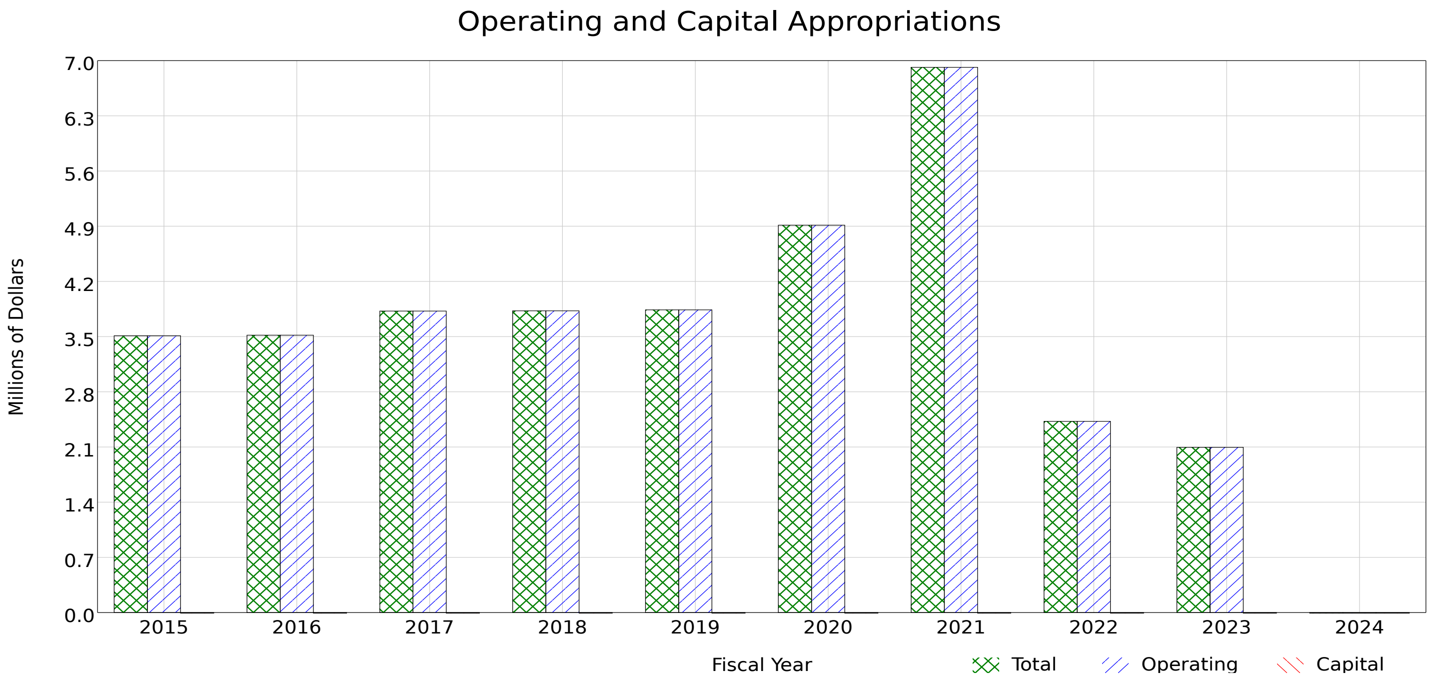
Fund Source Report

1205 Ocn Ranger Berth Fees for the Ocean Ranger Program

Year Authorized	Year Repealed	Active?	Mental Health?	Duplicated?	Fund Group
2009		Yes	No	No	Other Designated



Legal Authority
AS 46.03.476 and 480(d)

Source of Revenue
A $4 per berth fee imposed on all large commercial passenger vessels (except state operated vessels) that operate in Alaska

Restrictions on Use
A $4 per berth fee is intended to be spent on the Ocean Ranger program, which places marine engineers on ships for the purpose of monitoring state and federal requirements pertaining to marine discharge and pollution requirements. The program is subject to legislative appropriation.

Description and History
An initiative that became Ballot Measure 2 was approved by voters in the primary election on August 22, 2006. The initiative's provisions became effective December 17, 2006.

Ballot Measure 2:
1. Imposed a $4 per berth fee collected from cruise ships for the Ocean Ranger Program, which places marine engineers on ships for the purpose of monitoring state and federal requirements pertaining to marine discharge and pollution requirements.
2. Imposed a $46 per person commercial passenger vessel excise tax on large cruise ships (more than 250 berths) traveling in the state's marine waters for more than 72 hours.
   a. 75% ($34.50 per person) was to be deposited into the Commercial Vessel Passenger Tax Account.
   b. 25% ($11.50 per person) was to be deposited into the Regional Cruise Ship Impact Fund.
3. Levied a tax on gambling activities in state waters; the rate was 33% of adjusted gross income on large passenger vessels (cruise ships).

Due to federal restrictions on uses of revenue from charges imposed on interstate transportation, receipts from the berth fee and excise taxes (fund codes 1205, 1206 and 1207) are classified as dedicated. The receipts can be used only to offset costs of compliance programs and to provide facilities associated with handling vessels and passengers. Receipts from the gambling tax are unrestricted general fund receipts.

Fund Code 1205--Berth Fees for the Ocean Ranger Program (AS 46.03.476 & AS 46.03.480(d))

Proceeds from a $4 per berth fee imposed on all large commercial passenger vessels (except state operated vessels) that operate in Alaska are deposited into the Commercial Passenger Vessel Environmental Compliance Fund (established in 2001, see code 1166). The Ocean Ranger

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Program consists of marine engineers licensed by the U.S Coast Guard to serve as observers on board large cruise ships to monitor state and federal requirements for marine discharge and pollution and to insure that passengers, crew and residents at ports are protected from improper sanitation, health and safety practices. Two fund codes access the CPV Environmental Compliance Fund: code 1166 tracks appropriations associated with monitoring vessel air and water emissions other than for the Ocean Ranger program, and code 1205 tracks appropriations specific to the Ocean Ranger Program.

Fund Code 1206--Commercial Vessel Passenger (CVP) Tax Account (AS 43.52.200-295)

The $34.50 CVP excise tax is deposited into a sub-account in the general fund. Initially, $5 per passenger was shared with the "first 5 ports of call" subject to annual appropriation by the legislature. A port of call:

1. Must to be a municipality or borough
2. Must be a location where passengers embark or disembark (includes lightering of passengers)
3. Cannot have its own passenger tax
4. Boroughs not unified with a municipality may receive $2.50 per passenger
5. Cannot also receive funds from the "Regional Cruise Ship Impact Fund"

During FY09- FY11, the amount of revenue shared with ports of call ranged from $9 to $10 million and could be used for state-owned port and harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign commerce and other such lawful purposes. As with other shared taxes, CVP receipts shared with communities is excluded from Legislative Finance budget reports.

The legislature appropriated unshared revenue in the CVP Tax Account for state projects in specific communities using code 1206.
During the 2010 legislative session, Chapter 101, SLA 2010 (SB 312) passed and reduced the CVP excise tax from $46 to $34.50. The tax was further reduced by any municipal taxes imposed on a passenger that were in effect prior to December 17, 2007. In addition, the legislation increased the number of ports of call which may receive the $5 per passenger from 5 to 7, and removed the provision that prohibited a port of call from sharing in the CVP revenue if it imposed its own tax. Juneau and Ketchikan had qualifying levies in place at that time (Juneau's fee is $8 per passenger and Ketchikan's is $7).

In addition, the use of the funds was amended to be used for port facilities, harbor infrastructure, and other services provided to commercial passenger vessels and the passengers on board those vessels.
During FY12-FY14, the amount of shared revenue increased from the previous range of $9 to $10 million, up to $14 to $16 million.
With the changes effective in FY11, most of the receipts are shared with communities, leaving little for the legislature to appropriate.

Fund Code 1207--Regional Cruise Ship Impact (RCSI) Fund

The RCSI excise tax was deposited into a sub- account of the CVP Tax Account. The entire amount collected was available for the legislature to appropriate to municipalities and other government entities impacted by cruise ship activity. Communities that received shared revenue under the "first 5 ports of call" could not receive RCSI funds. With the passage of Chapter 101, SLA 2010 (SB 312), this fund was repealed and the balance of $3.4 million was transferred from the RCSI Fund to the CVP Fund (effective FY11). The fund code was deactivated after FY11.

Fund Code 1211--Large Passenger Vessel Gaming & Gambling Tax Account (AS 43.35.200-220)

Gambling activities aboard large passenger vessels in the state are subject to a tax on adjusted gross income. Gambling activities include the use of playing cards, dice, roulette wheels, coin-operated instruments or machines, or other objects or instruments used for gaming or gambling, and any other gambling activities. Adjusted gross income means gross income less prizes awarded and federal and municipal taxes paid or owed on the income.

These funds are general funds and have no restrictions on how they can be spent. This "impossible" situation--an unrestricted account inside a dedicated fund--is the result of the initiative process. Although the classification is illogical, it poses no technical problem from a budgeting perspective.

At the end of FY08, the $6.8 million balance of the Gambling Tax account was swept to the Constitutional Budget Reserve (CBR) Fund along with the balance of the general fund and subaccounts. The Department of Administration failed to include the gambling account in the "reverse sweep" process that would have restored the $6.8 million to the Gambling Tax account.

With the passage of Chapter 101, SLA 2010 (SB 312), the legislature created the Large Passenger Vessel Gaming and Gambling Account as a sub-account of the CVP Tax Account and directed that gambling receipts be deposited in the new account. At the end of FY10, the Department of Administration/Division of Finance transferred the balance ($12.6 million) of the Gambling Tax to the CVP Tax Account.
During the 2011 legislative session, the legislature deposited $22.7 million UGF into the Large Passenger Vessel Gaming and Gambling Tax Account -- restoring the $6.8 million swept to the CBR, the $12.6 million transferred to the CVP Tax Fund, and $3.4 million transferred from the RCSI

Fund to the CVP Tax Fund. This deposit was effective in FY11. The available balance was then appropriated for projects in FY12.