	7	92
KOTLIK	AK	81	8	89	0	0	0	81	8	89
PALMER	AK	63	22	85	0	0	0	63	22	85
ANCHOR POINT	AK	50	33	83	2	0	2	52	33	85
AKIACHAK	AK	81	1	82	0	0	0	81	1	82
MOUNTAIN VILLAGE	AK	79	3	82	0	0	0	79	3	82

**Number of 2007 Year-End Permits by Alaskan Community  
(Ranked by Total Permits)**

CITY	STATE	Resident			Nonresident			Overall		
		Limited Entry	Open Access	Total	Limited Entry	Open Access	Total	Limited Entry	Open Access	Total
SAINT MARYS	AK	75	7	82	0	0	0	75	7	82
MEKORYUK	AK	37	45	82	0	0	0	37	45	82
WARD COVE	AK	63	18	81	0	0	0	63	18	81
PELICAN	AK	45	33	78	2	0	2	47	33	80
NOME	AK	28	45	73	0	0	0	28	45	73
METLAKATLA	AK	56	14	70	0	0	0	56	14	70
EAGLE RIVER	AK	55	14	69	0	0	0	55	14	69
KAKE	AK	51	17	68	0	0	0	51	17	68
SELDOVIA	AK	39	23	62	0	0	0	39	23	62
TUNUNAK	AK	23	37	60	0	0	0	23	37	60
UNALASKA	AK	9	47	56	0	4	4	9	51	60
KLAWOCK	AK	55	4	59	0	0	0	55	4	59
TUNTUTULIAK	AK	55	4	59	0	0	0	55	4	59
NIKISKI	AK	50	7	57	2	0	2	52	7	59
PILOT STATION	AK	56	1	57	0	0	0	56	1	57
HYDABURG	AK	51	6	57	0	0	0	51	6	57
AUKE BAY	AK	38	17	55	1	1	2	39	18	57
OLD HARBOR	AK	37	20	57	0	0	0	37	20	57
GUSTAVUS	AK	34	23	57	0	0	0	34	23	57
CHIGNIK LAGOON	AK	26	26	52	2	2	4	28	28	56
DUTCH HARBOR	AK	8	41	49	0	7	7	8	48	56
KWETHLUK	AK	55	0	55	0	0	0	55	0	55
NINILCHIK	AK	49	6	55	0	0	0	49	6	55
SCAMMON BAY	AK	51	3	54	0	0	0	51	3	54
GIRDWOOD	AK	41	13	54	0	0	0	41	13	54
VALDEZ	AK	35	17	52	1	0	1	36	17	53
NUNAPITCHUK	AK	50	0	50	0	0	0	50	0	50
CHEFORNAK	AK	13	37	50	0	0	0	13	37	50
KIPNUK	AK	21	28	49	0	0	0	21	28	49
EEK	AK	46	2	48	0	0	0	46	2	48
PORT ALEXANDER	AK	21	27	48	0	0	0	21	27	48
CLAM GULCH	AK	31	13	44	3	0	3	34	13	47
GOODNEWS BAY	AK	46	0	46	0	0	0	46	0	46
KING SALMON	AK	39	3	42	3	0	3	42	3	45
THORNE BAY	AK	35	9	44	0	0	0	35	9	44
CHUGIAK	AK	37	5	42	1	0	1	38	5	43
NAPAKIAK	AK	42	0	42	0	0	0	42	0	42
SHAKTOOLIK	AK	37	5	42	0	0	0	37	5	42
HOOPER BAY	AK	34	8	42	0	0	0	34	8	42
DELTA JUNCTION	AK	15	27	42	0	0	0	15	27	42
KASIGLUK	AK	41	0	41	0	0	0	41	0	41
ELFIN COVE	AK	23	17	40	0	0	0	23	17	40

**Number of 2007 Year-End Permits by Alaskan Community  
(Ranked by Total Permits)**

CITY	STATE	Resident			Nonresident			Overall		
		Limited Entry	Open Access	Total	Limited Entry	Open Access	Total	Limited Entry	Open Access	Total
ELIM	AK	37	2	39	0	0	0	37	2	39
ANGJON	AK	24	15	39	0	0	0	24	15	39
MARSHALL	AK	38	0	38	0	0	0	38	0	38
PORT LIONS	AK	22	16	38	0	0	0	22	16	38
SOUTH NAKNEK	AK	32	0	32	4	0	4	36	0	36
OUZINKIE	AK	15	20	35	0	0	0	15	20	35
NIKOLAEVSK	AK	13	20	33	0	1	1	13	21	34
NIGHTMUTE	AK	16	17	33	0	0	0	16	17	33
NEWTOK	AK	13	20	33	0	0	0	13	20	33
NAPASKIAK	AK	31	1	32	0	0	0	31	1	32
WILLOW	AK	14	17	31	1	0	1	15	17	32
POINT BAKER	AK	25	6	31	0	0	0	25	6	31
STERLING	AK	16	15	31	0	0	0	16	15	31
ALEKNAGIK	AK	28	1	29	0	0	0	28	1	29
NELSON LAGOON	AK	27	2	29	0	0	0	27	2	29
NEW STUYAHOK	AK	25	3	28	0	0	0	25	3	28
TULUKSAK	AK	26	1	27	0	0	0	26	1	27
ATMAUTLUAK	AK	26	0	26	0	0	0	26	0	26
NENANA	AK	25	0	25	0	0	0	25	0	25
NORTH POLE	AK	21	3	24	1	0	1	22	3	25
EGEGIK	AK	19	4	23	2	0	2	21	4	25
AKIAK	AK	23	0	23	0	0	0	23	0	23
SAINT PAUL ISLAND	AK	0	23	23	0	0	0	0	23	23
KWIGILLINGOK	AK	17	5	22	0	0	0	17	5	22
KONGIGANAK	AK	15	7	22	0	0	0	15	7	22
GRAYLING	AK	9	13	22	0	0	0	9	13	22
CHEVAK	AK	14	6	20	0	0	0	14	6	20
EDNA BAY	AK	13	7	20	0	0	0	13	7	20
NUNAM IQUA	AK	12	8	20	0	0	0	12	8	20
CHIGNIK	AK	7	12	19	0	1	1	7	13	20
TENAKEE	AK	15	4	19	0	0	0	15	4	19
FRITZ CREEK	AK	13	6	19	0	0	0	13	6	19
STEBBINS	AK	18	0	18	0	0	0	18	0	18
MEYERS CHUCK	AK	14	4	18	0	0	0	14	4	18
KOLIGANEK	AK	17	0	17	0	0	0	17	0	17
ILIAMNA	AK	16	1	17	0	0	0	16	1	17
TYONEK	AK	16	0	16	0	0	0	16	0	16
RUSSIAN MISSION	AK	15	0	15	0	0	0	5	0	15
PORT HEIDEN	AK	13	2	15	0	0	0	13	2	15
TANANA	AK	14	0	14	0	0	0	14	0	14
PILOT POINT	AK	12	2	14	0	0	0	12	2	14
GALENA	AK	13	0	13	0	0	0	13	0	13

**Number of 2007 Year-End Permits by Alaskan Community  
(Ranked by Total Permits)**

CITY	STATE	Resident			Nonresident			Overall		
		Limited Entry	Open Access	Total	Limited Entry	Open Access	Total	Limited Entry	Open Access	Total
GOLOVIN	AK	12	1	13	0	0	0	12	1	13
LARSEN BAY	AK	10	1	11	2	0	2	12	1	13
FALSE PASS	AK	6	7	13	0	0	0	6	7	13
ANIAK	AK	11	1	12	0	0	0	11	1	12
ANVIK	AK	11	1	12	0	0	0	11	1	12
TWIN HILLS	AK	10	2	12	0	0	0	10	2	12
SAVOONGA	AK	0	12	12	0	0	0	0	12	12
CLARKS POINT	AK	11	0	11	0	0	0	11	0	11
KOYUK	AK	11	0	11	0	0	0	11	0	11
NEWHALEN	AK	11	0	11	0	0	0	11	0	11
COPPER CENTER	AK	10	1	11	0	0	0	10	1	11
KALTAG	AK	10	0	10	0	0	0	10	0	10
MANLEY HOT SPRINGS	AK	10	0	10	0	0	0	10	0	10
BIG LAKE	AK	9	0	9	0	0	0	9	0	9
HOLY CROSS	AK	9	0	9	0	0	0	9	0	9
KOKHANOK	AK	9	0	9	0	0	0	9	0	9
NULATO	AK	9	0	9	0	0	0	9	0	9
PLATINUM	AK	9	0	9	0	0	0	9	0	9
PERRYVILLE	AK	7	2	9	0	0	0	7	2	9
HALIBUT COVE	AK	4	5	9	0	0	0	4	5	9
AKUTAN	AK	0	9	9	0	0	0	0	9	9
ATKA	AK	0	9	9	0	0	0	0	9	9
RUBY	AK	8	0	8	0	0	0	8	0	8
SAINT MICHAEL	AK	8	0	8	0	0	0	8	0	8
TALKEETNA	AK	8	0	8	0	0	0	8	0	8
PORT GRAHAM	AK	7	1	8	0	0	0	7	1	8
SUTTON	AK	6	2	8	0	0	0	6	2	8
ADAK	AK	1	7	8	0	0	0	1	7	8
COFFMAN COVE	AK	7	0	7	0	0	0	7	0	7
LEVELOCK	AK	7	0	7	0	0	0	7	0	7
SKAGWAY	AK	6	1	7	0	0	0	6	1	7
HYDER	AK	5	2	7	0	0	0	5	2	7
WHITTIER	AK	2	5	7	0	0	0	2	5	7
AKHIOK	AK	6	0	6	0	0	0	6	0	6
GLENNALLEN	AK	6	0	6	0	0	0	6	0	6
NANWALEK	AK	6	0	6	0	0	0	6	0	6
NOATAK	AK	6	0	6	0	0	0	6	0	6
NONDALTON	AK	6	0	6	0	0	0	6	0	6
SAINT GEORGE ISL	AK	0	6	6	0	0	0	0	6	6
BARROW	AK	5	0	5	0	0	0	5	0	5
CHIGNIK LAKE	AK	5	0	5	0	0	0	5	0	5
TELLER	AK	5	0	5	0	0	0	5	0	5

**Number of 2007 Year-End Permits by Alaskan Community  
(Ranked by Total Permits)**

CITY	STATE	Resident			Nonresident			Overall		
		Limited Entry	Open Access	Total	Limited Entry	Open Access	Total	Limited Entry	Open Access	Total
TRAPPER CREEK	AK	5	0	5	0	0	0	5	0	5
UGASHIK	AK	5	0	5	0	0	0	5	0	5
GAKONA	AK	4	1	5	0	0	0	4	1	5
TATITLEK	AK	4	1	5	0	0	0	4	1	5
COLD BAY	AK	3	2	5	0	0	0	3	2	5
COOPER LANDING	AK	4	0	4	0	0	0	4	0	4
SELAWIK	AK	4	0	4	0	0	0	4	0	4
CHIGNIK BAY	AK	3	0	3	0	0	0	3	0	3
CIRCLE CITY	AK	3	0	3	0	0	0	3	0	3
DEERING	AK	3	0	3	0	0	0	3	0	3
EKWOK	AK	3	0	3	0	0	0	3	0	3
FORTUNA LEDGE	AK	3	0	3	0	0	0	3	0	3
IGIUGIG	AK	3	0	3	0	0	0	3	0	3
KALSKAG	AK	3	0	3	0	0	0	3	0	3
KIANA	AK	3	0	3	0	0	0	3	0	3
PEDRO BAY	AK	3	0	3	0	0	0	3	0	3
STEVENS VILLAGE	AK	3	0	3	0	0	0	3	0	3
AMBLER	AK	2	1	3	0	0	0	2	1	3
SHELDON POINT	AK	1	2	3	0	0	0	1	2	3
ALEXANDER CREEK	AK	2	0	2	0	0	0	2	0	2
FORT RICHARDSON	AK	2	0	2	0	0	0	2	0	2
FORT WAINWRIGHT	AK	2	0	2	0	0	0	2	0	2
HEALY	AK	2	0	2	0	0	0	2	0	2
INDIAN	AK	2	0	2	0	0	0	2	0	2
KASAAN	AK	2	0	2	0	0	0	2	0	2
KIVALINA	AK	2	0	2	0	0	0	2	0	2
PORT ALSWORTH	AK	2	0	2	0	0	0	2	0	2
RAMPART	AK	2	0	2	0	0	0	2	0	2
SHISHMAREF	AK	2	0	2	0	0	0	2	0	2
TOK	AK	2	0	2	0	0	0	2	0	2
TWO RIVERS	AK	2	0	2	0	0	0	2	0	2
CENTRAL	AK	1	1	2	0	0	0	1	1	2
CHITINA	AK	1	1	2	0	0	0	1	1	2
CHAGELUK	AK	1	1	2	0	0	0	1	1	2
NIKOLSKI	AK	0	2	2	0	0	0	0	2	2
ATQASUK	AK	1	0	1	0	0	0	1	0	1
BUCKLAND	AK	1	0	1	0	0	0	1	0	1
DOT LAKE	AK	1	0	1	0	0	0	1	0	1
FORT YUKON	AK	1	0	1	0	0	0	1	0	1
HOPE	AK	1	0	1	0	0	0	1	0	1
HOUSTON	AK	1	0	1	0	0	0	1	0	1
HUSLIA	AK	1	0	1	0	0	0	1	0	1

**Number of 2007 Year-End Permits by Alaskan Community  
(Ranked by Total Permits)**

CITY	STATE	Resident			Nonresident			Overall		
		Limited Entry	Open Access	Total	Limited Entry	Open Access	Total	Limited Entry	Open Access	Total
LOWER KALSKAG	AK	1	0	1	0	0	0	1	0	1
MOOSE PASS	AK	1	0	1	0	0	0	1	0	1
NAUKATI BAY	AK	1	0	1	0	0	0	1	0	1
NIKISHKA	AK	1	0	1	0	0	0	1	0	1
NOORVIK	AK	1	0	1	0	0	0	1	0	1
OSCARVILLE	AK	1	0	1	0	0	0	1	0	1
PITKAS POINT	AK	1	0	1	0	0	0	1	0	1
POINT LAY	AK	1	0	1	0	0	0	1	0	1
SALCHA	AK	1	0	1	0	0	0	1	0	1
SLEETMUTE	AK	1	0	1	0	0	0	1	0	1
UPPER KALSKAG	AK	1	0	1	0	0	0	1	0	1
WHITE MOUNTAIN	AK	1	0	1	0	0	0	1	0	1
WSEMAN	AK	1	0	1	0	0	0	1	0	1
CHINIAK	AK	0	1	1	0	0	0	0	1	1
DENALI PARK	AK	0	1	1	0	0	0	0	1	1
PRUDHOE BAY	AK	0	1	1	0	0	0	0	1	1
<b>Alaskan Subtotal</b>		<b>11,213</b>	<b>4,529</b>	<b>15,742</b>	<b>147</b>	<b>68</b>	<b>215</b>	<b>11,200</b>	<b>4,597</b>	<b>15,957</b>
Non-Alaskan Community		73	41	114	3,183	1,352	4,535	3,256	1,393	4,649
<b>Grand Total</b>		<b>11,286</b>	<b>4,570</b>	<b>15,856</b>	<b>3,330</b>	<b>1,420</b>	<b>4,750</b>	<b>14,616</b>	<b>5,990</b>	<b>20,606</b>

Source: CFEC permit file

Note: This table reflects year-end 2007 permit information for permanent and interim-use permits in limited fisheries, and interim-use permits in open access fisheries. Educational, hatchery, test, reservation, and permits foreclosed upon and held by the Department of Commerce, Community & Economic Development, Division of Investments are not included.

Note: Residency reflects the declared residency of the permit holder at the time the permit was applied for or renewed.

Note: The city and state reflect the permanent mailing address of the permit holder at the time the permit was applied for or renewed. The Non-Alaskan community totals reflect permit holders whose permanent mailing address was not Alaska.

Note: The totals indicated here may not match totals presented on the CFEC website ([www.cfec.state.ak.us](http://www.cfec.state.ak.us)) due to slight differences in programming selection criteria. This table includes 2007 halibut permits

NEWS FROM THE OFFICE OF

**SENATOR LISA MURKOWSKI**  
*United States Senate*



**SENATOR MURKOWSKI INTRODUCES LEGISLATION TO HELP COMMERCIAL FISHERMEN WITH EXCESSIVE FUEL COSTS**

Thursday, June 26, 2008

WASHINGTON, D.C. - Sen. Lisa Murkowski, R-Alaska, today introduced legislation that would provide commercial fishermen a temporary income tax credit to help them offset the high cost of fuel.

"My office has received a petition signed by more than 1,700 Alaskans asking Congress to help provide commercial fishermen with emergency relief from high fuel prices," Murkowski said. "The Fisheries Fuel Tax Relief Act of 2008, which I introduced today along with Sen. Ted Stevens as an original co-sponsor, would go a long way toward helping our fishermen out in these dire economic times."

The tax credit would be based on the difference between the price of fuel on Labor Day 2004, adjusted for inflation, and prices paid this year. The excessive fuel costs would be an additional deduction for an eligible taxpayer, and the tax credit would be applicable for a two-year period following enactment of the legislation.

"Diesel fuel prices in Alaska and across the nation have increased more than 50 percent over the past year," Murkowski said. "Some fishermen are reporting that they are now spending up to 70 percent of their income for fuel."

Senator Ted Stevens said: "Soaring fuel costs have dramatically impacted Alaska's commercial fishermen. As I travel around the state, many people have told me that they can no longer afford to fuel their boats and cannot earn a living. This is having an unfortunate effect on Alaska's families that depend on fishing as their only income. It also hurts our nation, because our seafood fills Americans' freezers from coast to coast. Something must be done now. I am pleased to join Senator Murkowski in introducing this bill that will provide much needed relief for our commercial fishermen, and I urge Congress to pass it as quickly as possible."

Murkowski said that high fuel prices are having a "devastating impact" on the commercial fishing industry because fishermen don't have the option of passing the cost of fuel on to customers, turning to alternative modes of transportation or selling their product for a higher price.

"Fish prices, in most cases, are set by the seafood processing sector and are tied to prices in the global seafood market," Murkowski said.

Murkowski said that fishermen all over the country are staying tied to the dock, unable to make enough money from their catch to pay for fuel.

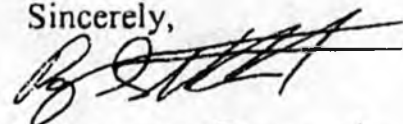
"In Gloucester and Biloxi, Key West and Honolulu, Point Judith and Kodiak, fishermen simply can't afford to go fishing," she said. "And some U.S. vessels are running all the way from the Gulf of Mexico and California to Mexico to buy fuel. When fishermen can't go fishing, they can't make their boat and permit payments. Many are simply going out of business.

"Since more than 80 percent of the seafood Americans eat is imported, we simply can't afford for this to happen. We must try to help the fishing industry weather this storm. I believe this legislation will help us do that."

May 9, 2008

We would like to make you aware of our petition to help commercial fishermen with high fuel costs. We've started getting signatures in Petersburg with plans to expand our efforts. We would appreciate any help you can provide on this issue. Please contact us, we would like to share our ideas with you.

Sincerely,



Sara M. Stoner

Ray and Sara Stoner  
P.O. Box 394  
Petersburg, Alaska 99833  
907-209-3095

CC:

Senator Ted Stevens  
Senator Lisa Murkowski c/o Arni Fuglvog  
US Representative Don Young  
Governor Sarah Palin  
Senator Bert Stedman  
Representative Peggy Wilson



# LEGAL SERVICES

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

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

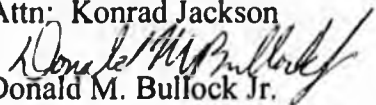
State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

July 15, 2008

**SUBJECT:** Suspension of the motor fuel tax (HB 4004;  
Work Order No. 25-GH4060A)

**TO:** Representative Kurt Olson  
Chair of the House Labor & Commerce Committee  
Attn: Konrad Jackson

**FROM:**   
Donald M. Bullock Jr.  
Legislative Counsel

You asked whether the suspension of the motor fuel tax could, in any way, jeopardize federal matching funds. You also asked whether an antitrust issue is raised if fuel dealers do not pass on the tax reduction to consumers.

With regard to your first question, I have not found a federal requirement that a state impose a tax on the transfer of motor fuel. There is also no dedication of receipts from the motor fuel tax within AS 43.40; therefore, all motor fuel tax proceeds are deposited in the general fund.<sup>1</sup> Should matching state funds be required for a particular federal grant, the legislature could appropriate the required match from the general fund.

There is one link between the motor fuel tax and federal funding, but it has nothing to do with the amount of the tax imposed or collected. Under 23 U.S.C. 10(b)(1)(A)(iii), the total diesel fuel used in the state is a factor in determining the proportionate state share of sums authorized to be appropriated for expenditure on the Interstate and National Highway System program, the Congestion Mitigation and Air Quality Improvement program, the highway safety improvement program, and the Surface Transportation program. Sec. 1(b) of HB 4004 requires continued reporting during the suspension period by persons otherwise subject to AS 43.40.010(c), so that the state will have information required for determining the state's proportionate share.

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<sup>1</sup> AS 43.40.010(e), which provides for the sharing of certain aviation fuel taxes with municipal airports, may appear to be a dedicated fund. However, it is not. The provision was enacted in 1961 (sec. 1, ch. 110, SLA 1961), two years after the state achieved statehood and a dedication is not otherwise authorized under art. IX, sec. 7 of the state constitution.

Representative Kurt Olson  
July 15, 2008  
Page 2

With regard to your second question, it is first significant to note that there is no specific mechanism in HB 4004 that reduces the sales price of motor fuel because of the suspension of the tax. In other words, the bill does not require persons that sell motor fuel to reduce the price at the pump by the amount of the suspended motor fuel tax. Thus, the failure to pass the savings to the purchase of the fuel in itself is not contrary to the language in HB 4004.<sup>2</sup>

Motor fuel taxes are similar to sales taxes in that the tax generally is collected from the purchaser by the dealer who then pays the collected tax to the state.<sup>3</sup> A person consuming motor fuel that was not previously subject to the full amount of the motor fuel tax is directly liable for paying the tax on the consumed fuel to the state.<sup>4</sup> A person that is directly liable to the state for the motor fuel tax on previously untaxed or undertaxed fuel used by the person is called a "user."<sup>5</sup>

A user will directly benefit from the passage of HB 4004 or SB 4004 because the tax that the user would otherwise have to pay is suspended. A person normally paying the tax to the person from whom they are purchasing the fuel will only benefit from the suspension of the motor fuel tax if the seller reduces the sales price by the amount of the tax that would otherwise be collected if the suspension were not in place.

In the situation where a dealer sells motor fuel that includes the state's tax, and given the fluctuation in gasoline prices and the fact that the tax on gasoline at eight cents a gallon is less than two percent of the sales price, it may be difficult to determine whether a change in sales price is directly related to the suspension of the motor fuel tax. What if the dealer unilaterally wants to keep the price the same? The customer pays the same amount, but the part of the price that would otherwise be paid to the state is used by the dealer in the dealer's discretion. Is there an expectation that any saving in the cost of the dealer's operation will be passed forward to the purchaser? If the electric bill is reduced, property taxes go down, or the cost of the dealer's lease is reduced, are the customers entitled to a lower price?

If motor fuel dealers agree or conspire to harm or restrain competition, such as agreeing to certain pricing without regard to whether a motor fuel tax is in place, the dealers may be found to violate antitrust laws. AS 45.50.562 is the state's antitrust statute; claims

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<sup>2</sup> Unlike utilities regulated by the Regulatory Commission of Alaska, motor fuel dealers do not have prices set by the state.

<sup>3</sup> AS 43.40.010(a) and (c).

<sup>4</sup> AS 43.40.010(b) and (c).

<sup>5</sup> AS 43.40.100(4).

Representative Kurt Olson  
July 15, 2008  
Page 3

under this statute are analogous to claims brought under sec. 1 of the federal Sherman Act.<sup>6</sup>

To establish a prima facie antitrust case under Alaska law, a plaintiff must prove three elements: (1) an agreement or conspiracy involving two or more persons or distinct business entities; (2) by which the persons or entities intended to harm or restrain competition; and (3) which actually injures competition.<sup>7</sup> If the elements are proven, there is an antitrust violation. Agreeing or conspiring to either pass the motor fuel tax saving to customers or maintain price levels during the suspension of the tax may raise the issue of price-fixing. However, a prima facie antitrust case is only established if the three elements are proven.

If I may be of further assistance, please advise.

DMB:ljw  
08-297.ljw

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<sup>6</sup> *Alakayak v. British Columbia Packing, Ltd.*, 48 P.3d 432, 448 (Alaska 2002). Sec. 1 of the Sherman Act is codified at 15 U.S.C. 1.

<sup>7</sup> *Alakayak*, 48 P.3d at 448.



**Motor Fuel Tax**  
**AS 43.40**

**Description**

Alaska levies a motor fuel tax on motor fuel sold, transferred or used within Alaska. The division collects motor fuel taxes primarily from wholesalers and distributors that hold "qualified dealer" licenses issued by the division.

and use are exempt from motor fuel tax:

- Heating
- Federal, state and local government agencies
- Foreign flights (jet fuel)
- Exports
- Power plants/utilities
- Charitable institutions
- Bunker fuel (residual fuel oil or #6 fuel oil)

**Rates**

Fuel Type	Rate per Gallon
Highway	8¢
Marine	5¢
Aviation Gasoline	4.7¢
Jet Fuel	3.2¢

**Disposition of Revenue**

The division deposits revenue derived from motor fuel taxes into the General Fund. Revenue from each category of fuel is accounted for separately in the division's tax accounting system. For example, proceeds from tax on motor fuel used in boats and watercraft are deposited in a special watercraft fuel tax account and proceeds from tax on motor fuel used in highway vehicles are deposited in a special highway fuel tax account within the General Fund.

**Returns**

Taxpayers file returns and make payment monthly. There are four separate returns: diesel, gasoline, aviation and gasohol.

The division shares with the respective municipalities 60 percent of taxes attributable to aviation fuel sales at municipally owned or operated airports. All other proceeds of the taxes on aviation fuel are deposited into a special aviation fuel tax account.

The due date is the last day of the month following the month of sale or taxable use. Taxpayers may deduct 1 percent of the tax due, limited to a maximum of \$100 per return, as a timely filing credit.

**Refunds**

Consumers may claim a refund for the full tax rate if the consumer used the fuel for exempt purposes; or for the difference between the tax rate and 2¢ per gallon if the consumer used the fuel off-highway.

**History**

The motor fuel tax dates back to 1945 when the legislature imposed a tax of 1¢ per gallon on all motor fuel. Over time, the legislature enacted separate tax rates for each of the fuel categories as they exist today. Motor fuel tax rates have changed as follows.

Resellers, usually retailers, may claim a refund for the full tax if the reseller paid the tax, and then sold the fuel for exempt use and did not collect the tax.

**1994** – The legislature enacted a tax decrease for bunker fuel. The tax rate decreases from 5¢ to 1¢ per gallon on bunker fuel sales exceeding 4.1 million gallons. The tax decrease expired on June 30, 1998.

**Exemptions**

In addition to sales between qualified dealers, the following sales

*The tax rate was 1¢ per gallon when the legislature imposed a tax of 1¢ per gallon on all motor fuel.*

Highway	Rate Per Gallon
1945	1¢
1947	2¢
1955	5¢
1960	7¢
1961	8¢
1964	7¢
1970	8¢

Gasohol	Rate Per Gallon
1997	8¢ / 2¢
<i>(2¢ November through February where required)</i>	

Marine	Rate Per Gallon
1945	1¢
1947	2¢
1955	5¢
1957	2¢
1960	3¢
1971	4¢
1977	5¢

Aviation Gasoline	Rate Per Gallon
1945	1¢
1947	2¢
1955	3¢
1968	4¢
1994	4.7¢

Jet Fuel	Rate Per Gallon
1957	1.5¢
1968	2.5¢
1994	3.2¢

1997 – The legislature repealed the gasohol exemption. The legislature enacted a provision that reduces the tax on gasohol from 8¢ to 2¢ per gallon in areas and at times when the use of gasohol is required. However, gasohol has not been required since the winter of 2002-2003 and gasohol is currently taxed at the full tax rate of 8¢.

Legislation was also passed that fully exempted gasohol blended with at least 10 percent alcohol derived from wood or seafood waste. This legislation expired on June 30, 2004.

The legislature expanded the foreign flight exemption to include flights originating from foreign countries in addition to the existing exemption for flights with a foreign destination. This legislation included a permanent exemption for bunker fuel (residual fuel oil known as #6 fuel oil) which nullified the 1994 bunker fuel tax rate reduction.

1998 - The legislature authorized taxpayers to take a "bad debt" credit for sales deemed to be worthless and for sales to persons who file bankruptcy.

2003 – The legislature enacted legislation that made it easier for the state to issue motor fuel excise tax refunds for credit card purchases made by federal, state and local government agencies.

2004 – The provision that exempted gasohol blended with at least 10 percent alcohol derived from wood or seafood waste from the motor fuel tax expired on June 30, 2004. Currently all gasohol is taxed at the rate of 8 cents per gallon.

## FY 2007 Statistics

**Tax Collections**

Highway	\$29,360,245
Marine Fuel	5,576,852
Jet Fuel	4,124,896
Aviation Gasoline	685,844
Penalties & Interest	<u>(62,525)</u>
Total Tax Collections	39,685,312
Less Aviation Fuel Tax Shared	<u>(147,322)</u>
Total Amount Retained by State	<u><u>\$39,537,990</u></u>

**Motor Fuel Type****Gallons**

Highway	343,413,022
Marine Fuel	109,751,602
Jet Fuel	159,392,320
Aviation Gasoline	14,347,643

*\*\* Gallons noted may not compute if calculated as: Gallons X Tax Rate = Tax Collected  
Gallons are recorded on the tax return and calculated based on the return tax period,  
whereas tax collections are calculated based on the amount received within a time  
period and may include payments or refunds from a previous tax period.*

Number of Returns	3,610
Number of Taxpayers	250
Program Cost	\$429,985
Staffing (full time equivalent)	5.2



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original documents after microfilm reproductions have been made.

*Stan Hubbard*

Signature of Camera Operator

*6-4-2009*

Date

**HCR**

**20**

# FISCAL NOTE

**STATE OF ALASKA**  
**2008 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version:           HCR 20            
 ( ) Publish Date: \_\_\_\_\_

Identifier (file name): \_\_\_\_\_ Dept. Affected: \_\_\_\_\_  
 Title:           Residential Fire Sprinkler Systems           RDU \_\_\_\_\_  
 Sponsor:           Rep. Paul Seaton           Component \_\_\_\_\_  
 Requester: \_\_\_\_\_ Component Number \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
-----------------------------	--	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>								
-------------------------------	--	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

Full-time								
Part-time								
Temporary								

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

Prepared by:           Eleanor Wolfe, Staff, L&C Committee           Phone \_\_\_\_\_  
 Division:           Legislature           Date/Time           2/26/08 12:00 AM            
 Approved by:           Rep. Kurt Olson, Chairman           Date \_\_\_\_\_

## Alaska State Legislature

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Juneau, AK 99802  
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Fax: 465-3472  
Toll Free (800) 665-2689  
Representative\_Paul\_Seaton@legis.state.ak.us



345 W. Sterling Highway  
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Homer, AK 99603  
Phone: 235-2921  
Fax: 235-4008

### **REPRESENTATIVE Paul Seaton**

District 35

#### **HCR20**

#### **A Resolution encouraging the installation of fire sprinkler systems in residences.**

Residential fire sprinkler systems are known to save lives and prevent millions of dollars in property loss. HCR 20 encourages the State agencies and the Insurance industry to provide graduated incentives for partial and full residential sprinkler coverage. It asks that the Fire Marshall come up with a program that would rate residences based on sprinkler coverage within the home. This program would allow home owners to install partial system over known hot spots such as cooking areas and furnace areas and still get some credit. It also asks that The Department of Labor and Workforce Development come up with a program to qualify plumbers to install these systems and asks the insurance industry to recognize this program and provide insurance discounts based on the Fire Marshall's program.

Concept paper provided to Rep. Paul Seaton on 1/11/06 by DPS  
--for more info, contact Gary Powell, SFM at 269-5491

### Residential Fire Sprinkler Incentive Program

It is the policy of the Alaska State Fire Marshal to recognize levels of fixed fire protection installed in single family dwellings in the state. This recognition program shall be called the Residential Safety Star Program. To attain the appropriate level of recognition, the fixed protection system shall be installed by qualified installers, permitted by the SFMO under 13 AAC 50.035, or otherwise approved by the manufacturer with concurrence of the SFMO.

The levels of protection recognized under this program shall be as outlined below:

- **Platinum Star** – Complete automatic fire sprinkler system as per NFPA 13R.
- **Gold Star** – Complete automatic fire sprinkler system as per NFPA 13D.
- **Silver Star** – Partial automatic fire sprinkler system as per NFPA 13 R to cover major sources of fire hazard including attached garages, laundry rooms, furnace rooms and kitchens. (Per USFA initiative Residential Fire Sprinkler Initiative)
- **Bronze Star** – Partial automatic fire sprinkler system as per NFPA 13 D to cover major sources of fire hazard including attached garages, laundry rooms, furnace rooms and kitchens. (Per USFA Residential Fire Sprinkler Initiative)

Fine water mist systems installed in compliance with NFPA 750 may be considered an equal to the respective categories above, on a case by case basis.

Jurisdictions receiving a deferral under 13 AAC 50.075 may choose to participate in this program.

Upon installation of a system outlined above, the authorized and permitted installer shall notify the SFMO, who shall then issue the homeowner the appropriate certificate.

Whereas the installation of an automatic sprinkler system will reduce the fire loss in those dwellings, the insurance industry is strongly encouraged to use this rating system as a mechanism to offer insurance premium reductions to individual homeowners.

Whereas the installation of an automatic sprinkler system will reduce the burden on local fire departments, local fire service areas are encouraged to provide the homeowner a reduction in fire service assessments accordingly.



U.S. Department of Commerce  
National Institute of Standards and Technology

Office of Applied Economics  
Building and Fire Research Laboratory  
Gaithersburg, Maryland 20899

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# Benefit-Cost Analysis of Residential Fire Sprinkler Systems

David T. Butry  
M. Hayden Brown  
Sieglinde K. Fuller

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Funded by:  
United States Fire Administration (USFA)  
Emmitsburg, MD 21727

September 2007



**Homeland  
Security**

**Department of Homeland Security**  
Michael Chertoff, *Secretary*  
**Federal Emergency Management Agency**  
R. David Paulison, *Administrator*  
**U.S. Fire Administration**  
Gregory B. Cade, *Assistant Administrator*



**U.S. Department of Commerce**  
Carlos M. Gutierrez, *Secretary*  
**National Institute of Standards and Technology**  
Dr. James M. Turner, *Acting Director*

## Abstract

This report documents a benefit-cost analysis performed to measure the expected present value of net benefits resulting from the installation of a multipurpose network fire sprinkler system in a newly-constructed, single-family house. The benefits and costs associated with the installation and use of a fire sprinkler system are compared across three prototypical single-family housing types: colonial, townhouse, and ranch. The installation costs differ by housing types, with the colonial being the most expensive and the ranch the least.

The benefits experienced by residents of single-family dwellings with sprinkler systems, as measured in this report, include reductions in the following: the risk of civilian fatalities and injuries, homeowner insurance premiums, uninsured direct property losses, and uninsured indirect costs. The primary costs examined are for initial purchase and installation of the sprinkler system. Maintenance and repair costs are not examined because they are negligible.

Results of the benefit-cost analysis show that multipurpose network sprinkler systems are economical. The expected present value of net benefits (PVNB) in 2005 dollars is estimated as \$2919 for the colonial-style house, \$3099 for the townhouse, and \$4166 for the ranch-style house. A sensitivity analysis is performed to measure the variability of the results to changes in the modeling assumptions. The sensitivity analysis confirms the robustness of the baseline analysis. The PVNB range from \$704 to \$4801 for the colonial-style house, from \$884 to \$4981 for the townhouse, and from \$1950 to \$6048 for the ranch-style house. Multipurpose network systems are the lowest life-cycle cost systems because homeowners can perform their own regular inspections and maintenance, and thereby save on costs they would incur with other systems. Given that they provide a similar level of performance, in terms of fire-risk mitigation, multipurpose network systems then achieve greater cost-effectiveness over alternate systems.

**Key Words:** building economics, benefit-cost analysis, cost-effective decision, economic analysis, fire sprinkler, life-cycle cost

## Executive Summary

The objective of this study is to measure the expected economic performance of a fire sprinkler system installed in a newly constructed, single-family dwelling in the U.S. The benefit-cost analysis in this report is consistent with ASTM E 1074-06: *Practice for Measuring Net Benefits for Investments in Buildings and Building Systems*, and it is meant to provide a current benefit-cost analysis of residential fire sprinkler systems, updating NBS Technical Note 1203: *A Benefit-Cost Model of Residential Fire Sprinkler Systems*, published in 1984. In 1984, evidence suggested that sprinkler systems were not cost-effective, perhaps explaining the relatively small number of houses equipped with fire sprinklers today, even while fire professionals maintain that such systems protect lives and property from fire. Over the past two decades, advancement in the performance and cost-structure of fire sprinkler technologies have occurred, altering the cost-effectiveness of fire sprinkler systems. This report revisits the topic using the most complete fire incident data available today.

The benefits experienced by residents of single-family dwellings with sprinkler systems, as measured in this report, include reductions in the following: the risk of civilian fatalities and injuries, homeowner insurance premiums, uninsured direct property losses, and uninsured indirect costs. The primary costs examined are for initial purchase and installation of the sprinkler system. The measure of benefit-cost performance, the present value net benefits, compares differently timed benefit and cost cash flows, accruing to a homeowner, by discounting them to a reference point in time. All dollars presented in this report are in 2005 adjusted dollars. The present value net benefits are calculated by subtracting present value costs from the present value benefits.

The quantified benefits of a fire sprinkler system used in a single-family dwelling are based on reported fire incident data contained within the U.S. Fire Administration's National Fire Incident Reporting System 5.0 (NFIRS 5.0), and calibrated with reported data based on the National Fire Protection Association's annual survey of fire departments, over the period of 2002 to 2005. This study period was selected due to the relative completeness of fire incident records nationwide, thus ensuring that the nationwide trends and patterns used in this analysis are representative of U.S. fire risks. Over the 2002 to 2005 study period, houses equipped with smoke alarms and a fire sprinkler system experienced 100 % fewer civilian fatalities, 57 % fewer civilian injuries, and 32 % less direct property losses and indirect costs resulting from fire than houses equipped only with smoke alarms. In addition, homeowners of dwellings with fire sprinkler systems received an added bonus of an 8 % reduction in their homeowner insurance premium per year, according to ISO. This report finds the monetized value of a residential fire sprinkler system, over a 30-year analysis period, to yield homeowners \$4994 in present value benefits (see Table ES-1).

The quantified costs of a fire sprinkler system are based on the findings of NISTIR 7277: *Economic Analysis of Residential Fire Sprinkler Systems*. NISTIR 7277 documented the design and installation costs of four different fire sprinkler systems within the three prototypical house types used in this study. Of the alternative sprinkler systems examined in NISTIR 7277, the multipurpose network system was generally the least costly (life-cycle cost) across the three house types because it did not require a backflow preventer, which requires regular professional

maintenance. The multipurpose network system was therefore selected as the fire sprinkler system analyzed in this study.

The costs associated with installation of a multipurpose network sprinkler system are based on the minimum standard required by NFPA 13D: *Standard for the Installation of Sprinkler Systems in One- and Two-Family Dwellings and Manufactured Homes*. The three prototypical house types considered are: a 3338 ft<sup>2</sup> (310 m<sup>2</sup>) two-story colonial with basement, but not including the garage; a 2257 ft<sup>2</sup> (210 m<sup>2</sup>) three-story townhouse; and an 1171 ft<sup>2</sup> (109 m<sup>2</sup>) single-story ranch. The present value costs of installation of a multipurpose network sprinkler system are estimated to be \$2075 for the colonial, \$1895 for the townhouse, and \$829 for the ranch.

Results of the benefit-cost analysis show that multipurpose network sprinkler systems are economical. The expected present value of net benefits (PVNB) is estimated to be \$2919 for the colonial-style house, \$3099 for the townhouse, and \$4166 for the ranch-style house (see Table ES-1). These baseline ("best-guess") estimates indicate that over the past two decades increases in fire sprinkler performance, coupled with the low life-cycle cost of a multipurpose network system, have made fire sprinklers cost-effective technologies for residential dwellings. With respect to multipurpose network systems, failing to install sprinkler systems in residential dwellings is no longer supported on economic grounds, at least from a homeowners' perspective.

**Table ES-1. Summary of Baseline Benefit-Cost Analysis of a Multipurpose Network Residential Sprinkler System for the Colonial, Townhouse, and Ranch House.**

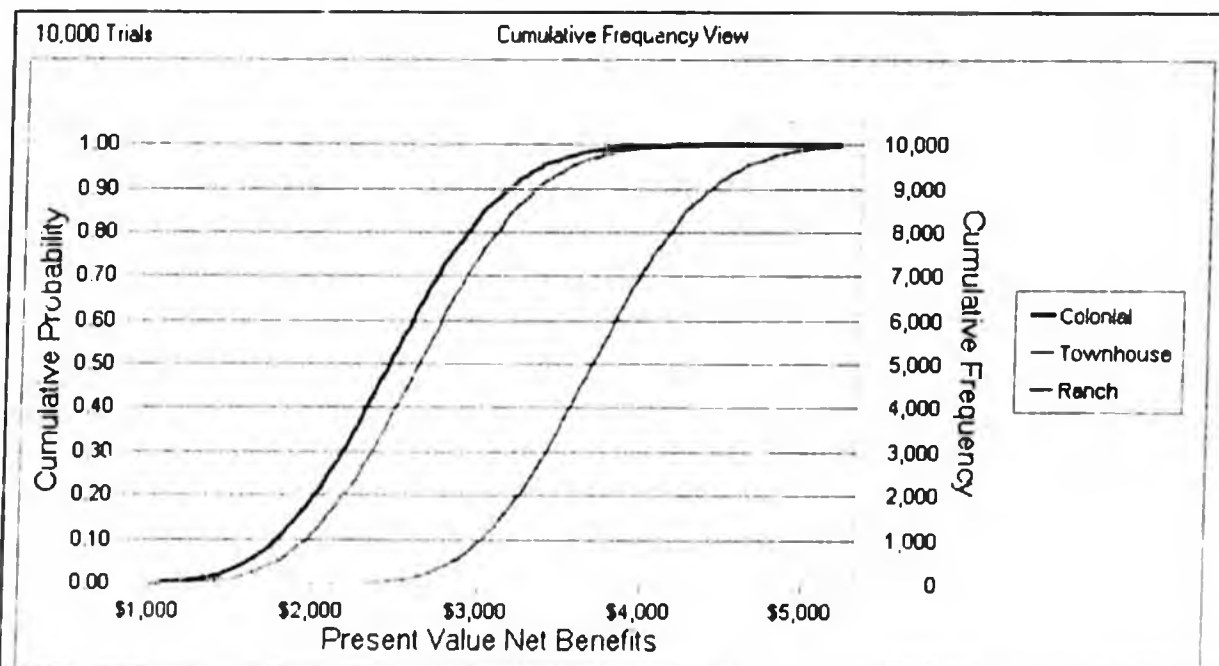
	Colonial	Townhouse	Ranch
<b>Benefits</b>			
Fatalities Averted	\$3725.57	\$3725.57	\$3725.57
Injuries Averted	224.74	224.74	224.74
Direct Uninsured Property Losses Averted	79.64	79.64	79.64
Indirect Costs Averted	15.93	15.93	15.93
Insurance Credit	948.41	948.41	948.41
<b>Benefit Subtotal</b>	<b>4994.29</b>	<b>4994.29</b>	<b>4994.29</b>
<b>Costs</b>			
Installation (50 % Markup)	2075.08	1895.17	828.66
<b>Costs Subtotal</b>	<b>2075.08</b>	<b>1895.17</b>	<b>828.66</b>
<b>Net Present Value</b>	<b>\$2919.20</b>	<b>\$3099.11</b>	<b>\$4165.62</b>

Although the baseline analysis finds strong evidence of cost-effectiveness of residential fire sprinkler systems, a sensitivity analysis is performed to measure the variability of the results to changes in the modeling assumptions and to assess the robustness of the baseline findings. The analysis relies on a number of assumptions generated from NFIRS 5.0, and these assumptions contain a degree of uncertainty. For instance, over the 2002 to 2005 study period of the dwellings examined, wet-pipe sprinkler systems were present in only 0.2 % of all structure fires. Conducting a sensitivity analysis is important because the statistics used to summarize the characteristics of dwellings with sprinklers are drawn from a small segment of the population, and may be influenced by a few outlying, and unrepresentative, fire incidents. The key

assumptions are varied based on observed ranges found in the data, expert opinion, and findings reported from other recent fire sprinkler studies.

The sensitivity analysis confirms the robustness of the baseline analysis. Figure ES-1 graphs the cumulative distribution function (CDF) generated from varying the assumptions over their likely values, for each of the three house types. The vertical axis measures the probability that the associated net present value, measured on the horizontal axis, is equal to or less than the specified value. The vertical axis measures the cumulative probability and the horizontal axis measures the range of possible net present values resulting from a multipurpose network sprinkler system installed in a colonial, townhouse, and ranch house. For instance, there exists about a 0.80 probability that the actual net present value from installation of a sprinkler system is equal to or less than the baseline net present value, for each of the house types. However, the graph also indicates there is a 0.0 probability that a homeowner will incur higher present value costs than present value benefits when installing a multipurpose network sprinkler system.

The PVNB generated from the sensitivity analysis range from \$704 to \$4801 for the colonial-style house, from \$884 to \$4981 for the townhouse, and from \$1950 to \$6048 for the ranch-style house. Because multipurpose network systems are the lowest life-cycle cost systems commercially available, the PVNB will be smaller for other, more expensive systems. Provided a similar level of performance, in terms of fire-risk mitigation, multipurpose network systems then achieve greater cost-effectiveness over alternative systems.



**Figure ES-1. The Cumulative Distribution Function Resulting From Latin Hypercube Sampling of Inputs in the Present Value of Net Benefits Calculation of a Multipurpose Network Sprinkler System for the Colonial, Townhouse, and Ranch House.**



# Anchorage Firefighters Local 1264



P.O. Box 242041 • Anchorage, AK 99524-2041  
(907) 349-1264 • (907) 349-5580 (fax)

February 12, 2008

Representative Paul Seaton  
State Capitol Room 102  
Juneau, Alaska 99801-1182

Ref: HCR20-Residential Fire Sprinkler systems

Dear Representative Seaton:

The International Association Fire Fighters Local 1264 is in support of HCR20 which encourages State agencies and the Insurance Industry to provide graduated incentives for partial and full residential Sprinkler coverage.

The IAFF looks forward to the day when all new residential construction has sprinkler systems. This is a step toward that direction and a step towards saving lives of Alaskan civilians and first responders.

Sincerely,

A handwritten signature in cursive script that reads 'Tom Wescott'.

Tom Wescott  
President, IAFF Local 1264



**ALASKA PROFESSIONAL FIRE FIGHTERS**  
*International Association of Fire Fighters, AFL-CIO, CLC*

February 12, 2008

Representative Paul Seaton  
State Capitol Room 102  
Juneau, Alaska 99801-1182

Ref: HCR20-Residential Fire Sprinkler systems

Dear Representative Seaton:

The Alaska Professional Fire Fighters Association is in support of HCR20 which encourages State agencies and the Insurance Industry to provide graduated incentives for partial and full residential Sprinkler coverage.

The APFFA look forward to the day when all new residential construction has sprinkler systems. This is a step toward that direction and a step towards saving lives of Alaskan civilians and first responders.

Sincerely,

Jeff Briggs  
Legislative Director  
Alaska Profession Fire Fighters Association

HJR

8



## REPRESENTATIVE BILL THOMAS

ALASKA STATE LEGISLATURE DISTRICT 5

e-mail: [Representative.Bill.Thomas@legis.state.ak.us](mailto:Representative.Bill.Thomas@legis.state.ak.us) webpage: [www.akrebublicans.org/thomas/](http://www.akrebublicans.org/thomas/)

State Capitol

Juneau AK, 99801-1182

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888-461-3732

FAX 907-465-2652

### **Sponsor Statement for HJR 8 Opposing the enactment by the Washington State Legislature of a shipping container tax.**

Alaska depends heavily on goods shipped through ports in Washington state, which has long been a gateway to this state. In 2003, Alaska was the Puget Sound's 5<sup>th</sup> largest trading partner. The close economic connection between Alaska and Washington is responsible for at least 103,500 jobs and over \$4 billion in labor earnings.

Currently there is a bill before the Washington State Senate (SB 5207) that proposes to create a Freight Congestion Relief Account and taxation structure. A fee will be imposed on shipping containers traveling to and from Washington at a rate of \$50 per twenty-foot equivalent unit. The marine terminal operator will be required to pay 90% of this fee to the state, keeping 10% as compensation for collecting the fee.

With shipping fees in Alaska already astronomical this additional tax could be devastating to the flow of goods to and from this state. HJR 8 brings this negative impact to the attention of the Washington State Legislature and asks that the Washington State Legislature find some other means to fund infrastructure improvements to the ports of Washington. HJR 8 also asks the Alaska Attorney General to research the legal issues involved with SB 5207 and prepare to file any viable injunctions or complaints that Alaska may be able to file should SB 5207 pass. I strongly urge your support of this resolution.

25-LS0533\E

Bullock

2/15/07

**CS FOR HOUSE JOINT RESOLUTION NO. 8( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

BY

Offered:

Referred:

Sponsor(s): **REPRESENTATIVES THOMAS, Samuels, Wilson, Gruenberg, LeDoux**

**A RESOLUTION**

1 **Opposing the enactment by the Washington State Legislature of a bill proposing to**  
2 **impose a fee on the processing of shipping containers in the State of Washington because**  
3 **of the negative impact of the fee on the people and the economy of this state.**

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

5 **WHEREAS** Washington state has been the primary gateway to this state since before  
6 the first gold rush, more than 100 years ago; and

7 **WHEREAS** the people of this state continue to depend on ships and barges to move  
8 almost all of the necessities of daily life from Washington state; and

9 **WHEREAS** many isolated maritime communities that do not have road access  
10 depend entirely on marine cargo shipped from Washington state as their lifelines; and

11 **WHEREAS** 97 percent by weight and 60 percent of the value of all goods shipped to  
12 Alaska are shipped by water; and

13 **WHEREAS** most seafood harvested in this state and bound for the lower 48 states is  
14 shipped from this state to and through ports in Washington state; and

15 **WHEREAS**, during 2003, this state was Puget Sound's fifth largest trading partner,

1 aside from the aerospace industry, and the economic connection between this state and  
2 Washington state was responsible for at least 103,500 jobs and over \$4,000,000,000 in labor  
3 earnings; and

4 **WHEREAS** Senate Bill 5207, which is pending before the Washington State  
5 Legislature, would impose a fee of \$50 for each 20-foot equivalent unit on every cargo  
6 container traveling between Washington state and this state; most cargo containers are at least  
7 two 20-foot equivalent units and would be subject to a fee of \$100 each time the container  
8 leaves Washington state and each time the container returns to that state, regardless of  
9 whether the container is empty, partially loaded, or full; and

10 **WHEREAS** Senate Bill 5207 would be detrimental to the trading relationship  
11 between Washington state and this state; and

12 **WHEREAS**, because of this state's unique dependence on ports in Washington state,  
13 enactment of Senate Bill 5207 would damage this state's economy and cripple many isolated  
14 communities in this state by raising the cost of living by several percent;

15 **BE IT RESOLVED** that the Alaska State Legislature respectfully requests that the  
16 Washington State Legislature recognize the negative effect Senate Bill 5207 would have on  
17 the trading relationship between Washington state and this state and the economic costs  
18 associated with that negative effect to both states; and be it

19 **FURTHER RESOLVED** that the Alaska State Legislature respectfully requests that  
20 the Washington State Legislature recognize the negative effect Senate Bill 5207 would have  
21 on the people and economy of this state, particularly on maritime communities in the  
22 southeast part of this state; and be it

23 **FURTHER RESOLVED** that the Alaska State Legislature opposes the enactment of  
24 Senate Bill 5207 and urges the Washington State Legislature to consider alternative means for  
25 raising revenue to be used for the infrastructure of the ports of that state; and be it

26 **FURTHER RESOLVED** that the Alaska State Legislature urges the attorney general  
27 to use the resources of the Department of Law to research the legal issues raised by the tax on  
28 shipping containers proposed in Senate Bill 5207; and be it

29 **FURTHER RESOLVED** that, if the tax in Senate Bill 5207 is enacted and the facts  
30 and law support an action by this state challenging the tax, the Alaska State Legislature urges  
31 the attorney general to immediately file a complaint and request for injunction in Federal

1 District Court and in any other forum that could provide relief.

2       **COPIES** of this resolution shall be sent to the Honorable Chris Gregoire, Governor of  
3 Washington; the Honorable Brad Owen, Lieutenant Governor of Washington; the Washington  
4 State Senate; the Washington State House of Representatives; the Honorable Sarah Palin,  
5 Governor of Alaska; the Honorable Sean Parnell, Lieutenant Governor of Alaska; and the  
6 Honorable Ted Stevens and the Honorable Lisa Murkowski, U.S. Senators, and the Honorable  
7 Don Young, U.S. Representative, members of the Alaska delegation in Congress.



Thursday, February 15, 2007

## Senate gets earful on container tax

Proposal would drive cargo from region, critics say

By KRISTEN MILLARES BOLT  
P-I REPORTER

Sen. Mary Margaret Haugen, D-Camano Island, wanted to start a serious conversation about how to fund transportation projects to allow freight to flow more smoothly through the state of Washington.

### Related content

- Read the container fee bill
- Read the Alaska resolution opposing the bill
- Listen to the live streaming of today's Alaska hearing at 2:30 p.m.
- Read a study on economic ties between Alaska and Washington
- Read a similar container fee proposal introduced in California last year
- Read California Governor Arnold Schwarzenegger's letter, vetoing his state's proposal last year

So Haugen, who chairs the Transportation Committee, introduced a bill that would levy a \$50 fee on every 20 feet of containers passing through Washington ports.

The money generated from the fee would be earmarked for a passel of freight mobility projects dependent on state funding, such as the \$25 million crowning of Stampede Pass, the \$25 million gap in funding for the second phase of state Route 519 and connecting state Route 167 to state Route 509.

Haugen got what she wanted: a vigorous debate.

Senate hearings brought an earful from ports, labor, shippers, retailers and railroads, who all opposed the proposal as an unfair and trade-suppressing tax that would drive cargo, jobs and money from the region.

But Haugen may have stirred up more controversy than she bargained for, as angry hearings begin today in Alaska on a resolution opposing the bill because it would raise consumer prices there.

Still, what she hasn't found, amid all that talk, is an alternative way to fund the projects, some of which are already slated for public/private partnership.

"They come and tell us they have all these freight mobility problems, and when we ask if there is some alternative, they say no," Haugen said. "How does one take them seriously?"

In an attempt to answer some of the critics' charges that the measure, Senate Bill 5207, would push cargo north to Canada and south to California, Haugen said an amended bill would trim the fee from \$50 per TEU (20-foot equivalent unit, the standard measure of container volume) to between \$25 and \$30 per TEU.

Though the language of the amended bill has not been made public yet, Haugen said its implementation, should it pass, would be tied to that of a similar bill expected from the California Legislature by Feb. 23.

There, state Sen. Alan Lowenthal will introduce a container fee bill similar to one passed by the Legislature last year, which would have levied a fine of \$30 per TEU on containers passing through the ports of L.A. and Long Beach. After intense lobbying by the retail, manufacturing and shipping industries, it was vetoed by Gov. Arnold Schwarzenegger.

"I don't think a \$25 or \$30 container fee is going to put them out of business, or divert that much cargo if California also passes a similar

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container fee," Haugen said.

That ignores two things: Canadian ports and the reality of Seattle's small market, said Port of Seattle government affairs manager Terry Finn.

"Seventy to 80 percent of the cargo going to the ports of L.A./Long Beach will end up within 500 miles of those docks," Finn said.

"In Seattle, 70 percent of our cargo gets on a train to places like Chicago, so all that freight is discretionary and could be sent elsewhere."

At a conference in January at the Port of Tacoma, Gov. Chris Gregoire said Haugen "wasn't serious" about the bill, which she called "a shot across the bow to get everyone to pay attention."

As introduced, placing a \$50 fee per TEU, the bill would have generated \$287 million from 2007 to 2009, \$433 million from 2009 to 2011, and \$468 million from 2011 to 2013.

But Haugen says she is serious, and so far, she hasn't heard anything from the industry that would change her mind on the state's transportation priorities over the next year. Without those funds, she said, freight mobility projects just won't happen.

Revised to \$30 per square foot, the bill would generate \$172 million from 2007 to 2009.

"If my colleagues don't want to vote for this, fine -- but don't ask me for any money for freight projects," Haugen said. "I will shift everything we have to safety projects like 520."

The controversy over Haugen's proposal has spread beyond the state along shipping routes through Washington and up to Alaska.

In the state capital of Juneau, a group of incensed representatives -- spurred by industry and concerns for their constituents -- have drafted a resolution opposing the bill and asking Washington to come up with another way to fund freight mobility.

"The problem we've got is that we are so dependent on Washington," said Alaska state Rep. Ralph Samuels, co-sponsor of the resolution, which receives a hearing today at 2:30 p.m. "All the goods we have come on ships, so this bill would drive the cost of day-to-day life up."

Seventy percent of waterborne trade to Alaska from the lower 48 States flows through the Port of Tacoma, unloading at the ports of Anchorage, Kodiak and Dutch Harbor.

Virtually all of the rest of Alaska-bound goods flows through the Seattle port, which serves numerous smaller ports in Alaska.

With fuel prices already at \$6 per gallon in rural Alaska and the price of groceries sky-high, the Alaskan consumer shouldn't have to bear any more costs, Samuels said. And what's more, he said, the bill worsens the deteriorated relationship between Washington and Alaska.

"We are taking it as a poke in the eye," Samuels said.

The goods that stock shelves in Alaska create jobs in the Puget Sound region: more than 100,000 of them in 2003, or 3 percent of the region's total, according to a 2004 report by the Seattle and Tacoma chambers of commerce.

Nearly 90 percent of the freight shipped to Alaska by Totem Ocean Trailer Express Inc., a privately owned Alaska corporation that operates a terminal in Tacoma, is loaded into containers in the Puget Sound region.

"We believe the additional cost for TOTE would be \$11 million per year, which would be transferred to the consumer in Alaska," said TOTE President and Chief Operating Officer Bill Deaver. "The bill puts an onerous burden on the citizens in the state of Alaska."

P-I reporter **Kristen Millares Bolt** can be reached at 206-448-8142 or [kristenbolt@seattlepi.com](mailto:kristenbolt@seattlepi.com).

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# UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
(907) 586-2820  
(907) 463-2545 Fax  
E-Mail: [ufa@ufa-fish.org](mailto:ufa@ufa-fish.org)  
[www.ufa-fish.org](http://www.ufa-fish.org)

February 16, 2007

Representative Kurt Olson, Chair  
House Labor and Commerce Committee  
Alaska State Legislature  
State Capitol, Mail Stop 3100  
Juneau, AK 99801

Dear Representative Olson,

United Fishermen of Alaska (UFA) supports HJR 8. We have grave concerns regarding SB 5207 in the Washington State Legislature that would apply a tax on freight containers moving through Washington ports.

Most of our seafood products move in containers through Washington ports. We expect that the increased costs would come directly from the ex vessel prices paid to fishermen rather than through increased prices to consumers in today's highly competitive seafood markets. This in turn will reduce the seafood industry's ex vessel tax contribution to the State of Alaska. In addition, the tax on goods transported by container to Alaska will add price increases to virtually all products consumed in Alaska. The combined effect will be devastating to Alaska's fishing industry and communities.

UFA represents 35 Alaska commercial fishing organizations from fisheries throughout the state and its offshore waters. We appreciate your consideration of our concerns and urge passage of HJR 8.

Sincerely,

Mark Vinsel  
Executive Director

#### MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Druggers Association • Alaska Independent Tendermen's Association • Alaska Longline Fishermen's Association  
Alaska Shellfish Association • Armstrong Keta • At-sea Processors Association • Bristol Bay Reserve • Concerned Area "M" Fishermen  
Cook Inlet Aquaculture Association • Cordova District Fishermen United • Crab Group of Independent Harvesters • Douglas Island Pink and Chum  
Fishing Vessel Owners Association • Groundfish Forum • Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association  
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Old Harbor Fishermen's Association  
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owner Association  
Seafood Producers Cooperative • Sitka Herring Association • Southeast Alaska Fishermen's Alliance • Southeast Alaska Regional Dive Fisheries Association  
Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association • United Catcher Boats • United Cook Inlet Drift Association  
United Salmon Association • United Southeast Alaska Gillnetters • Valdez Fisheries Development Association • Western Gulf of Alaska Fishermen

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: HJR8-LEG-2-13-07  
 Bill Version: HJR8  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Legislature  
 Title "Opposing the enactment by the Washington RDU Legislative Council  
State Legislature of a bill proposing to impose a fee on the..." Component Various  
 Sponsor "Representatives Thomas, Samuels, Wilson, ..."  
 Requester Office of the Governor Component No. 782

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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	0.0	0.0	0.0	0.0	0.0	0.0
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
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
-----------------------------	------------	------------	------------	------------	------------	------------

<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
-------------------------------	------------	------------	------------	------------	------------	------------

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

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

This legislation has zero fiscal impact on the Legislative Affairs Agency.

Prepared by: Karla Schofield, Deputy Director  
 Division: Legislative Affairs Agency  
 Approved by: Pamela Vami, Executive Director  
 Agency: Legislative Affairs Agency

Phone 465-6626  
 Date/Time 2/13/07 10:00 AM  
 Date 2/13/2007

**United Southeast Alaska Gillnetters**

P.O. Box 23378, Ketchikan, AK 99901 Phone & Fax (907) 247-2471 Email: usag@kpunet.net

February 19, 2007

The Honorable Kurt Olson, Chair  
House Labor & Commerce Committee  
State Capitol, Room 408  
Juneau, AK 99801

Sent Via Fax to: 907-465-3835

Dear Chairman Olson,

The United Southeast Alaska Gillnetters (USAG) is an association of about 150 small business owners who catch salmon by drift gillnetting in Southeast Alaska and market salmon throughout the United States. Many of our members also participate in other fisheries such as crab, shrimp, dive and longline. We support HJR 8 and the intent of its sponsors in urging the Washington State Legislature to consider the impact of its proposed tax on shipping containers traveling between Alaska and Washington State and to reject this proposed tax. In a very real sense, this is a tax on the residents of Alaska as it is we who will pay the tax through the higher cost of goods we buy everyday in our grocery and retail stores.

This proposed Washington State tax would also have an adverse impact on the price of seafood products shipped all over the world through Puget Sound. The cost of this tax will, in the end, reduce the x-vessel price that fishermen receive for their catch. These types of overhead costs and taxes are always taken out of the price of the raw product which means Alaska's fishermen will earn less money for their product and our coastal communities that depend in significant part on the health of our seafood industry will be adversely affected. We urge the House Labor & Commerce Committee to support this resolution. Thank you for considering our position on this important issue.

Yours truly,

Kenneth Duckett  
Executive Director

cc: Representative Bill Thomas via fax to: 465-2652  
Representative Ralph Samuels via fax to: 465-3810  
Representative Peggy Wilson via fax to: 465-3175  
Representative Max Gruenberg via fax to: 465-3766  
Representative Gabrielle LeDoux via fax to 465-4956

# OCEAN BEAUTY

SEAFOODS, INC.

Representative Kyle Johansen  
Alaska State House of Representatives  
Chairman, House Transportation Committee  
State Capitol  
Juneau, Alaska 99801

Dear Representative Johansen and Members of the House Transportation Committee:

Ocean Beauty Seafoods supports HJR8, the resolution opposing the proposed container fee bill in the Washington State legislature.

Alaskans need to do everything in their power to make sure the Washington lawmakers are fully aware of the impact their "Tax on Alaska" would have on Alaskans and the Alaska economy. HJR8 is a big step in that direction.

Ocean Beauty moved more than 2111 TEU's between Seattle and Southeast Alaska in 2006. That equates to a fee of \$105,550 that our company alone would have had to pay. We simply cannot be competitive against farmed and foreign fish with that much increase in our transportation costs.

We urge you to pass HJR8 and send a loud message to the Washington state legislature that their bill, SB 5207 would have a major affect on the Alaskan economy, Alaska businesses, and Alaskan consumers.

Sincerely,

*Mark Palmer*

Mark Palmer

cc. Representative William Thomas

# DEWITT & DEWITT LLC

PO Box 34761  
Juneau, AK 99803-4761

February 10, 2007

The Honorable Bill Thomas  
Alaska State Legislature  
State Capitol Building  
Juneau, Alaska 99801-1182

RE: HJR 8

Dear Representative Thomas.


On behalf of the Alaska Chapter of the National Federation of Independent Business (NFIB), I wish to express our support for House Joint Resolution 8. The Alaska Chapter of the National Federation of Independent Business has 2,500 members, making it the largest small-business advocacy group in the state.

HJR 8 correctly requests the Washington State Legislature not adopt an added fee on all cargo containers shipped to and from Washington ports as proposed by Senate Bill 5207. Such a fee would significantly increase the transportation costs of most goods coming to Alaska. The added cost of exports from Alaska going through Washington ports would competitively disadvantage our products in the marketplace.

We have additional concerns that the fee is instead a tax and may well be unconstitutional in that it impedes interstate commerce, import/export activity and the movement of containerized cargo as governed by federal law and international treaty.

NFIB appreciates your willingness to call this issue to the attention of Alaska's State Legislature and our Congressional Delegation. The negative effects of such an increase in transportation costs would have a significantly negative impact on both businesses and consumers in Alaska.

Sincerely Yours,



Dennis L. DeWitt  
State Director  
National Federation of Independent Business

cc: House Transportation Committee  
House Labor & Commerce Committee

# ALASKA STATE CHAMBER OF COMMERCE

## Resolution 2007-001

A resolution of the Alaska State Chamber of Commerce opposing a bill to impose a fee on the processing of shipping containers in the State of Washington

**WHEREAS**, Washington State has been the primary gateway to Alaska before the first gold rush, more than 100 years ago; and

**WHEREAS**, Alaskans today depend on ships and barges leaving Washington State to move most necessities of daily life, and

**WHEREAS** many isolated Alaskan coastal communities without road access depend entirely on marine cargo shipped from Washington State for life sustenance; and

**WHEREAS** 97 percent by weight and 60 percent of the value of all goods shipped to Alaska are shipped via water from Washington State; and

**WHEREAS** most seafood harvested in Alaska and bound for market is shipped from Alaska to and through ports in Washington State; and

**WHEREAS**, the most recent data available from 2003, reports that the economic trade connection with Alaska and Puget Sound created at least 103,500 jobs and over \$4,000,000,000 in labor earnings. Aside from the aerospace industry, Alaska was Puget Sound's fifth largest trading partner; and

**WHEREAS**, Senate Bill 5207, a bill pending before the Washington State Legislature, imposes a fee of \$50 for each twenty-foot equivalent unit (TEU) on every cargo container traveling between Washington State and Alaska; and

**WHEREAS**, most cargo containers are at least two twenty-foot equivalent units and would be subject to a fee of \$100 each time the container leaves Washington State and each time the container returns to that state, regardless of whether the container is empty, partially loaded, or full; and

**WHEREAS** Senate Bill 5207 would be detrimental to the trading relationship between Alaska and Washington State; and

**WHEREAS**, because of Alaska's unique dependence on ports in Washington State, enactment of Senate Bill 5207 would damage Alaska's economy and cripple many isolated communities in Alaska by raising the cost of living significantly; so

**NOW, THEREFORE, BE IT RESOLVED** that the Alaska State Chamber of Commerce respectfully requests that the Washington State Legislature recognize the significant negative impact Senate Bill 5207 would have on the State of Alaska and the trading relationship between Washington State and Alaska; and

**BE IT FURTHER RESOLVED** that the Alaska State Chamber of Commerce opposes Senate Bill 5207, strongly urges the Washington State Legislature to consider alternative revenue sources for resolving Washington's freight mobility issues.

Signed this 13th day of February 2007

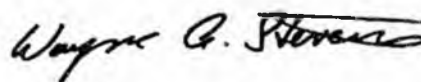
ALASKA STATE CHAMBER OF COMMERCE



---

Joe Marushack  
Chair

ATTEST:



---

Wayne A. Stevens  
President/CEO

**COPIES** of this resolution sent to:

Senator Mary Haugen, Chair, Senate Transportation Committee  
The Honorable Chris Gregoire, Governor of Washington State  
The Honorable Brad Owen, Lieutenant Governor of Washington State  
Senator Rosa Franklin - President Pro Tempore  
The Honorable Frank Chopp, Speaker of the Washington House of Representatives  
Don Brunell, President/CEO, Association of Washington Business  
The Honorable Sarah Palin, Governor of Alaska  
The Honorable Ted Stevens, U.S. Senator  
The Honorable Lisa Murkowski, U.S. Senator,  
The Honorable Don Young, U.S. Representative



## REPRESENTATIVE BILL THOMAS

ALASKA STATE LEGISLATURE DISTRICT 5

c-mail: [Representative.Bill.Thomas@legis.state.ak.us](mailto:Representative.Bill.Thomas@legis.state.ak.us) webpage: [www.akrebublicans.org/thomas/](http://www.akrebublicans.org/thomas/)

State Capitol

Juneau AK, 99801-1182

907-465-3732

888-461-3732

FAX 907-465-2652

## MEMORANDUM

DATE: 2-07-07

TO: Representative Olson, Labor and Commerce Committee Chair

FROM: Representative Thomas

RE: HJR 8 Opposing Washington State Container Tax

I respectfully request that you schedule HJR 8 for a hearing in House Labor and Commerce Committee at your earliest convenience. HJR 8 asks that the Washington State Legislature not to enact additional fees on shipping containers being shipped to and from that state.

If you have any questions please contact by staff, Kaci Schroeder Hotch. Thank you.



## REPRESENTATIVE BILL THOMAS

ALASKA STATE LEGISLATURE DISTRICT 5

e-mail: [Representative.Bill.Thomas@legis.state.ak.us](mailto:Representative.Bill.Thomas@legis.state.ak.us) webpage: [www.akrebublicans.org/thomas/](http://www.akrebublicans.org/thomas/)

State Capitol

Juneau AK, 99801-1182

907-465-3732

888-461-3732

FAX 907-465-2652

### **Sponsor Statement for HJR 8 Opposing the enactment by the Washington State Legislature of a shipping container tax.**

Alaska depends heavily on goods shipped through ports in Washington state, which has long been a gateway to this state. In 2003, Alaska was the Puget Sound's 5<sup>th</sup> largest trading partner. The close economic connection between Alaska and Washington is responsible for at least 103,500 jobs and over \$4 billion in labor earnings.

Currently there is a bill before the Washington State Senate that proposes to create a Freight Congestion Relief Account and taxation structure. A fee will be imposed on marine terminal operators at the rate of \$50 per twenty-foot equivalent unit. The terminal operator will be allowed to keep 10% of the fee as compensation for accounting costs, but must remit the rest back to the state which will then go into this account.

With shipping fees in Alaska already astronomical this additional tax could be devastating to the flow of goods to and from this state. HJR 8 brings this negative impact to the attention of the Washington State Legislature and asks that the Washington State Legislature find some other means to fund infrastructure improvements to the ports of Washington. I strongly urge your support of this resolution.

# SENATE BILL REPORT

## SB 5207

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As of January 25, 2007

**Title:** An act relating to creating the freight congestion relief account to improve freight corridors with funding from the imposition of a fee on the processing of shipping containers.

**Brief Description:** Creating and funding the freight congestion relief account for the purpose of improving freight rail systems and state highways used as freight corridors through imposing a fee on the processing of shipping containers.

**Sponsors:** Senators Haugen, Murray and Spanel.

**Brief History:**

**Committee Activity:** Transportation: 1/24/07.

---

### SENATE COMMITTEE ON TRANSPORTATION

**Staff:** David Ward (786-7341)

**Background:** The state has identified various and significant transportation projects that support enhanced freight mobility and capacity. Although the state has provided some funding for these projects, the level of funding is insufficient to provide the level of investment necessary to alleviate congestion levels that impact freight mobility and capacity.

**Summary of Bill:** A fee is imposed on the processing of shipping containers in the ports of Washington State. The fee must be imposed at the rate of \$50 per twenty-foot equivalent unit (TEU) and is payable by the marine terminal operator processing the container. Marine terminal operators may retain 10 percent of the fee to offset costs associated with the proper reporting of the number of TEUs processed. The remainder of the fee must be remitted to the Department of Revenue (DOR).

The Freight Congestion Relief Account is created in the State Treasury. All receipts received by DOR from the imposition of TEU processing fees must be deposited in the account. The account is subject to appropriation, retains 100 percent of the interest income generated by the account, and may only be used to provide freight-related congestion relief through the improvement of freight rail infrastructure and state highways that function as freight corridors.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: There should be a user fee to fund these critical investments and the return on investment should offset the costs. The system that comprises our state's freight infrastructure needs additional investment and, if possible, should include a component that would allow funding for projects adjacent to the state system that can demonstrably show significant ways to improve, link to, or offload pressure on state freight corridors.

CON: Seventy percent of containerized freight moving through Washington's ports is discretionary. Imposition of a fee on the processing of shipping containers will therefore divert container freight movement away from the state's marine ports. Critical family wage jobs will also be lost and a negative ripple effect will be felt throughout the state economy. Such a fee would also impair state export trade and Washington is a highly trade-dependent state. There are additional concerns that the fee is instead a tax and may well be unconstitutional in that it impedes interstate commerce, import/export activity and the movement of containerized cargo as governed by federal law and international treaty.

**Persons Testifying:** PRO: Larry Pursley, Washington Trucking Association; Doug Levy, Cities of Everett, Kent, Federal Way, Renton and Puyallup.

CON: Mark Johnson, Washington Retail Association; Rich Berkowitz, Transportation Institute; Randy Ray, Pacific Seafood Processors; Jim Wilcox, Wilcox Farms/Washington Food Industry; Pat Jones, Washington Public Ports Association; Tim Farrell, Port of Tacoma; Terry Finn, Port of Seattle; Gordon Baxter, Masters, Mates and Pilots and Inland Boatmen's Union; Larry McKillip, United Transportation Union; Mike Elliot, Brotherhood of Locomotive Engineers; Karol Kingery, Marine Engineers Beneficial Association; Bill Stauffacher, Burlington Northern Sante Fe Railroad; Tom Parker, Union Pacific Railroad; Scott Hazelgrove, Pacific Merchant Shipping Association; Rick Wickman, Columbia River Steamship Operators.

## Multiple Agency Fiscal Note Summary

<b>Bill Number:</b> 5207 SB	<b>Title:</b> Freight congestion relief
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### Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Office of State Treasurer	Non-zero but indeterminate cost. Please see discussion."					
Department of Revenue	478,000	287,280,000	720,000	433,199,000	779,000	467,865,000
<b>Total S</b>	<b>478,000</b>	<b>287,280,000</b>	<b>720,000</b>	<b>433,199,000</b>	<b>779,000</b>	<b>467,865,000</b>

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

### Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Office of State Treasurer	0	0	0	0	0	0	0	0	0
Department of Revenue	3	46,600	46,600	.1	13,400	13,400	.1	13,400	13,400
Department of Transportation	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0.3</b>	<b>\$46,600</b>	<b>\$46,600</b>	<b>0.1</b>	<b>\$13,400</b>	<b>\$13,400</b>	<b>0.1</b>	<b>\$13,400</b>	<b>\$13,400</b>

Local Gov. Courts *						
Local Gov. Other **						
Local Gov. Total						

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<b>Prepared by:</b> Doug Jenkins, OFM	<b>Phone:</b> 360-902-0563	<b>Date Published:</b> Final 1/20/2007
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- \* See Office of the Administrator for the Courts judicial fiscal note
- \*\* See local government fiscal note  
FNPID: 14732

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**SENATE BILL 5207**

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**State of Washington                      60th Legislature                      2007 Regular Session**

**By Senators Haugen, Murray and Spanel**

Read first time 01/12/2007. Referred to Committee on Transportation.

1            AN ACT Relating to creating the freight congestion relief account  
2 to improve freight corridors with funding from the imposition of a fee  
3 on the processing of shipping containers; reenacting and amending RCW  
4 43.84.092; adding a new chapter to Title 47 RCW; and prescribing  
5 penalties.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7            NEW SECTION.    **Sec. 1.** The legislature finds and declares there is  
8 a need to mitigate the enormous burden imposed on the state  
9 transportation system by the overland movement of cargo shipped to and  
10 from Washington state ports. Accordingly, it is the intent of the  
11 legislature to alleviate this burden by imposing a fee on the  
12 processing of shipping containers through those ports and use the funds  
13 derived therefrom to provide congestion relief through the improvement  
14 of freight rail systems and state highways that function as freight  
15 corridors.

16            NEW SECTION.    **Sec. 2.** The definitions in this section apply  
17 throughout this chapter unless the context clearly requires otherwise.

18            (1) "Department" means the department of revenue.

1 (2) "Marine terminal operator" means a person engaged in the state  
2 of Washington in the business of furnishing use of a wharf, dock,  
3 warehouse, or other terminal services and facilities including, but not  
4 limited to, all activities of a labor, service, or transportation  
5 nature where cargo is documented, handled, moved, or loaded/unloaded  
6 from vessels involved in waterborne commerce.

7 (3) "Twenty-foot equivalent unit" means a measure of containerized  
8 cargo capacity equal to one standard twenty foot (length) by eight foot  
9 (width) by eight foot and six inches (height) container.

10 NEW SECTION. **Sec. 3.** (1) A fee is imposed on the processing of  
11 shipping containers in the ports of Washington state.

12 (2) The fee must be imposed at the rate of fifty dollars per  
13 twenty-foot equivalent unit and is payable by the marine terminal  
14 operator processing the container. Every marine terminal operator  
15 engaged in processing twenty-foot equivalent units may retain ten  
16 percent of the fifty-dollar fee collected. The moneys retained may be  
17 used for costs associated with the proper collection and reporting of  
18 twenty-foot equivalent units processed. The retained amount must be  
19 reported as gross income under the service and other activities tax  
20 classification on the excise tax return.

21 (3) The twenty-foot equivalent unit fee collected by marine  
22 terminal operators, less the ten percent amount retained by the marine  
23 terminal operator as provided in subsection (2) of this section, must  
24 be paid to the department in accordance with RCW 82.32.045.

25 (4) The department must incorporate into the agency's regular audit  
26 cycle a reconciliation of the number of twenty-foot equivalent units  
27 processed and the amount of revenue collected by the marine terminal  
28 operators processing twenty-foot equivalent units. The department must  
29 collect from marine terminal operators processing twenty-foot  
30 equivalent units the following information, which shall be required to  
31 be reported on the appropriate business excise tax return form, as  
32 determined by the department:

33 (a) All fees required to be collected under this section during the  
34 previous month;

35 (b) A list of all freight containers processed by the marine  
36 terminal operator during the previous month; and

1 (c) Satisfactory proof, as determined by the department, that the  
2 fee was imposed on each twenty-foot equivalent unit processed.

3 (5) All other applicable provisions of chapter 32.32 RCW apply with  
4 respect to the fee imposed under this section. The department shall  
5 administer this section.

6 (6) A fee imposed under this section is to take effect no sooner  
7 than seventy-five days after the department receives notice, and is to  
8 take effect only on the first day of January, April, July, or October.  
9 Unless waived by the department, notice includes providing the  
10 appropriate department with digital mapping and legal descriptions of  
11 areas in which the fee will be collected.

12 NEW SECTION. **Sec. 4.** The freight congestion relief account is  
13 created in the state treasury. All receipts from twenty-foot  
14 equivalent unit fees imposed under section 3 of this act must be  
15 deposited in the account. Moneys in the account may be spent only  
16 after appropriation. Expenditures from the account may only be used to  
17 provide congestion relief through the improvement of freight rail  
18 systems and state highways that function as freight corridors.

19 NEW SECTION. **Sec. 5.** (1) The fee required by this chapter, to be  
20 collected by the marine terminal operator, must be deemed to be held in  
21 trust by the marine terminal operator until paid to the department, and  
22 any marine terminal operator who appropriates or converts the fee  
23 collected to his or her own use or to any use other than the payment of  
24 the fee to the extent that the money required to be collected is not  
25 available for payment on the due date as prescribed in this chapter is  
26 guilty of a gross misdemeanor, as provided in RCW 9A.20.021.

27 (2) If a marine terminal operator fails to collect the fee imposed  
28 in this chapter or, having collected the fee, fails to pay it to the  
29 department in the manner prescribed by this chapter, whether such  
30 failure is the result of his or her own acts or the result of acts or  
31 conditions beyond his or her control, he or she shall, nevertheless, be  
32 personally liable to the state for the amount of the fee.

33 **Sec. 6.** RCW 43.84.092 and 2006 c 337 s 11, 2006 c 311 s 23, 2006  
34 c 171 s 10, 2006 c 56 s 10, and 2006 c 6 s 8 are each reenacted and  
35 amended to read as follows:

1 (1) All earnings of investments of surplus balances in the state  
2 treasury shall be deposited to the treasury income account, which  
3 account is hereby established in the state treasury.

4 (2) The treasury income account shall be utilized to pay or receive  
5 funds associated with federal programs as required by the federal cash  
6 management improvement act of 1990. The treasury income account is  
7 subject in all respects to chapter 43.88 RCW, but no appropriation is  
8 required for refunds or allocations of interest earnings required by  
9 the cash management improvement act. Refunds of interest to the  
10 federal treasury required under the cash management improvement act  
11 fall under RCW 43.88.180 and shall not require appropriation. The  
12 office of financial management shall determine the amounts due to or  
13 from the federal government pursuant to the cash management improvement  
14 act. The office of financial management may direct transfers of funds  
15 between accounts as deemed necessary to implement the provisions of the  
16 cash management improvement act, and this subsection. Refunds or  
17 allocations shall occur prior to the distributions of earnings set  
18 forth in subsection (4) of this section.

19 (3) Except for the provisions of RCW 43.84.160, the treasury income  
20 account may be utilized for the payment of purchased banking services  
21 on behalf of treasury funds including, but not limited to, depository,  
22 safekeeping, and disbursement functions for the state treasury and  
23 affected state agencies. The treasury income account is subject in all  
24 respects to chapter 43.88 RCW, but no appropriation is required for  
25 payments to financial institutions. Payments shall occur prior to  
26 distribution of earnings set forth in subsection (4) of this section.

27 (4) Monthly, the state treasurer shall distribute the earnings  
28 credited to the treasury income account. The state treasurer shall  
29 credit the general fund with all the earnings credited to the treasury  
30 income account except:

31 (a) The following accounts and funds shall receive their  
32 proportionate share of earnings based upon each account's and fund's  
33 average daily balance for the period: The capitol building  
34 construction account, the Cedar River channel construction and  
35 operation account, the Central Washington University capital projects  
36 account, the charitable, educational, penal and reformatory  
37 institutions account, the Columbia river basin water supply development  
38 account, the common school construction fund, the county criminal

1 justice assistance account, the county sales and use tax equalization  
2 account, the data processing building construction account, the  
3 deferred compensation administrative account, the deferred compensation  
4 principal account, the department of retirement systems expense  
5 account, the developmental disabilities community trust account, the  
6 drinking water assistance account, the drinking water assistance  
7 administrative account, the drinking water assistance repayment  
8 account, the Eastern Washington University capital projects account,  
9 the education construction fund, the education legacy trust account,  
10 the election account, the emergency reserve fund, the energy freedom  
11 account, The Evergreen State College capital projects account, the  
12 federal forest revolving account, the freight congestion relief  
13 account, the freight mobility investment account, the freight mobility  
14 multimodal account, the health services account, the public health  
15 services account, the health system capacity account, the personal  
16 health services account, the state higher education construction  
17 account, the higher education construction account, the highway  
18 infrastructure account, the high-occupancy toll lanes operations  
19 account, the industrial insurance premium refund account, the judges'  
20 retirement account, the judicial retirement administrative account, the  
21 judicial retirement principal account, the local leasehold excise tax  
22 account, the local real estate excise tax account, the local sales and  
23 use tax account, the medical aid account, the mobile home park  
24 relocation fund, the multimodal transportation account, the municipal  
25 criminal justice assistance account, the municipal sales and use tax  
26 equalization account, the natural resources deposit account, the oyster  
27 reserve land account, the pension funding stabilization account, the  
28 perpetual surveillance and maintenance account, the public employees'  
29 retirement system plan 1 account, the public employees' retirement  
30 system combined plan 2 and plan 3 account, the public facilities  
31 construction loan revolving account beginning July 1, 2004, the public  
32 health supplemental account, the public works assistance account, the  
33 Puyallup tribal settlement account, the real estate appraiser  
34 commission account, the regional mobility grant program account, the  
35 resource management cost account, the rural Washington loan fund, the  
36 site closure account, the small city pavement and sidewalk account, the  
37 special wildlife account, the state employees' insurance account, the  
38 state employees' insurance reserve account, the state investment board

1 expense account, the state investment board commingled trust fund  
2 accounts, the supplemental pension account, the Tacoma Narrows toll  
3 bridge account, the teachers' retirement system plan 1 account, the  
4 teachers' retirement system combined plan 2 and plan 3 account, the  
5 tobacco prevention and control account, the tobacco settlement account,  
6 the transportation infrastructure account, the transportation  
7 partnership account, the tuition recovery trust fund, the University of  
8 Washington bond retirement fund, the University of Washington building  
9 account, the volunteer fire fighters' and reserve officers' relief and  
10 pension principal fund, the volunteer fire fighters' and reserve  
11 officers' administrative fund, the Washington fruit express account,  
12 the Washington judicial retirement system account, the Washington law  
13 enforcement officers' and fire fighters' system plan 1 retirement  
14 account, the Washington law enforcement officers' and fire fighters'  
15 system plan 2 retirement account, the Washington public safety  
16 employees' plan 2 retirement account, the Washington school employees'  
17 retirement system combined plan 2 and 3 account, the Washington state  
18 health insurance pool account, the Washington state patrol retirement  
19 account, the Washington State University building account, the  
20 Washington State University bond retirement fund, the water pollution  
21 control revolving fund, and the Western Washington University capital  
22 projects account. Earnings derived from investing balances of the  
23 agricultural permanent fund, the normal school permanent fund, the  
24 permanent common school fund, the scientific permanent fund, and the  
25 state university permanent fund shall be allocated to their respective  
26 beneficiary accounts. All earnings to be distributed under this  
27 subsection (4)(a) shall first be reduced by the allocation to the state  
28 treasurer's service fund pursuant to RCW 43.08.190.

29 (b) The following accounts and funds shall receive eighty percent  
30 of their proportionate share of earnings based upon each account's or  
31 fund's average daily balance for the period: The aeronautics account,  
32 the aircraft search and rescue account, the county arterial  
33 preservation account, the department of licensing services account, the  
34 essential rail assistance account, the ferry bond retirement fund, the  
35 grade crossing protective fund, the high capacity transportation  
36 account, the highway bond retirement fund, the highway safety account,  
37 the motor vehicle fund, the motorcycle safety education account, the  
38 pilotage account, the public transportation systems account, the Puget

1 Sound capital construction account, the Puget Sound ferry operations  
2 account, the recreational vehicle account, the rural arterial trust  
3 account, the safety and education account, the special category C  
4 account, the state patrol highway account, the transportation 2003  
5 account (nickel account), the transportation equipment fund, the  
6 transportation fund, the transportation improvement account, the  
7 transportation improvement board bond retirement account, and the urban  
8 arterial trust account.

9 (5) In conformance with Article II, section 37 of the state  
10 Constitution, no treasury accounts or funds shall be allocated earnings  
11 without the specific affirmative directive of this section.

12 NEW SECTION. **Sec. 7.** Sections 1 through 5 of this act constitute  
13 a new chapter in Title 47 RCW.

--- END ---

HJR

13

25-LS0747C  
Bullock  
5/3/07

**CS FOR HOUSE JOINT RESOLUTION NO. 13( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVES GARDNER, Buch, Gara, Crawford**

**A RESOLUTION**

1 **Urging the United States Department of Energy to consider the needs of the people of**  
2 **the state for natural gas and the status of natural gas reserves in Cook Inlet when**  
3 **considering a possible extension of the Kenai Liquefied Natural Gas Plant's export**  
4 **license; and urging the producers of natural gas in the Cook Inlet region and the**  
5 **Regulatory Commission of Alaska to work to secure long-term and affordable supplies**  
6 **of natural gas for the people and businesses of the state.**

7 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 **WHEREAS** approximately 340,000 people in the state, more than half of the state's  
9 population, rely on natural gas from Cook Inlet to heat their homes; and

10 **WHEREAS** approximately 473,000 people in the state, nearly 71 percent of the state's  
11 population, rely on natural gas from Cook Inlet to generate electricity for their homes and  
12 businesses; and

13 **WHEREAS** these people live in communities from Fairbanks to the Kenai Peninsula,  
14 including Anchorage and the Matanuska-Susitna Borough; and

1           **WHEREAS** natural gas produced from Cook Inlet is the sole source of natural gas  
2 used by the two largest regulated utilities in the state to provide space heating and electrical  
3 generation for the majority of the people in the state; and

4           **WHEREAS** the utilities that use natural gas produced from Cook Inlet currently are  
5 not able to acquire natural gas from another state, Canada, or a foreign source of liquefied  
6 natural gas; and

7           **WHEREAS** ConocoPhillips and Marathon Oil Corporation have jointly filed for a  
8 two-year extension of the Kenai Liquefied Natural Gas Plant's export license with the United  
9 States Department of Energy; and

10           **WHEREAS** the Kenai Liquefied Natural Gas Plant currently exports about 1,300,000  
11 metric tons of liquefied natural gas annually to buyers in Tokyo, representing approximately  
12 36 percent of the natural gas produced in the Cook Inlet region; and

13           **WHEREAS** the Kenai Liquefied Natural Gas Plant plays an important role in the  
14 local and state economy, employs approximately 58 residents, and generates revenue for the  
15 state and the Kenai Peninsula Borough; and

16           **WHEREAS** the supply of natural gas in Cook Inlet relative to the demand has  
17 declined significantly in recent years, and production is forecasted to decline precipitously  
18 over the next decade; and

19           **WHEREAS** the decline in supply relative to demand has resulted in skyrocketing  
20 prices for local consumers, increasing home heating costs by 97 percent in the last five years  
21 and causing hardship for many low-income and middle-income families; and

22           **WHEREAS**, although the renewal of the license to export liquefied natural gas offers  
23 many benefits to the state, the state must have as a priority the availability of affordable  
24 natural gas to meet the needs of its people;

25           **BE IT RESOLVED** that the Alaska State Legislature respectfully requests the United  
26 States Department of Energy, when reviewing the request for the extension of the Kenai  
27 Liquefied Natural Gas Plant's export license, to consider whether the needs of the people of  
28 the state for natural gas for home heating and electrical generation during the period of the  
29 possible extension will be fully satisfied through binding contracts between regulated utilities  
30 and those persons who produce natural gas in Cook Inlet; and be it

31           **FURTHER RESOLVED** that the Alaska State Legislature respectfully requests the

1 United States Department of Energy to consider the status of the natural gas reserves in Cook  
2 Inlet, the speed at which the reserves are being depleted, and the level of exploration to  
3 discover new reserves in Cook Inlet; and be it

4 **FURTHER RESOLVED** that the Alaska State Legislature urges natural gas  
5 producers in the Cook Inlet region to work expeditiously with local utilities to ensure an  
6 adequate and affordable long-term supply of natural gas for Alaskans; and be it

7 **FURTHER RESOLVED** that the Alaska State Legislature urges the Regulatory  
8 Commission of Alaska to expedite review of any utility contract that will provide long-term  
9 and affordable supplies of natural gas for the people of the state.

10 **COPIES** of this resolution shall be sent to the Honorable Samuel W. Bodman, United  
11 States Secretary of Energy; the Honorable Talis J. Colberg, Alaska Attorney General; the  
12 Honorable Tom Irwin, Commissioner, Department of Natural Resources; the Honorable Emil  
13 Notti, Commissioner of the Department of Commerce, Community, and Economic  
14 Development; the Honorable Kate Giard, Chair of the Regulatory Commission of Alaska; Jim  
15 Bowles, President, ConocoPhillips Alaska, Inc.; John Barnes, Alaska Asset Team Manager,  
16 Marathon Oil Company; John Zager, General Manager, Chevron.

# ALASKA STATE LEGISLATURE

## Juneau

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## **Representative Berta Gardner** *House District 24*

To: Representative Kurt Olson, Chair  
House Labor and Commerce Committee

From: Representative Berta Gardner

Re.: Request for hearing

Date: May 3, 2007

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I respectfully request a hearing as soon as possible on HJR 13, "A resolution urging the attorney general, the producers of natural gas in the Cook Inlet region, and the Regulatory Commission of Alaska to work to secure long-term and affordable supplies of natural gas for the people and businesses of the state."

I have attached a copy of the resolution, sponsor statement with accompanying fiscal note and supporting documents.

Thank you for your consideration of this proposal. Please contact me if you have any questions or require any additional information.

# ALASKA STATE LEGISLATURE

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## Anchorage

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## **Representative Berta Gardner**

*House District 24*

March 26, 2007

### **Sponsor Statement**

#### **HJR 13: Exporting Cook Inlet Gas**

*"Urging the attorney general, the producers of natural gas in the Cook Inlet region, and the Regulatory Commission of Alaska to work to secure long-term and affordable supplies of natural gas for the people and businesses of the state."*

HJR 13 is a resolution spotlighting the potential energy crisis looming over Southcentral Alaska. Natural gas reserves have been declining over the past couple of decades, raising the real possibility of acute shortages in the near future. With about two-thirds of all Alaskans relying on Cook Inlet natural gas for heating their homes or for generating electricity used in their residences and businesses, the effects of any natural gas shortage would have widespread repercussions. Already prices have nearly doubled over the past five years, creating real hardships for many railbelt businesses and consumers. More severe shortages might be a stimulus to even steeper price rises.

More than a third of Cook Inlet natural gas is currently exported to Japan, an amount exceeding that used in Alaska for both residential heating and electricity generation. The federal export license is due to expire in 2009, and its extension is up for consideration, with the comment period now open. While drilling activity has increased over the past two years and may serve to avert the crisis, there is no guarantee that Southcentral Alaska will not face a major supply crisis within a few years. Even if the odds of running out are relatively low, the consequences for businesses and consumers are potentially severe.

While there are valid concerns about exporting the gas that Alaskans may need for local heating and power, any solution must recognize the importance of bringing future gas supplies to Southcentral Alaska. Retaining the existing infrastructure of commercial gas usage may be a key to achieving this goal economically.

HJR 13 requests that the natural gas producers in Cook Inlet work more closely with the utilities such as Enstar to protect affordable natural gas for local consumption. The resolutions call on the Attorney General to evaluate whether continued export of natural gas from Cook Inlet to Japan is in the best interests of Alaskan consumers. They also urge the Regulatory Commission of Alaska to expedite review of any contract that will affect affordable gas to Alaskans.

Please join me in supporting HJR 13.

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: HJR013-OOG-LGO-4-10-07  
 Bill Version: HJR 13  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: OOG  
 Title Resolution urging the attorney general...to work RDU Office of the Lt. Governor  
to secure long-term...supplies of natural gas... Component Office of the Lt. Governor  
 Sponsor Representatives Gardner, Buch, Gara, Crawford  
 Requester House Oil and Gas Committee Component No. 11

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
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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						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This resolution will have no fiscal impact on the Office of the Lt. Governor.

Prepared by: Gail Fenuniai, Asst. Administrative Director Phone 465-3885  
 Division Division of Administrative Services Date/Time 4/10/07, 12:18pm  
 Approved by: Jim Merriner, Chief of Staff Date 4/10/2007  
 Agency Office of the Lt. Governor