

ALASKA STATE LEGISLATURE

HOUSE FINANCE COMMITTEE

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MEMORANDUM

DATE: June 16th, 2017

TO: House Finance Committee Members

FROM: Representative Paul Seaton, Co-Chair
Representative Neal Foster, Co-Chair
House Finance Committee

RE: Questions from June 12th House Finance meeting

During the House Finance Committee meeting held on June 12th, 2017, some questions asked by committee members could not be answered in full during the committee meeting. Please find the full answers below, with additional information attached.

Representative Wilson asked what the balance is of the Educational Facilities Maintenance and Construction Fund mentioned in the bill.

In our testimony, Mr. Liebelt stated that he didn't know how much was in the Educational Facilities Maintenance and Construction Fund (AS 37.05.560), but that any money appropriated to the fund is obligated to a project(s), so the available balance for appropriation is zero. Upon further discussion with the Legislative Finance Division, it turns out that the fund listed in SB 12 has not been used since 1993 and was deactivated in 2005. It may have been in error that this fund was listed in the bill. It is likely that the intention was to designate funds generated from the tax to the School Construction Grant Fund (AS 14.11.005). The answer that Mr. Liebelt provided pertained to this fund. Once money is appropriated to this fund, no further appropriation is needed.

We have attached a report from the Legislative Finance Division showing the amounts appropriated to this fund over the last 10 years. AS 14.11.008 outlines how the funds are used.

Sec. 14.11.008. School district participation in grant program. (a) In order to receive a grant under this chapter or an appropriation under [AS 37.05.560](#), a district must provide a percentage share of the project cost, as determined under (b) or (c) of this section. A district shall provide the required participating share within three years after the date that the appropriation bill funding the grant is passed by the legislature.

(b) The required participating share for a municipal school district is based on the district's full value per average daily membership (ADM), which is calculated by dividing the full and true value of the taxable real and personal property in the district, calculated as described in [AS 14.17.510](#), by the district ADM as defined in [AS 14.17.990](#), for the same fiscal year for which the valuation was made. The municipal district's full value per ADM determines the district's required participating share, as follows:

Full Value Per ADM District Participating Share

\$1 - \$150,000 5 percent
150,001 - 275,000 10 percent
275,001 - 500,000 20 percent
500,001 - 800,000 30 percent
over 800,000 35 percent.

(c) The required participating share for a regional educational attendance area is two percent. The participating share for any district may be satisfied by money from federal, local, or other sources, or with locally contributed labor, material, or equipment.

Representative Wilson asked where Alaska's military families would fall within the income groups included in analysis by the Institute on Taxation and Economic Policy.

According to the Department of Labor:

“Twenty percent of Alaska military personnel make \$23,000 or less, twenty percent make between \$23,000 and \$32,000, twenty percent make between \$32,000 and \$48,800, twenty percent make between \$48,800 and \$68,100, and twenty percent make \$68,100 plus.

We don't have the numbers to calculate an average/mean wage, but the median wage for military personnel is \$39,045.

We looked quickly at the nonmilitary wage data for individuals that would be comparable to the numbers above — again, not for families, which is what the ITEP report uses — and the median income for military personnel is slightly higher than for nonmilitary individuals.

The distribution of their incomes is also narrower. In other words the lower income military personnel make noticeably more money than lower income nonmilitary individuals and high income military personnel make less money than high income nonmilitary individuals.”

It is important to note that this information is based on individual military members, not on family income, which is what is used in the Institute on Taxation and Economic Policy analysis. With some additional time the Department may be able to look into military family income by pairing individuals into families.

Department of Military and Veterans Affairs also provided a link which describes the demographics of Fort Wainwright, as an example. <http://www.movoto.com/demographics/ak/99703/>

Representative Gara asked whether S Corporations would pay taxes under SB 12.

No, S corporations would not be subject to the wage and self-employment tax in SB 12. S corporations are considered pass through entities, with each shareholder in an S corporation receiving a share from the corporation and reporting it on their individual income tax return as supplemental income. It is not reported as a part of self-employment income. Distributions of business income from partnerships, on

the other hand, are reported as self-employment income (with certain deductions and exemptions) and would therefore be taxable under SB 12.

Multi-year Appropriation Totals - Capital Budget

Numbers and Language
 Programs: Major Maintenance Grant
 Fund (AS 14.11.007), School
 Construction Grant Fund (AS
 14.11.005)

Agency: Department of Education and Early Development

Appropriation: Major Maintenance Grant Fund (AS 14.11.007)

ID=> Session=> Structure=> Column=>	[1] 2006 Enacted 07Fn1Bud	[2] 2007 Enacted 08Fn1Bud	[3] 2008 Enacted 09Fn1Bud	[4] 2009 Enacted 10Fn1Bud	[5] 2010 Enacted 11Fn1Bud	[6] 2011 Enacted 12Fn1Bud	[7] 2012 Enacted 13Fn1Bud	[8] 2013 Enacted 14Fn1Bud	[9] 2014 Enacted 15Fn1Bud	[10] 2015 Enacted 16Fn1Bud	[11] 2016 Enacted 17Budget	[12] 2017 House HFC_18Cap
Total	25,828.9	28,370.7	82,885.0	42,443.5	26,318.4	25,854.7	17,979.2	22,991.1	0.0	2,623.7	0.0	-
<u>Funding Sources</u>												
1004 Gen Fund (UGF)	25,828.9	28,370.7	82,885.0	42,443.5	26,318.4	25,854.7	17,979.2	22,991.1	0.0	677.6	0.0	-
1140 AIDEA Div (UGF)	-	-	-	-	-	-	-	-	-	1,946.1	-	-
<u>Funding Summary</u>												
Unrestricted General (UGF)	25,828.9	28,370.7	82,885.0	42,443.5	26,318.4	25,854.7	17,979.2	22,991.1	0.0	2,623.7	0.0	-
Designated General (DGF)	-	-	0.0	0.0	-	-	-	-	-	-	-	-

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Total	83,600.7	118,888.1	125,109.8	-	129,583.4	61,910.9	60,973.5	71,180.5	43,279.8	43,237.4	17,997.3	-
<u>Funding Sources</u>												
1004 Gen Fund (UGF)	83,600.7	118,888.1	125,109.8	-	1,083.4	61,910.9	60,973.5	-	2,804.8	0.0	10,867.5	-
1008 G/O Bonds (Other)	-	-	-	-	128,500.0	-	-	-	-	-	-	-
1197 AK Cap Fnd (UGF)	-	-	-	-	-	-	-	-	-	43,237.4	-	-
1222 REAA Fund (Other)	-	-	-	-	-	-	-	71,180.5	40,475.0	-	7,129.8	-
<u>Funding Summary</u>												
Unrestricted General (UGF)	83,600.7	118,888.1	125,109.8	-	1,083.4	61,910.9	60,973.5	-	2,804.8	43,237.4	10,867.5	-
Designated General (DGF)	-	-	0.0	-	-	-	-	-	-	-	-	-
Other State Funds (Other)	-	-	-	-	128,500.0	-	-	71,180.5	40,475.0	-	7,129.8	-