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Senator Pete Kelly

State Capitol

Juneau, AK 99801-1182

Dear Senator Kelly,

I am writing to you in regards to a few items of great concern for my community with the proposed FY17 budget. I am a resident of Newhalen in the Lake Iliamna area, the Vice Mayor for the Newhalen City Council, and am on the Board of Directors for Iliamna Newhalen Nondalton Electric Co-Op. Please see my concerns below on Proposed Fuel Increases, Community Revenue Sharing, Power Cost Equalization, Income and Sales Taxes, Iliamna Trooper Station, and K-12 Funding.

Proposed Fuel Increases

HB 249 is about increasing taxes on different forms of fuel in the State of Alaska. Throughout all of rural Alaska, this will impact us the most. Increasing the aviation gas tax from 4.7 cents to 10 cents per gallon is going to hurt rural Alaska. We greatly dependent on air travel and air freight. Any increase on jet or aviation fuel will in turn increase our airfare and freight prices. In speaking with local air charters, they use around 60 gallons of jet fuel for a 55 minute, one-way flight from Anchorage to Iliamna. Rates for this flight are currently \$190.00 for residents and \$240.00 for non-resident. Increasing jet fuel by 6.8 cents to \$0.10 cents per gallon would cost the air taxis an additional \$408.00 per flight. On a 9 passenger plane, this is an additional cost of roughly \$45.00 per person raising the rates to a minimum of \$235.00 for resident and \$285.00 for non-resident for a one-way flight.

For general freight, we currently pay \$0.60 to \$0.95 cents per pound. A 52-pound variety meat pack from Mike's Quality Meats currently costs \$255.00. Freight would be an additional cost of approx. \$50.00. I could not even begin to speculate how the increased fuel prices will impact our freight rates. Some would cry, "well why doesn't rural Alaska subsistence hunt?" We do, but that also requires gasoline (air freight and barged in), oil (air freight), a snow machine or ATV (barged in or air freight), bullets (air freight), a gun (air freight), proper clothing for the elements (air freight), and much more.

The proposed gasoline fuel tax increase from 8 cents to 16 cents per gallon would increase our current rates of fuel from our “low” price of \$4.64 to \$4.72 per gallon at minimum. Increases on fuels will not solve any problems in rural Alaska. It will only generate more.

Increases on the aviation and jet fuels will also increase expenses of our commercial fishermen. Most fishermen fly to their fishing locations each summer. They also have their freight flown in. Increasing taxes on gasoline, jet, and aviation fuels will potentially bankrupt our fisher people and cause the sell of more permits to people Outside. Fish prices are already at super low levels and tacking on more expenses to them is ruthless and irresponsible. Our commercial fishermen and rural Alaskans can only take so much before their backs will break and they will sink.

Community Revenue Sharing

At our last city council meeting, we were advised that our yearly Community Revenue Sharing from the State of Alaska will be decreasing by \$34,085.00 to \$67,170.00. This will GREATLY impact our community and all municipalities throughout Alaska. This was also decreased by approx. \$5000.00 from FY15 to FY16. For FY17, we are basically being asked to eliminate more than 1/3 of our yearly budget.

Community Revenue Sharing has become an integral part of the City of Newhalen. It represents nearly 90% of the yearly budget. We use these monies to provide needed services and jobs for the community. The population of Newhalen is approximately 200 people. Of these, less than 25% have full or part-time employment. Through a recent door-to-door survey, it was documented that 80% of our residents fall below the poverty line.

As a city, we are looking at other sources of income and eliminating expenditures. Options being considered are: closing the community health clinic, looking at new sites to sell gravel, licensing dogs in the community, and more. The selling of gravel brings an additional source of money for the city. However, 50% of the money from the sales must be sent to Bristol Bay Native Corporation, as they own the mineral rights to all the land in the area. We do not have a savings account to fall back on, and there is no “extra money” to start one. Every penny that is received by the city is spent to the fullest possible potential.

Below is data from the State of Alaska’s website that shows the amount of revenue sharing for the past 11 fiscal years for three rural cities in Southwest Alaska: Newhalen, Nondalton, and New Stuyahok. I have also included if the cities lost or gained revenue compared to the year prior.

Fiscal Year	Newhalen	Nondalton	New Stuyahok
Population Est. (2013)	193	166	529
FY17	\$67,170.00	\$65,853.00	\$76,366.00
FY17 Vs. FY16	<i>-\$34,085.00</i>	<i>-\$33,459.00</i>	<i>-\$38,085.00</i>
FY16	\$101,255.00	\$99,312.00	\$114,451.00
FY16 Vs. FY15	<i>-\$5,128.00</i>	<i>-\$5,128.00</i>	<i>-\$5,541.00</i>
FY15	\$106,383.00	\$104,051.00	\$119,992.00
FY15 Vs. FY14	+\$1,803.00	<i>-\$101.00</i>	<i>-\$263.00</i>
FY14	\$104,580.00	\$104,152.00	\$120,255.00
FY14 Vs. FY13	<i>-\$44,484.00</i>	<i>-\$44,152.00</i>	<i>-\$50,406.00</i>
FY13	\$149,064.00	\$148,304.00	\$170,631.00
FY13 Vs. FY12	+\$8,470.00	+\$9,434.00	+\$8,825.00
FY12	\$140,594.00	\$138,870.00	\$161,806.00
FY12 Vs. FY11	+\$36,469.00	+\$33,542.00	+\$39,777.00
FY11	\$104,125.00	\$105,328.00	\$122,029.00
FY11 Vs. FY10	<i>-\$139.00</i>	<i>-\$977.00</i>	+\$981.00
FY10	\$104,264.00	\$106,305.00	\$121,048.00
FY10 Vs. FY09	<i>-\$342.00</i>	+\$204.00	+\$1,960.00
FY09	\$104,606.00	\$106,101.00	\$119,088.00

As shown above, we are not the only community in Alaska that is facing a budget crisis if this revenue continues to be decreased or eliminated. The City of Nondalton is located approximately 18 air miles north of Newhalen. They also rely heavily upon revenue sharing as their ONLY source of non-locally generated income. Both cities provide the core community services to their people such as septic pumping, water and sewer, garbage removal, and managing the dump. The cities also provide a source of employment to four people in Newhalen and six people in Nondalton, who would otherwise be without a job. If revenue sharing continues to drop and even disappears, it would devastate the cities of Newhalen, Nondalton, and many, many more throughout Alaska.

Ms. Kathie Wasserman, Executive Director of the Alaska Municipal League, has said time and time again, “they (the state) can ‘save’ money until some of these municipalities shut down and then all the liability of that municipality goes to the state.” What Ms. Wasserman is referring to an Alaska Statute that states if a municipality has to shut down, the state would incur all of the cities expenses and responsibilities that it has to a community to provide the essential services such as water, sewer, trash disposal, etc. I fear without revenue sharing, this will happen to many communities throughout Alaska.

Power Cost Equalization (PCE)

“PCE was instituted as a program to provide economic assistance to customers in rural areas of Alaska where the kilowatt-hour (kWh) charge for electricity can be three to five times higher than the charge in more urban areas of the state. PCE fundamentally improves Alaska’s standard of living by helping small rural areas maintain the availability of communications and operation of basic infrastructure and systems, including water and sewer, incinerators, heat and light. PCE is a core element underlying the financial viability of centralized power generation in rural communities.” These are not my words but Alaska Energy Authority’s on their fact sheet about PCE. Each one of those words rings true.

Based on the reporting period from 07/01/14 to 06/30/15, Iliamna Newhalen Nondalton Electric Coop (INNEC) provided electric service to a combined community population of 476 people. There were 187 residential and 15 community facility customers that qualified for the PCE credits. In 2015, INNEC, generated 903,259 total PCE eligible kWh. For 2015, the last reported average PCE payment per eligible kWh was \$0.24. This equates to \$216,782.16 savings for the three communities, or roughly \$1,073 per eligible customer. An average family of four pays roughly \$150.00 per month. Without PCE, they would be facing around \$240.00 (roughly \$90 more per month). That is a big added cost for our residents who are already struggling with their day to day expenses.

For our residents to continue to thrive and be able to afford their electrical expenses, PCE must be held intact for its specific use. Without it, rural Alaskans across the state will suffer and it will be detrimental.

Income and Sales Taxes

A broad income tax has been proposed at the state level. For a small community such as Newhalen, it would apply too much pressure to our already too tight belts. I believe this could be a great revenue source generator for the state as a whole, but it should be imposed on people who make more than \$150,000 per year. In Ohio, they currently have a 5.925% on income tax for people whose income is over \$200,000. Hawaii imposes a rate of 11% for income over \$200,000. I believe either of these options to be fair and just. Here are some other examples across the nation:

Connecticut: 6.5% on income over \$500,000
New Jersey: 8.97% on income over \$500,000
North Dakota: 4.86% on income over \$373,650
Rhode Island: 9.9% on income over \$373,650

Maryland: 6.25% on income over \$1 million
New York: 8.97% on income over \$500,000
Oregon: 11% on income over \$250,000
Vermont: 8.95% on income over \$373,650

Tennessee charges a 6% tax on interest and dividend income but wages are not taxed. This is a very interesting idea considering how many different corporations offer their shareholders a dividend.

The idea of a Statewide sales tax has been tossed around as well. For Newhalen, a state or local sales tax would not help to fill anyone’s coffers in a positive way. There are only two local businesses in Newhalen – Newhalen Bingo and INN Electric Co-Op. Imposing any taxes on Bingo would potentially drive

sales to our neighboring village of Iliamna, which is also currently tax free. Instituting taxes on INN Electric Co-Op would only initiate more harm to our residents by potentially driving up rates.

Iliamna Trooper Station

Trooper Joe Minnick is currently stationed at the Iliamna Trooper Station in Newhalen. He is our closest form of law enforcement in the Lake Iliamna, Lake Clark, and Kvichak River area. Currently, there are no Village Public Safety Officers or Village Public Officer in any northern Bristol Bay villages, which includes Port Alsworth, Nondalton, Iliamna, Newhalen, Pedro Bay, Pile Bay, Kokhanok, Igiugig, and Levelock. According to Bristol Bay Native Association, due to budget cuts by the State from last year, the open position for a Rover Village Public Safety Officer for the Northern Region has been eliminated. If Trooper Minnick were taken out of the northern Bristol Bay Region, it would be tragic and potentially devastating for our communities. We value him as a true asset to the region and rely on him and his authority.

K-12 Funding

“I believe the children are our future. Teach them well and let them lead the way,” – Whitney Houston

I believe in this statement. We owe it to our children to ensure that children in schools with enrollments of 10 (Chignik Bay School) all the way to 2,222 (East High School) deserve a proper and well funded education. With other proposed items in the budget, schools throughout the state will need to figure out how to make the same dollar stretch further, even without even considering more budget cuts for themselves

Conclusion

I guess my main purpose of writing this letter is not to offer solutions. It is to remind you that for every action that is taken during this legislative session, we will be effected. You have been elected by the people to represent the people of your district. We have entrusted you with this great duty. It is your job to weigh all the options presented before you and figure out how to get us out of this mess, and hopefully prevent it from happening again. Rural Alaskans deserve a voice. Remember us. Remember how we live and what it takes to live here.

SINCERELY,

Evelynn Trefon

**Vice Mayor, City of Newhalen
Secretary, INN Electric CO-OP
Resident of House District 37 and Senate District S**