

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY ENACTING MSB 3.80 AREAWIDE FUEL EXCISE TAX IN THE AMOUNT OF SEVEN CENTS PER GALLON.

AGENDA OF: June 3, 2025

ASSEMBLY ACTION: Defeated Unanimously 12/02/25 - BJH

AGENDA ACTION REQUESTED: Introduce and set for public hearing on July 15, 2025.

Route To	Signatures
Originator	<div>5 / 21 / 2025</div> <div>___X___ N S f o r M B</div> <div>Signed by: Nicholas Spiropoulos</div>
Finance Director	<div>Recoverable Signature</div> <div>X C h e y e n n e H e i n d e l</div> <div>Signed by: Cheyenne Heindel</div>
Borough Attorney	<div>5 / 21 / 2025</div> <div>X N i c h o l a s S p i r o p o u l o s</div> <div>Signed by: Nicholas Spiropoulos</div>
Borough Manager	<div>5 / 21 / 2025</div> <div>X M i c h a e l B r o w n</div> <div>Signed by: Mike Brown</div>
Borough Clerk	<div>5 / 21 / 2025</div> <div>X L o n n i e M c K e c h n i e</div> <div>Signed by: Lonnie McKechnie</div>

ATTACHMENT (S) : Ordinance Serial No. 25-076 (37 pp)
Information Sheet (1 pp)
Graph (1 pp)

SUMMARY STATEMENT: This ordinance is sponsored by the Borough Manager to enact an areawide seven cent (\$0.07) per gallon fuel excise tax in the Matanuska-Susitna Borough.

This ordinance is virtually a direct copy of the Anchorage Excise Tax on Motor Fuel which was enacted in 2017 and found at AMC 12.55. There are differences in nomenclature, some administrative differences, differences to reflect that the Matanuska-Susitna Borough is not a unified home rule municipality, and some of the penalties. The main difference is that the Anchorage excise is ten cents (\$0.10) per gallon and the proposal here is seven cents (\$0.07) per gallon.

This excise tax on fuel could generate up to \$5 million in revenue annually. It is the Borough Manager's intent that this revenue be allocated to future road and related infrastructure projects to reduce the need for issuing debt. However, as with all revenue, the Borough Assembly will have the ultimate decision on how the revenue is allocated in the future.

The current approach for funding areawide road improvements requires selling bonds (incurring debt). To sustain needed, ongoing road improvement projects, taking on additional debt is not sustainable and places a debt burden on property taxpayers. An excise tax includes revenue from other users of our roads, such as tourists and visitors.

Current transportation debt is less than 20% of overall debt for the next several years. Significant new debt for transportation may not be possible due to other needs such as addressing school deferred maintenance needs.

This excise tax applies to fuel which is "means all liquid substances refined, compounded or produced primarily for the purpose of use in an engine for the propulsion of a motor vehicle that is required to be licensed or registered to be driven on a public road or highway. This does not include aviation fuel." By its terms the definition does not apply to fuels that are refined, compounded or produced primarily for other purposes such as home heating fuel.

This excise tax does not apply to qualified dealers as defined in AS 43.40.100(3). A "qualified dealer" means a person who refines, imports, manufactures, produces, compounds, or wholesales refined or motor fuel. Of note, since this is a state law definition, "importer" for this one part of the ordinance means import to the state, not import to the Borough. However, this definition does not include retailers. It is anticipated, and is the intent of this ordinance, that the fuel excise tax be collected upon sale or transfer from the refiner, importer, manufacturer, producer, compounder, or wholesaler to the retail sellers within the borough.

This fuel excise tax is not intended to support government operations or to grow government. It is intended strictly for funding road improvements, which could also include addressing roads currently not maintained by the Borough because they do not meet Borough standards for maintenance.

To allow for a transition period and for administrative efficiencies, this fuel excise tax will take effect on January 1, 2026.

RECOMMENDATION OF ADMINISTRATION: Introduce and set or public hearing on July 15, 2025.

MATANUSKA-SUSITNA BOROUGH

FISCAL NOTE

Agenda Date: June 3, 2025

SUBJECT: An Ordinance of the Matanuska-Susitna Borough Assembly enacting MSB 3.80 Areawide Fuel Excise Tax in the amount of seven cents per gallon.

FISCAL ACTION (TO BE COMPLETED BY FINANCE)	FISCAL IMPACT YES NO
AMOUNT REQUESTED *	FUNDING SOURCE Areawide Fuel Excise Tax
FROM ACCOUNT #	PROJECT
TO ACCOUNT: 100.000.000 3XX.XXX	PROJECT #
VERIFIED BY: X M e r i s s a C a r r e l l Signed by: M e r i s s a C a r r e l l	

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
Personnel Services						
Travel						
Contractual						
Supplies						
Equipment						
Land/Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING						

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

REVENUE		*	*	*	*	*
---------	--	---	---	---	---	---

FUNDING:


(Thousands of Dollars)

General Fund						
State/Federal Funds						
Other						
TOTAL						

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (Attach a separate page if necessary) *Conservative estimate \$5 million annually. However, will depend on amount collected.

APPROVED BY:	 Recoverable Signature X C h e y e n n e H e i n d e l Signed by: C h e y e n n e H e i n d e l
--------------	--

Fuel Excise Tax Proposal



Why propose a new tax?

The current approach requires selling bonds (debt) to fund road improvements. To sustain ongoing road improvement projects, taking on additional debt is not sustainable and places debt burden on property tax payers. An excise tax includes revenue from other users of our roads such as tourists and visitors.

What this is NOT...

- NOT for supporting government operations or growing government
- Does NOT include aviation fuel, marine fuel, or home heating fuel
- LOWER THAN fuel excise tax in Anchorage which is 10 cents per gallon

What this tax does...

- Revenue for road improvements outside of property taxes
- Set at 7 cents per gallon generating up to \$5 million annually; currently no local fuel excise tax in place
- Revenue from visitors and tourists
- Take pressure off of mill rate by not selling debt to support roads

Timeline

June 3, 2025:
Introduce for
public hearing

July 15 2025:
Public Hearing

January 1, 2026:
Tax goes into
effect

Debt: three key takeaways

1. 70% of education debt in FY 26-32 is reliant on State reimbursement: high liability to MSB (MSB should maintain reserves)
2. Transportation debt is less than 20% of overall debt for next several years; significant new debt for transportation may not be sustainable
3. New debt approved in 2024 accounts for ~\$5 million annually with more bonds to sell next year (charter schools and transportation)

Mat-Su Borough Debt Obligations

