

ANCHORAGE LEGISLATIVE INFORMATION OFFICE

Email: Anchorage.lio@akleg.gov 907-269-0111/ phone, 907-269-0229/fax

WRITTEN TESTIMONY

NAME: Cami Dalton

REPRESENTING: Self

BILL#/ SUBJECT: HB 115
COMMITTEE &

HEARING DATE: 2/17/2017

I am a 35 year resident of Alaska. I raised 3 children here, and taught in the ASD for 30 years. I love Alaska & have benefited from living in this state in so many ways. I now fear for the ~~full~~ future of our state, and the welfare of the people who don't leave due to the downturn in our economy.

I urge you to please, please, please, do the hard job of taking this 1st step of tackling the economic crisis with a bill that addresses the deficit with a multi-pronged approach.
yes to an income tax, permanent fund adaptation of use & dispersal, some cuts are necessary.
To match the scale of this deficit, the solution must include several ~~also~~ components - including revenue!
This is a strong & balanced plan.
I support HB 115!

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WRITTEN TESTIMONY

NAME: Pauline Hessing

REPRESENTING: self

BILL# / SUBJECT: HB 115 - Budget / Finance
COMMITTEE &

HEARING DATE: Feb 17, 2017

See attached 2 pages.

I really liked what Mr. Rasmussen had to say,
and agree with it.

Also - FYI, your staff here at the ANC LIO
is especially helpful - Johann et al.

- 2) Cap the PFD at \$1000 and keep more of the principal. Some of us depend on it more than others — but there are also those who want just free money.
- 3) I want every legislator to read Garrett Hardin's "The Tragedy of the Commons" and then consider whether a broad-based income tax is so terrible.
- 4) I support increased fuel + other taxes. Every bit of income is helpful.
- 5) I think ISER has offered some very good information and I would like more evidence that the entire Legislature has noted that.
- 6) After some actual work has been done on the budget, I want the oil tax situation reviewed and modified, based on a range of oil prices.
- 7) I want some of what was on offer in 1976, when I moved here — not the sense of entitlement and thugocracy, but the generosity and willingness to cooperate that I still believe is in the hearts of us true Alaskans.

Pauline Hessing testimony H Bill 5

p. 2 FYI, I am a senior and a retiree, living on a fixed income. This is partly how I do it:

- > I keep track of the money I have now and try to be accurate, if not precise, about what I will have in the near future.
- > I do not spend money on large unnecessary projects that won't benefit me in the near or distant future.
- > I do spend money on infrastructure such as energy-related home improvements, car maintenance and so forth. I do this to address potential deferred maintenance costs now, when cheaper, than in the future.
- > I work in my field, as opportunities present themselves, to add money to my principle, (I am VERY protective of that principle), to protect my outflow.
- > I do spend money on some education to stay current in my field, and I also contribute to education efforts as well.
- > Like the state I've had to make some deep cuts to my personal economy. Unlike some legislators, I believe I must protect my principle - I use it but also bring in other monies, by justifying all expenditures, and by paying attention.

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Email: Anchorage.lio@akleg.gov 907-269-0111/ phone, 907-269-0229/fax

WRITTEN TESTIMONY

NAME: Marie Acemah

REPRESENTING: self

BILL# / SUBJECT: HBIIS
COMMITTEE &

HEARING DATE: 2/17/17

I am writing as a life-long Alaskan, a mom, and someone who has been on a wide range of the economic spectrum (from a new single mom on welfare to a successful business owner that would have to pay income tax). Additionally, I work in villages around the state + have had the opportunity to learn about people + communities state wide.

I fully support the HBIIS bill as the most balanced solution for our need to generate additional income. I don't want more cuts (my son's schooling is important to me), a sales tax isn't a good solution as it adversely effects the poor + rural community members (until minimum wage is livable, sales tax isn't the right solution). Income tax as proposed in HBIIS holds each Alaskan accountable to the extent that they are able... while no one (including me) wants to spend more money, we need to step up to the plate. I am willing to do this.

HEARING DATE: 2-17-2017

I have lived in AK since 1989. My daughters have enjoyed really great educations at Anchorage public schools. I have worked in the human services sector in a variety of locations in our great state. One daughter (foster) received great support thru ACS. We can only have a healthy Alaskan society if all families, all children all Alaskans ^{have} access to work, services, great education ^{and accessible} + affordable transportation; within cities + between cities + other locations.

Many people come to Alaska to work on forums and with oil companies from outside. They access services but do not support the infrastructure that provides them with their income. Budget cuts due to oil revenue decreases have hurt our schools, ~~and~~ needed services, and transportation, to name a few.

We continue to see stats that tell us Alaska is above average on Domestic Violence, Substance abuse/addiction/mental health issues, ^{unemployment} and a severe lack of available, affordable services.

that would + could increase our wellness.

That includes wellness of our schools, state services, and services that would work towards decreasing and ~~amplification~~ of the demons of ~~that~~ cuts that decrease our well being.

I support HB 115. I believe people who make a living here, whether residents or not ~~stop~~ ^{should} pay taxes to support our infrastructure in a sustainable fashion.

I am Susan Nimon. I represent myself. I am supervisor of Great Alaskan Schools.

This bill HB 115 took a lot of courage to write + bring this bill forward.



Dear House Finance Committee Members,

A balanced budget is something I support. I also believe it is everyone's responsibility to pay taxes. However, until the give away to big oil is gone, I do not support a state income tax.

A 15% tax hits low and middle income people hard. This income bracket has seen cost of living in our state escalate with no increase in income over the last several years.

My family and I are all self employed, therefore our federal income tax "amount due" includes the total for social security and medicare. (Those under an employer pay half their own social security.)

Will that total "amount due" on our federal tax returns be taxed 15% - in other words, will self employed Alaskans be asked to pay a tax on our social security and medicare payments?

My other question is how many Alaskans pay no federal income tax? And why would the capitol gains be taxed at a lesser rate (10%) than the 15% the rest of us are being asked to pay?

Let's first get rid of the give away to big oil, who rake in record profits year after year. Then let's talk about how we, the people of this state need to contribute more. We in Homer already pay a 7.5% sales tax and as property owners, my husband and I pay taxes to Kenai Peninsula Borough. Here is a quote from ADN article 6 days ago - I added the **red color to an area that can certainly help close our state's budget gap, and what about the many non resident workers Alaska sees in countless industries in our state? Does HB 115 address any of these questions?**

"From last week's ADN: "The percentage of out-of-state residents working in Alaska's oil and gas industry inched up for the sixth straight year in 2015, reaching 36.4 percent, according to newly released figures from the Alaska Department of Labor and Workforce Development."

"In 2015, the oil industry employed a record number of nonresidents,' says the report, written by state economist Neal Fried. The number reflects a steady annual increase since 2009, when the nonresident hire rate was 28.1 percent."

Next year, Alaska will get \$89.7 million in production taxes and owe \$1.3 billion in tax credits and deductions. "

Sincerely,
Cynthia Morelli
Homer, Alaska 99603

I strongly support the bill by Paul Seaton and Neal Foster.

It is the right balance of tax, utilization of the permanent fund and preservation of the PFD.

It addresses the budget deficit in a meaningful way. We should not put off this problem any longer.

Gordon Wetzel

Members of the House Finance Committee,

Thank you for taking public testimony on HB 115 today. My work and family commitments kept me from testifying telephonically or in-person. Can there be an evening testifying session scheduled for working Alaskans like me?

Alaska's fiscal challenges require sustainable mathematical solutions. Yes there may be more efficiencies to be identified within state government but slash and burn cuts of state operations and agencies' budgets are not sustainable mathematical solutions.

My family of four wants a solution beyond this budget cycle. We do not want this uncertainty of the state fiscal challenges hanging over us, our family, friends, and neighbors. I believe HB 115 is a good step to fiscal sustainability for the state of Alaska. I have enjoyed living in Alaska for 17 years having to contribute little to nothing to state government. We are ready to invest and support the Alaska of the now and the future. Please reduce our PFD. Please pass a state income tax. Please take meaningful action now beyond kicking partially filled oil barrels down the road.

Thank you to the co-chairs of the committee for putting this piece of legislation forward.

Respectfully,

Steve SueWing
Juneau, Alaska 99801

Dear House Finance Committee Members:

My name is Sheila Hanson. Alaska has been my home for 38 years.

I support HB 115.

Alaska needs to diversify its revenue sources because we are running out of savings at breakneck speed. I am willing to pay a 15% income tax and use part of the Permanent Fund to help stabilize our economy. The Permanent Fund was established for the purpose of paying for government, and now is the time to be brave enough to put it to that use. I support the 4.75% annual draw and a dividend capped at \$1,000.

I don't think there should be any more government cuts at this point in time when it is still unclear how prior reductions in services will impact the state. There needs to be a high enough quality of life here with adequate services for people to want to stay here. It makes sense to cut oil and gas tax credits because we simply cannot afford to pay them.

Thank you for combining Permanent Fund and income tax issues into one bill, because it makes people come up with a more comprehensive and balanced solution as opposed to looking at these ideas separately.

I very much appreciate your work towards a stable, sustainable economy. Please keep Alaska government solvent while providing enough services for Alaskan society to remain hospitable and function smoothly.

Sincerely,

Sheila Hanson
Anchorage, Alaska

Dear Members of the House Finance Committee:

My name is Rose Hanson, and I am 23 year-old lifelong Alaskan. I left for school and returned to work in the professional services industry, which has lost 1,100 positions (AEDC 2017 Economic Forecast Report) in the past year. I see the negative effects of the Alaska Legislature refusing to do their job last session every day. Our current unstable economy has me questioning my decision to return to Alaska.

I support HB 115. Alaska needs varied revenue sources, and the Permanent Fund and taxes are a large part of the solution.

The Permanent Fund was established exactly for our current situation: to not make the same mistake we did in the first oil boom in the early 70s, and have something to fall back upon when oil was no longer a viable revenue source.

Oil is no longer a viable revenue source. It's time to restructure the PFD to help fund government.

Alaska had an income tax, sometimes up to 16%, for 31 years before oil revenue became so high we didn't need one. Now that oil revenue is down, we need income tax again.

Alaskan residents would only pay 83% of an income tax. Seven percent of the tax would be paid by non-residents who earn money in Alaska but then fly home and spend it out of state. An income tax would keep part of this money in Alaska. Ten percent of the tax would be paid by the federal government in the form of reductions to our income tax obligations, since state tax would be deducted from our federal taxes.

Without an income tax, Alaskans would be footing the entire bill – from savings, earnings reserves, and reduced PFDs – instead of 83%.

Thank you for working together to find a solution that benefits all Alaskans, especially young professionals who would like to have a future in the state.

Sincerely,

Rose Hanson
Anchorage, Alaska

Please enter my support of hb115 for support of state income tax. I believe it is time to reinstate income tax to help support our state and communities needs and costs.
Thanks for time and consideration.

Chris Perry
Homer ak 99603

Resolution in Support of a Sustainable Long-Term Alaska State Fiscal Plan to
Address the Fiscal Budgetary Gap

Whereas, the Alaska Early Childhood Advocacy Group recognizes the current State of Alaska budgetary fiscal crisis and the need for the Alaska State Legislature to provide leadership in this time of difficult decisions facing our state;

Whereas, it is imperative for the future of the State of Alaska and its people that the Legislature develop a sustainable long-term fiscal plan for FY 2018 and beyond, during this legislative session;

Whereas, the Alaska Early Childhood Advocacy Group is committed to providing support to the Legislature in developing a long-term fiscal plan that minimizes costly unintended consequences;

Whereas, the Alaska Early Childhood Advocacy Group supports a long-term fiscal plan that invests in our human infrastructure, specifically young children and families, and includes revenue generation to minimize the use of the Budget Reserve;

Now, therefore, be it resolved that the Alaska Early Childhood Advocacy Group urges the Legislature to make budget decisions that maintain or increase services and support for young children and their families, often among the most vulnerable Alaskans; that do not incur the loss of federal matching dollars or otherwise jeopardize leveraged revenue to the State and to early childhood service providers; and that maximize all available funding opportunities;

Be it further resolved that the Alaska Early Childhood Advocacy Group supports a plan of revenue generation that may include a combination of strategies: use of permanent fund earnings reserve, capping the permanent fund dividend payouts, income tax, sales tax (seasonal or year-round), gas tax and other creative solutions, such as endowments or social impact bonds; and

Be it further resolved that the Alaska Early Childhood Advocacy Group supports a Legislature that puts Alaska's young children and families, our future, first by taking the necessary steps to provide all Alaskans with a long-term fiscal plan during the 2017 Legislative session creating economic viability for this year and years to come.

Alaska Children's Trust
All Alaska Pediatric Partnership
Best Beginnings
thread

Alaska Head Start Association
Alaska Infant Learning Program Association
Parents as Teachers Alaska State Office
All Alaska AEYC Affiliates

January 2017

Please support this bill (HB115).

It insures the economic strength looking forward that comes from a firm fiscal base that works to help make Alaska the place where our children and grandkids will still be proud to call home. Thank you for your hard work on the people's behalf. -John McDowell



Please enter into the record my testimony to the

House Finance Committee

Committee name

Committee on HB 115

dated

Bill/Subject

I am in favor of HB 115. Where do I begin...
 If it is not passed, we will still be faced with a broken
 system that ~~does~~ very clearly does not function, while
 I can agree with some points that ~~some of~~ the income
 by our government officials is too high (due to corporate lobby,
 but gutting the apparatus that is supposed to protect for
 the people doesn't work. By implementing an income tax, we
 move towards balancing our budget and moving towards an economy
 not dependant on the beck and call of oil companies. I would
 actually urge you to go further and ^{become they exist by taking over} implement a scaled
 tax system, increasing ~~to~~ to a higher ~~tax~~ tax bracket for the
 multimillionaires and billionaires taking everything we have
 and giving nothing back. If they leave, let them. the wealth
 needs to stay in our economy, the

Signed:

Testifier

Self and the interest of people who don't know
 how to solve their problems

Representing (Optional)

Address

Phone number

provisions the corporate heads hold can be replaced.
~~Not~~ Not implementing an income tax because people ^{acting like small child} want
to benefit from infrastructure but not invest in it ~~themselves~~
themselves is the worst, ~~most~~ ~~bad~~ ~~is~~ form of welfare
available, and this extends to the corporate welfare and
the breaks we give the oil companies. Also, it would
be intelligent to start pushing forward legislation
to get the cannibals industry functioning properly
and to open the market up to more than just all ready
established companies, to diversify ~~the~~ ~~corporate~~ ~~side~~ ~~market~~
the private sector ~~to~~ ~~past~~ allowing corporate monopolies.
It is your job as legislators to do things in the best interest
of the people, and while I do approve HB 115, I also
think it doesn't go far enough to deal with corrupt capital
policies but it is a step in the right direction. ~~that's the~~
~~that's the~~ The government needs to function for the
people, not large corporations and if it doesn't, it is the
responsibility of the people to elect better representatives
and we will. I implore people to go ~~past~~ ~~through~~ ~~straight~~ ~~wing~~
College and get information corruption and gerrymandering
behind what they see on Fox news. The hypocrisy
is republicans selecting corrupt officials, who spend money
and then the people who support them reelecting them to spend
on themselves and gut the people

Mr. Chairman & members of the committee,

Thank you for the opportunity to offer my public testimony.

For the record my name is Mary McMahon. I have two children who are currently receiving an excellent public education in the Mat-Su and one who attends UAA studying for a degree in finance while also playing basketball for the Seawolves.

I am a 43-year resident of Alaska.

I am currently a principal in the Mat-Su that is committed to serving and supporting as an example of excellence in school leadership for all students in Alaska.

I am currently the President of the Alaska Association of Secondary School Principals and the President of the Alaska Council of School Administrators (ACSA).

ACSA is the umbrella organization for four of Alaska's premier education organizations:

AASSP (Secondary School Principals)

AAESP (Elementary School Principals)

Alaska Superintendent Association

Alaska School Business Officials

And other school administrators throughout the State of Alaska.

As an organization, each year ACSA works on Joint Positions Statements to inform legislative policy. This year I chaired that committee.

Adequate funding for public education is our #1 priority.

As an organization, we thank you for your willingness to put forth proposed legislation to jump start the legislative discussion.

We support that Alaska's most important need is to immediately develop and implement a long-term multi revenue fiscal plan, based on the following facts from the Alaska Legislative Finance Division:

1. State expenditures have been cut by \$3.5 billion (44%) since FY13 equivalent to FY07
2. FY17 revenue supports less than 30% of FY17 expenditures
3. Budget reserves will be depleted by FY19

The state of Alaska must provide timely, reliable, and predictable revenue for schools; funding the true cost of education in all regional districts and providing the full funding for all initiatives, laws and mandates that require additional services. We oppose cost shifting state expenditure responsibilities to local governments.

Without discussing specifics of the bill, we applaud your efforts to lead and appreciate HB115 as a step toward finding solutions. I support solutions.

Thank you for your leadership in such a difficult time for Alaska. Thank you for all of your past support to education and our students in Alaska.

Mary McMahon | Principal | AASSP President | ACSA President
Colony Middle School
Palmer, AK 99645

I am a strong supporter of HB 115, and hence a supporter of a state income tax and a restructuring of the PFD. Please pass this now and get it to the senate.

Wayne L Todd
Anchorage AK 99507

I am a strong supporter of HB 115, and hence a supporter of a state income tax and a restructuring of the PFD. Please pass this now and get it to the senate.

Wayne L Todd
Anchorage AK 99507

I strongly support this bill that seems fair and equitable. I wish I could impress upon you how deeply I care about the passage of this bill!!

Ingrid Taylor
Fairbanks, AK

Please enter into the record my testimony to the House Finance Committee

Committee on HB 115 Committee Name
Bill / Subject Dated 2/17/17

I would like to voice my support of HB 115. I feel we have cut our budget enough, and essential services and services that enhance our quality of life in Alaska are being adversely affected. It is time to come up with a budget solution & HB 115 does just that. I am willing to pay a state income tax and I support capping permanent fund public payouts in order to provide the money we need to run our government. I am a 37 year resident of Alaska and think it is time to enact a solution to help balance our budget.

SIGNED:

Sandra F. Lachman
Testifier

self
Representing

2292 Larissa Dr. Fairbanks AK 99712
Address / Phone Number

907-488-9765

February 17, 2017

TO: House Finance
Representative Adam Wool
Senator Click Bishop

RE: HB 115 et al

We cannot cut our way out of our budget problems. We simply need services that are best provided by government.

Fortunately, we have revenues and savings at our disposal. I appreciate that House Finance is taking steps to address the revenue side of the equation.

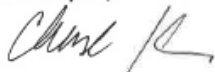
We can and should access the Earnings Reserve Account. In its inception, the ERA was intended to be used to fund both individual dividends and government services. Let's use it as intended.

We can and should implement an income tax. The "gimme" mentality – the government owes me services and cash money and it shouldn't cost me anything – is appalling. Make it progressive, based on federal taxes, so it's fair.

We can and should limit the amount we take from the Permanent Fund. It needs to keep growing for future generations and increasing costs.

HB 115 is a good start.

Thank you,



Cheryl Keepers
PO Box 74898
Fairbanks AK 99707

Keepersc907@gmail.com

Please enter into the record my testimony to the _____

Committee on HB 115
Bill / Subject

Committee Name
Dated 02/17/17

I have been a resident since 1973. I support House Bill 115 For all of the reasons that have been stated before me.

SIGNED:

Testifier

TIFF Vincent

Representing

Self

Address / Phone Number

2292 Larissa Dr Fairbanks, AK

99712

Hello,

Kodiak resident Sarah Harrington called to give her support to House Bill 115. She was unable to attend HFIN on 2/17/17 in person.

Sarah said: “The introduction of this legislation is well-timed, it is important that we give back to the state that has given so much to us, and so generously.”

Sarah’s address is:

HARRINGTON, SARAH R

KODIAK, AK 99615-0348

Sirs,

My name is Robert Berceli. I reside in Cordova, Alaska and I represent myself.

I testify in favor of HB 115. While I can't say that I understand all the legal writing of this, I note two major components:

- 1) The Permanent Fund would be tapped annually @ 4.75% as averaged over 5 years and used for state operations and to distribute a portion to the individual annual dividend. This should be sustainable.
- 2) Individual income tax for residents and more importantly for non-residents with income source from the State. In the 42 years that I've lived in Alaska I worked from Prudhoe Bay to Dutch Harbor to Wrangell and a lot of other places in between. I see a consistent pattern that people come from all over the country for summer's work. The oilfield industry, the commercial fishing industry/processing industry, construction industry and tourist industry. They all use our infrastructure and at the end of the season return to south without contributing anything, but pay income tax in their own state.

Elimination of the state income tax has been bleeding Alaska dry for over 30 years! I'd be proud to pay my share of tax to support the state.

Thank you for the opportunity to testify.

Sincerely,

Robert Berceli

Hello,

Stacy Studebaker of Kodiak called to give testimony for the HFIN 2/17/17 meeting regarding HB 115, as she was unable to attend in person.

Stacy said:

“I support an income tax only if there are limits placed on tax exemptions for oil companies. They need to pay too.”

Her contact information is:

STUDEBAKER, STACY M

KODIAK, AK 99615

Dear Chair Seaton, Chair Foster and committee members:

I support HB 115 for several reasons, but I have a caveat with my support. I will address the caveat first. It is imperative to rework the oil tax regime. We are currently paying the oil companies to drill our resource, and this cannot stand. SB 21 was/is a disaster so until/unless we stop giving away our resource, all the income taxes in the world will not fix our fiscal issues.

Now, if the oil tax regime is fixed, I heartily support HB 115. I have always paid an income tax until I moved to Alaska in 1998. When Commissioner Hoffbeck spoke two days ago, he was very, very clear that we have cut state budgets as much as possible without doing harm. I think we have cut too much in some areas such as education and some state jobs/services. However, we certainly cannot afford to cut anymore so I am happy to pay an income tax to help support state services. It is unfair that so many people come to Alaska to work, pay no taxes here and leave to go back home where they spend their paychecks out of state. That must change and an income tax is one way to do it.

I support HB 115 as long as the oil tax regime is also addressed.

Regards,

Michele Vasquez



121 W. FIREWEED SUITE 120 | ANCHORAGE, ALASKA | 99503 | 907.563.9229 | ALASKAMINERS.ORG

February 17, 2017

House Finance Committee
State Capitol
Juneau, AK 99801

Re: HB115

Dear House Finance Committee,

Alaska Miners Association writes to comment on HB115, "An Act relating to the permanent fund dividend; relating to the appropriation of certain amounts of the earnings reserve account; relating to the taxation of income of individuals; relating to a payment against the individual income tax from the permanent fund dividend disbursement; repealing tax credits applied against the tax on individuals under the Alaska Net Income Tax Act; and providing for an effective date."

AMA is a non-profit membership organization established in 1939 to represent the mining industry throughout Alaska. The AMA has a diverse membership composed of more than 1,800 members that come from eight statewide branches: Anchorage, Denali, Fairbanks, Haines, Juneau, Kenai, Ketchikan/Prince of Wales, and Nome. Our members include individual prospectors, geologists, engineers, vendors, suction dredge miners, small family mines, junior mining companies, and major mining companies. AMA members look for and produce gold, silver, platinum, molybdenum, lead, zinc, copper, coal, limestone, sand and gravel, crushed stone, armor rock, and other materials.

AMA has a position about fiscal policy that reads, "Immediately implement a comprehensive, long-term fiscal plan in 2017 that ensures responsible spending at a sustainable level of between \$4.1 - \$4.5 billion dollars. Such a plan should include budget reductions, use of Permanent Fund earnings, and new revenue from broad-based taxes. In order to reduce state government expenses, the legislature should repeal laws that create expenditures but are not a necessary government function. Ensure State of Alaska fiscal policy includes strategies to grow and diversify the Alaska private economy."

We maintain that budget reductions are imperative for a sustainable budget for Alaska. We urge the Legislature to keep examining all state expenditures to identify efficiencies and reductions. For specifics regarding these suggestions, we would refer the Committee to the Commonwealth North report.

In addressing revenue measures to provide for essential state functions and services, step one must be use of the Permanent Fund, which was created to fund a significant portion of state services when revenues



ASSOCIATION

from oil could no longer be the funding source for most of state government. There are many options for additional revenue sources to fill any remaining gap to fund government, including income tax.

Thank you for the opportunity to provide comment. We commend your Committee for consideration of solutions to our fiscal challenges.

A handwritten signature in blue ink, appearing to read 'Dean Thha Crockett', is written over a light blue rectangular background.

Dean
thha
Croc
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utive
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ctor

Dear Representative Seaton,

I congratulate you on the Fiscal Plan you have outlined, represented in these two Bill. Please add my name as a strong supporter of both pieces of legislation.

Best wishes for their successful passage,

Patrick M Cunningham, DSW, MSW
Associate Professor of Social Work
University of Alaska Anchorage
Member, Alaska Chapter of the National Association of Social Workers

Members of the House Finance Committee and House Majority Coalition:

Thank you for doing the very difficult job of navigating through the budgeting process. The citizens who elect our public servants expect nothing less. You have been “hired” by your constituents through the election process to do job. I do not, nor would I, want to tackle the budget.

This issue has been a concern to me, along with many other citizens who worked on Prop 1 to overturn SB21. What we feared with the passage of SB21 has, unfortunately, come to pass. The Republican legislators who promised that should SB21 not work, they would revisit the law. They were given an opportunity last session (s).

Last year, we watched multiple legislative sessions go into overtime with no progress made. I was alarmed when the last session recessed with no budget. It seemed some legislators were more apt to worry about their reelection than about the state of the state.

I see a glimmer of hope in the work of the House Majority and thank you for your effort.

Please revisit SB21. It is ridiculous that Alaska’s public servants give breaks to oil companies, who owe their allegiance to stockholders, but ask their constituents, who they represent, to tighten their belts.

Barbara Gazaway,

Dear Finance Committee:

I encourage you to pass the proposed HB115. This is a common sense solution to our budget crisis that balances many variables. Alaskan's have had a free ride for a long time and its time for us to contribute some money for the privilege of living in the best state in the country. Yes on fair taxes, which a progressive income tax will be. Yes on limiting our PFD checks and using a portion of the earnings on Alaska's needs. I think its right that the oil industry pay Alaska, I just wish more of that money went to making Alaska a better place to live. We all love getting this annual check and it is a sacred cow, but it is a boondoggle of the worst kind. I apply and take the check each year, but I feel like I'm getting it for doing nothing more than living where I want to live. I'd live in Alaska with or without a dividend. Its time that at least part of this money is used to benefit all Alaskan's through good and necessary works and not just in buying stuff and supporting a consumer culture. HB 115 provides a balanced approach to changing Alaska's future.

Lisa Oakley
Anchorage, AK 99517

Hello,

I have been following the discussions closely for the past few years. I went to 2 years of the Saturday presentations on the state of the budget....WE NEED AN INCOME TAX - PLEASE!!

Mary P DeMers
Anchorage, AK 99516

Hello,

I'm writing in support of HB 115.

I support legislation that protects the permanent fund for the future, while restructuring it to stabilize our state's economy. I support an income tax.

As a young professional, I am very alarmed by the state's instability and my prospective job prospects. I'm asking the legislature to undertake the brave, visionary, and skillful policy changes enacted 40 years ago when the Permanent Fund was created.

Thank you,

Wynne Auld

Anchorage, AK
99508

Finally a bill has been introduced that makes sense for our state. I am very supportive of restructuring how the earnings of the permanent fund will be used and have long been a supporter of bringing back a state income tax. The article in ADN by Helen Nienhueser made great sense. Please resist the call to separate the two ideas. Pass this bill!

Jeanette Bock

Please vote yes to HB115 .

We need to re-instate the income tax.

Thank You

“Mo” Mary Margaret Hillstrand DNP, ANP
Anchorage, Alaska 99508



Alaska State Legislature

Please enter into the record my testimony to the House Finance
committee name

committee on HB 115, dated _____
bill/subject

I support a State Income Tax
- I think the income tax should
be paired with a PFD application
- The only deduction would be
a property tax payment to a local Borough
- Income tax could be deducted from
your P.F.D.

Signed:

Mike Miller
Testifier

Representing (optional)

12056 Gara Dr.

Address

907-942-4402

Phone number

To the House Finance Committee:

I support HB 115 because it will help resolve Alaska's budget crisis and accommodate Alaskan residents' reasonable quality-of-life expectations: effective basic public services including education, roads, health, safety, resource protection, and legal system, all necessary for well-functioning communities.

We are running out of time. In January 2015 Alaskans received catastrophic budget news. The governor responded with an honest, equitable proposed solution. Yet we have spent two critical years and much of our savings failing to agree on an effective solution. The primary, "Who benefits?" sticking point appears to be a struggle over cost-sharing for Alaska's "haves and have-nots." That "either/or" obstruction to our overall security is ridiculous or just sad anytime, but is especially so now, when we are on the brink of a colossal disaster.

HB115 allows equitable burden-sharing across all Alaskan-resident groups. Alaskans have tolerated enough cuts in services. Our basic services for roads, education, and public safety are now falling far short of community need. We are running out of savings to cover costs. It is past time for HB115's revenue plan to kick in. Please vote yes on HB115.

Barbara McDaniel

Wasilla, AK 99623

Hello,

Our state is in a fiscal crisis. Last year was critical but the legislature did nothing to address it. This year is do or die time. I have lived here for 9 years and am married to a Native man. I would like this to be my home and my children's home for decades to come, but that won't be possible without a viable state economy. And we will never have a viable state economy without a solid state government. Currently we utterly lack that because there is no reliable revenue. Oil and gas taxes are not and will never again be able to solely fund our Alaskan life. The budget has already been cut by over 40%. We can not cut more without endangering our children's futures (crumbling infrastructure and failing schools suggest we have already cut too much).

Our only choice is to diversify our revenue streams. That means a combination of a capped PFD, spend part of the PFD, and an income tax. House Bill 115 is not perfect, but it is very good. It will create a framework to rebuild our state and our futures.

Do not let another year pass without addressing this crisis. Alaskans are watching. We know that this is critical. And we are ready to vote for people who can fix this or at least will try.

I urge you to pass HB115, implement a state income tax, cap the PFD, and get back to ensuring a future for Alaskans.

Thank you,

Elizabeth Moreau Nicolai
Anchorage, AK 99516

I can go along with a state income as a percentage of the federal tax capped by PF

Heman

Dear Legislators,

It is of the utmost priority that our elected officials move forward in an expeditious manner to remedy the State's financial crisis. I firmly believe that HB115 accomplishes this. It seems that everyone is in agreement that something must be done as long as it doesn't affect them but that train of thought is unrealistic. A solution will require shared pain and sacrifice from all including the oil companies.

As presented HB115 is projected to achieve a balanced budget in 5 years, preserve the Permanent Fund (with continued growth) and allow restoration of State cuts that have gone too far and pose a threat to both economic stability and growth for Alaska and Alaskans.

I urge you all to roll up your sleeves, end the partisanship bickering and work together to do what is right for Alaska.

Thank you for your time and I would like to express my deepest gratitude for the work you do knowing it's not always easy.

Respectfully,
Jay Rhodes

I support HB115. It seems fair. If, in fact, enacting this would reduce the deficit to &500,000, I believe that should come out of legislators' travel (especially travel Outside) & extraneous expenditures.

Catherine Stadem
Anchorage

I am supportive of this concept although I would like to see a flat sales tax as well. I have worked for the school district for 19 years. We should pay for our services but at the same time you should op for opening up the lands to settlement and resource development.

thank you

Robert Shumaker
Palmer, AK 99645

I am writing to express my support for House Bill 115.

As a young professional working in Anchorage and a lifelong Alaskan, I care about the long-term sustainability of our state.

I understand we face profound budget challenges right now. After many years of coasting along on oil revenues, it is now the time to stop blowing through our savings and to take ownership of our budget.

While budget cuts are one component of balancing the state budget, I feel we have already made many cuts (perhaps too many) and further cutting our budget would be harmful to our residents, our environment and economy. Cuts to our schools are short-sighted and negatively impact the long term future of our youngest residents; cuts to transportation systems and infrastructure make it less safe, less convenient and more expensive for residents and businesses to move around people and goods; cuts to programs that promote Alaska as a destination trickle down to hurt the tourism sector, further harming our economy; cuts to our social services at a time when our senior population is expanding and we are reforming our statewide health care system makes it harder to put together the right web of services.

I feel an income tax is the best, most fair way to raise additional revenues, and it ensures nonresidents who work in Alaska contribute to our economy. This bill also protects the long-term viability of the PFD. I would enthusiastically pay an income tax to protect and support the services I receive and to contribute toward the overarching success of the state that I live in and love.

I strongly support HB115 and hope to see it pass. Thank you for your time today.

Best,

Molly Mylius
Anchorage, Alaska

William Kunkler
Fritz Creek 99603-5418,

I would like to thank Rep Seaton and Rep Foster for introducing HB 115. It is by far the best and most balanced solution to the budget dilemma and I urge the House and Senate to support it. Thank you Paul Seaton!

I support HB 115 if additional cuts are made to the Oil Company subsidies and credits.

Thank you.

Gail Heineman
Anchorage AK 99502

Dear House Finance Committee and Legislators:

Kudos to Representatives Seaton and Foster and their colleagues for introducing HB 115!

I am writing to support proposed HB 115 which proactively and positively addresses our state's dire fiscal situation. We have had too many years of inaction and an unreasonably narrow focus on cutting the budget. I am excited to see the House Majority produce a reasonable, balanced solution that comprehensively (in conjunction with HB 111) and fairly accommodates a variety of revenue sources, in addition to opportunities to reduce some tax credits and add some user taxes.

Yesterday's Alaska Dispatch News featured a Commentary by Helen Nienhueser, which eloquently described the main points of HB 115 (<https://www.adn.com/opinions/2017/02/15/finally-a-budget-plan-that-works-for-alaska/>). I agree with these points:

1) **It is time to reinstate a state income tax** wherein we will all contribute, based on earnings ability, to the many state services we receive. Moreover, this will fairly ensure that nonresidents who earn income here also contribute to our state's needs. These individuals benefit from state services while here and this will be a fair assessment, and is consistent with expectations for workers in nearly every other state in the United States. This direct investment by Alaska income earners should, over time, ensure greater buy-in and responsibility for how the state develops and expends annual budgets.

2) **We need to restructure how earnings of the Permanent Fund will be used** – a safe draw on Permanent Fund earning reserves of 4.75 percent of the market value of the entire fund will allow continued growth for the fund into the future, so that it remains a Permanent Fund for our children's children and beyond.

(a) It is entirely reasonable to allocate two-thirds of this amount to the state's general fund to cover the essential state operations, including education, public safety and health, and road maintenance (including plowing).

(b) The remaining third could go toward the Permanent Fund Dividend which, unfortunately, has become an expected entitlement for too many of our residents. Through the Pick, Click, Give program, the Dividend has become a welcome source of charitable giving and this program should be continued.

Even with the two main measures above, we are expecting a deficit of about \$500 million. This is where targeted user taxes and some very targeted, minor cuts could come into play through other legislative activity:

1) Oil and gas tax credits can be further reduced. It is time to put our energy and innovation into diversifying our economy and moving toward cleaner sources of energy. In the long run this will bring greater stability to Alaska's economy and contribute toward climate change mitigation.

2) Targeted user taxes could raise some additional revenue – e.g., on alcohol, gasoline, tobacco, and even studded tires. Taxes that may provide some incentives for users to limit their use of any of these will improve individual and public health and safety throughout the state.

3) I am concerned that many state departments have already suffered debilitating cuts – for example, the University of Alaska system, and the justice system as described by Supreme Court Justice Stowers in his recent remarks to the State Legislature. With these cuts we also lose jobs and talented individuals. Any additional cuts to state government should be carefully and strategically applied.

Thank you for your attention to my comments. I urge you to swiftly pass HB 115.

Sincerely,

Ann Rappoport
Anchorage, AK 99516

To whom this may concern --

I was thrilled to hear that there is finally a bill being put forth to reinstate the Alaska income tax. I am a firm believer in Alaska to have a strong education system, safe communities, roads and a ferry system along with opportunities for our citizens to be provided quality health care. All of these things take money and I honestly don't see how we can keep cutting services to get out of the financial situation without instating an income tax. I am therefore asking you to keep moving the proposed income tax forward.

Regards --

Karin Halpin
Anchorage, AK 99507



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February 17, 2017

House Finance
Co-Chairs Rep. Seaton and Rep. Foster
5th Floor
Alaska State Capitol Building
Juneau, Alaska 99811

RE: HB 115 – Income Tax; PFD Credit; Perm. Fund Income

Dear House Finance Members,

Thank you for the opportunity to comment on this very important bill. First, I would like to applaud you for submitting a bill that deals with our most crucial issue. The people of Alaska have been looking forward for a bill to push this issue to the forefront.

As the AML membership is comprised of 165 municipalities, represented by 6 – 9 members of their respective councils and assemblies, we have not reached agreement over the specifics of what kind of tax the State should impose. But, we have unanimously agreed that it is time to work on the revenue side of this fiscal situation rather than to continue to simply cut. Municipalities provide the most basic provisions to the people of Alaska and further cuts make that impossible without the raising of local taxes. The State accomplishes nothing to refuse to address imposing taxes on the people of Alaska, then passing costs to municipalities who then have to raise taxes to pay for those additional costs.

I have attached our top priority for this Legislative season, along with Resolution #2017-01 and the accompanying Sustainability Plan which we approved and adopted at our November 2016 Annual Local Government Conference.

We know you have a difficult task in front of you, but we applaud you for addressing it. We are sure it will get more difficult as time goes along.

Sincerely,

Kathie Wasserman
Executive Director

Member of the National League of Cities and the National Association of Counties



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ALASKA MUNICIPAL LEAGUE

FY 2017 STATEWIDE PRIORITIES

- **LEGISLATIVE ADOPTION OF A SUSTAINABLE BUDGET PLAN**

The Alaska Municipal League supports a Legislative adoption of a sustainable budget plan that does not rely primarily on cuts, but on new sources of revenues. We feel that the leaders of our State must immediately adopt changes that stop the bleeding that we are currently experiencing. Despite the cuts experienced this last year by local governments, municipalities must continue to provide basic and essential services. The Alaska Municipal League stands behind their updated FY 2017 Sustainability Plan and encourages the Legislature to quickly take action. As more responsibilities are passed down to the "political subdivisions" of the state, municipalities must be given the tools to provide for themselves.

- **REVENUE SHARING (COMMUNITY ASSISTANCE)**

The Alaska Municipal League realizes that the State is in a fiscal crisis. We have attempted to work with the Legislature through the decrease of Revenue Sharing by half. We cannot agree to the ending of Revenue Sharing, however. As our Revenue Sharing goes down and as the State continues to cost shift to municipalities, many local governments will find themselves in the position of closing their doors. The current \$30 million is a small part of the yearly state budget. With the recent loss of Timber Receipts and the potential loss of PILT, a sustainable and predictable allocation is necessary for municipal budget purposes. This money allows for the provision of basic local services and as a means to keep taxes down.

- **PERS/TRS**

The Alaska Municipal League recently fought back a proposal by the Alaska State Legislature that would have seen municipalities acquire a larger percentage of the PERS/TRS unfunded liability. The PERS/TRS system is the legal and moral responsibility of the State, as it is THEIR program. Municipalities simply pay an amount set by the State in order to be participants in the plan. We do not provide retirement benefits; we do not have a say in any of the fiduciary decisions. AML and its member municipalities will hold fast to the previously agreed upon 22% of salary towards the pay down of the unfunded liability.

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Page 1



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ALASKA MUNICIPAL LEAGUE

RESOLUTION #2017-01

A RESOLUTION URGING THE ALASKA STATE LEGISLATURE TO ADOPT A SUSTAINABLE BUDGET PLAN FOR FY18 AND BEYOND; TO CAREFULLY CONCENTRATE ON INCREASED REVENUES RATHER THAN JUST CUTS; AND TO GIVE SERIOUS CONSIDERATION TO THE FY17 SUSTAINABILITY PLAN SUBMITTED BY THE ALASKA MUNICIPAL LEAGUE

WHEREAS, due to the continued plunge in the price of oil, coupled with the decreased amount of oil flowing through the pipeline, the State of Alaska continues to find itself in a huge budget deficit situation for FY 18; and

WHEREAS, the Legislature alleviated some of the problem through a number of cuts to government provisions and services; and

WHEREAS, the Legislature basically cut down the capital budget to necessities only; and

WHEREAS, cutting across the board alone will not solve our fiscal challenge and will only serve to push our state into an economic recession; and

WHEREAS, there is not a sufficient balance in the Constitutional Budget Reserve to cover next years' projected budget deficit, which will for the first time, likely require the use of the Permanent Fund Earnings Reserve to help fund state government operations; and

WHEREAS, municipal Revenue Sharing has been reduced by 50%; an additional \$2.5 billion in PERS liability costs have been shifted to municipalities; school debt reimbursement has been significantly reduced; and airport funding, community jails, road maintenance, the capital budget, and infrastructure support has been reduced or eliminated; and it appears that other cost shifts are on the horizon; and

WHEREAS, Alaska's local governments have also federal Secure Funding for Rural Schools (Timber Receipts) and might yet be faced with the elimination of federal Payment in Lieu of Taxes funding (PILT); and

WHEREAS, In February of 2015, the President of AML created an ad hoc committee to address this issue from the perspective of local government; and

WHEREAS, this committee is cognizant that municipalities must have a sustainable commitment from the Legislature in order for municipalities to remain viable; and

WHEREAS, despite a fiscal challenge, municipalities must continue to provide basic and essential services; and

WHEREAS, with these facts in mind, and taking into consideration what happened last session, the Sustainability Committee has revisited their Sustainability Plan from the perspective of Alaska's local governments; and

WHEREAS, AML believes that the leaders of our state should immediately adopt changes to the manner with which the State of Alaska raises revenues, while continuing to watch for situations of obvious government waste or redundancy; and

WHEREAS, AML believes that the lack of new state revenues, as part of a balanced fiscal plan, will force additional state budget cuts to programs such as the municipal school debt reimbursement program, PERS/TRS state on-behalf payments for municipalities, state funding for the BSA education formula, as well as other current state functions that will "roll downhill," becoming the responsibility of municipal governments to fund; and

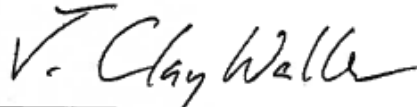
WHEREAS, at the same time, Alaska's local governments realize that the state and federal government will no longer be able to fund local government as in the past; and

WHEREAS, as more responsibilities are passed down to the "subdivisions" of the state during this fiscal challenge, local governments must be given the "tools" in order to provide those services required under law.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League urges the Alaska Legislature to adopt a sustainable budget plan for FY18 and beyond; to carefully concentrate on increased revenues rather than just cuts; and to give serious consideration to the Sustainability Plan submitted by the Alaska Municipal League. AML also calls upon every member municipality to actively engage with the Legislature and the Administration during the Legislative process throughout the entire session of the 30th Alaska State Legislature.

PASSED AND APPROVED by the Alaska Municipal League on this 18th day of November, 2016.

Signed: _____


Mayor Clay Walker, President, Alaska Municipal League

Attest: _____


Kathie Wasserman, Executive Director, Alaska Municipal League



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ALASKA MUNICIPAL LEAGUE

SUSTAINABILITY PLAN

The Alaska Municipal League appointed a committee of interested local elected and appointed officials tasked with the goal of helping to identify available options through a municipal perspective that will allow our State to remain financially healthy. As local elected officials, we are adamant that local governments are in great need of stability and predictability, a luxury that we do not have at the present time.

We first want to thank those State elected officials who stepped up to the plate and proposed changes that would lead to a more sustainable future. We know the task is not simple, but local elected officials feel very strongly that Alaska cannot cut its way to financial health.

We believe that the leaders of our State, as they find ways to lower the cost of government, must also identify ways in which our State can raise revenues. Cuts can only accomplish a portion of the answer to our problems and cuts without restraint will have a serious impact on the credit rating of our state and will cause massive economic dislocation issues. The choices made by the Legislature and the Administration will have a huge impact on the viability of municipalities.

Local governments have only three ways in which to raise revenue:

- Taxation (sales/property)
- Fees
- Revenue passed down from the federal or state government

As the revenues from the federal or state government decrease, the gap must be filled through taxation and/or an increase in fees.

While we agree with the Governor that our fiscal situation is an "opportunity" to rethink how we spend money, local governments must still provide basic and essential services to their citizens.

We have discussed our findings at great length. While many of the revenue options are painful, we believe it is time to make the decisions that will bring us back to the path that will allow Alaska to remain a viable, inviting, safe and healthy state in which to live. Alaska's municipalities are ready and willing to step up and be part of the solution rather than part of the problem. While we believe decisions to address this situation must be made immediately, we believe the actions themselves can be spread over a number of years in order to soften the effects to some degree.

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ALASKA MUNICIPAL LEAGUE

FY 2017 SUSTAINABILITY COMMITTEE RECOMMENDATIONS

Endowment/Permanent Fund

- Imperative to protect corpus of Permanent Fund;
- Support and move to Permanent Fund Board's position on Endowment Fund or similar approach that sustainability utilizes earnings;
- Continue to ensure growth of the permanent fund, continue to inflation proof, and set a minimum floor on the Permanent Fund Dividend;
- Continue to pay permanent fund dividends without a cap while enabling an adjustable Percent of Market Value (POMV) or other sustainable system that allows a portion of permanent fund dividend earnings to support state government, benefitting all Alaskans.
- Using part of the permanent fund dividend payout, as one piece of a larger balanced and sustainable state fiscal plan, is now a necessary consideration;
- Action on a comprehensive state fiscal plan needs to continue.

Income Tax

- Income tax captures out-of-state employees
- Income leaving state is 20% of total Alaska income
- Income tax is deductible from Federal Income Tax
- Income Tax gives Alaska residents skin-in-the-game

Sales Tax

- This would be last choice of Alaska's municipalities
- Would erode tax base and simply shift revenue from one entity to another
- We believe it should remain a local government power
- Municipalities will, however, not take it off the table and agree to work on solutions revolving around Sales Tax

Other Revenues

- School Tax
- Collateralization of Assets is too risky
- Consider adjusting oil tax credits

Other Actions

- Cuts have been addressed; now is the time to address revenues
- Cost shifting (PERS, state responsibilities) is not a solution
- School bond debt reimbursement must be restored

A successful solution to our financial challenges involves shared sacrifices from Alaskans, resources industries and in finding government efficiencies.

Member of the National League of Cities and the National Association of Counties

Dear Members of the House-

Please seriously consider supporting HB 115. Alaska can no longer primarily rely on oil taxes and royalties to pay for our state government. We MUST diversify our sources of income and the concepts behind HB 115 is a good start. Just like anyone else, I do not like taxes, but I like less the consequences of the Budget Reserve Fund running out of money in the next 18 to 24 months. In order to diversify the state's sources of revenue please consider a combination of the following so we may avoid crashing our economy:

1. Institute a personal income tax. (Starting at 15% of federal tax may be a bit too much, but we need to start with something.)
2. Institute a state sales tax. (To minimize its impact on Alaskans it could even be seasonal/two-tiered or the tax on large purchases could be capped.)
3. Increase the Motor Fuel tax. (This tax has been too low, for FAR too long!)
4. Increase taxes on studded snow tires. (Studs tear up pavement. If people don't want to pay the tax, they can get stud less snow tires!)
5. Re-visit the tax credit system currently provided the oil companies operating in Alaska.
6. Use a percentage of market value or a percentage of earnings of the Permanent Fund to directly fund state government. (Relying on a mere percentage of value of the PF is not enough, though.)
7. Consider reducing (SB 26) or eliminating the distribution of the Permanent Fund. (The annual PFD distribution has simply become an entitlement program that we can no longer afford.)
8. Continue cutting state services.

If the state continues to bury its head in the sand, The Budget Reserve Fund will run out of money. Our credit rating, employment, the quality of the University system and the quality of life in Alaska will plummet just like it did here in the late 1980's. I don't want to live through that again. Do you?

Doug & Debbie Smith

Hello

I give my support for House Bill 115.

Katelyn Gross

Ketchikan, AK 99901

Thank you for taking comments on the proposed HB 115. I am 66 years old, have lived in Alaska for 44 years and plan to stay here. I support the Permanent Fund Restructuring effort by the House and I heartily support a Statewide Income Tax. My vision for Alaska includes fully funded k-12 education, a vibrant, research based University of Alaska, safe communities with adequate State Trooper funding, and well maintained roads. I also support state funded support for women and children's health care and safety. I am willing to pay for all of these things, and feel that further cuts to any of these areas is a mistake. Thank you making the hard choices!

Susan Burgess
Fairbanks, AK 99710

I am in total favor of H.B 115. We have no more room to cut. We can no longer hope for a rainy day. We need to act now. I am more than happy to pay the small amount of income tax needed to help the shortfall of \$3 billion.

Thanks for proposing.

Mary C. Burtness

After working for the Territory of Alaska summer of 1957, we returned with the military to Ladd Field in 1961. At the end of that tour of duty, we moved to Anchorage permanently in 1964 January. From that time forward until 1980 we paid Alaska State Income Tax, 16 % of our Federal Tax. This was not new or unusual to us at all because we came from New Jersey and Pennsylvania where we had paid state income tax from our first employment on.

The quality of life in Alaska in the early 1960's was good. Granted, the '64 earthquake brought low interest money into the state, but before and after, we had good schools, good medical care, good libraries and our roads were promptly plowed.

My concern now is that in the zeal of some to continue to cut our already greatly diminished State budget, the quality of life here will fall below that of 1963. Why put off returning to the State Tax any longer? There is no rescue waiting to pleasantly surprise us all. We have to face reality and re-introduce the State Income Tax. It is too bad that for all the good that Governor Hammond did for the state, the State Income Tax was eliminated instead of being zeroed out.

Another good reason to support HB 115 is that at last, the people who come seasonably up to Alaska to work will likewise have to pay tax to the state. It is about time that they did!

Please support HB115. We can not afford another year without it!

Anne Wieland
Homer, AK

Dear Members of the House Finance Committee,

I am writing in response to your proposed HB115. I appreciate the work you have done to bring forth a bill that includes a variety of financial inputs. I am strongly in favor of an income tax and strongly against a sales tax. A sales tax would penalize smaller communities like Homer, Kodiak and others who already have a sales tax in place. Anchorage has no sales tax and would be at a distinct advantage even though it has greater diversity of income. Please strongly support the income tax portion of your bill. I do have a couple of questions however. I don't understand why you mention 15% of federal tax and also 10% capital gains in your proposal. Capital gains is already part of our federal taxes. Why not just 15% of federal taxes?

I know we must use the permanent fund as part of the fiscal solution and I am in favor of that. Actually we've had few payments above \$1100 since the fund was initiated. Preserving the fund in the future is very important to many citizens so I'm pleased that you have made that a priority.

Although I no longer own a commercial fishing boat I do understand the United Fisherman's Marketing Association's

concern about how to determine such a tax for crew members. Please address their concerns.

Again, thank you for working so hard to come up with a multiple solution to our fiscal deficit! I also look forward to seeing your proposal on reducing the oil tax credits. Conoco Phillips made more money in Alaska than anywhere else because we pretty much pay them to take our oil! How irresponsible!

Sincerely,

Catherine McCarthy

Testimony re HB 115: State Revenue Restructuring Act

2/17/17

Dear House Finance Committee

I strongly support HB 115, the State Revenue Restructuring Act for the following reasons:

--HB115 is the most (only) comprehensive solution to Alaska's fiscal crisis that anyone in the Legislature has proposed. It tackles two of the major revenue sources that must be part of the solution: Permanent Fund earnings and a broad based tax. It marries these two sources in an ingenious way that makes both use of the fund earnings and an income tax more palatable.

--HB 115 proposes a progressive income tax rather than a sales tax. I support this because I believe that it is fairer to ask those with the ability to pay to shoulder more of the burden than those who are least able to pay. I support the proposed rate of 15% of the federal tax because it generates more revenue (estimated \$665 million) than a smaller percentage could and we need that revenue. And it is slightly less than we paid in the 1970s. It would also capture revenue from nonresidents who work here. A sales tax would hurt those at the lower end of the income scale much more than an income tax. It would also impact residents of all those communities that already have a sales tax. The sales tax should be a local revenue option.

--HB 115 calls for restructuring how the earnings of the Permanent Fund would be used in a way that provides substantial revenue for the state operating budget AND both continues and protects the PF dividend. I support this. The estimated 2018 dividend under this bill would be about \$1100 and should increase annually and sustainably over time. The historical average annual size of the dividend is \$1150 per person, which makes an \$1100 dividend that increases over time look pretty good. (the alternative to adopting this plan or something similar is NO DIVIDEND in the very near future because we will have to use PF earnings to fund the public services government provides starting in about a year). Yes, this \$1100 is less than the \$2000 we might get under the present system but that is not sustainable and we have to look longer term if we want to continue to live in this state. Yes, this smaller dividend will hurt those at the bottom end of the income scale more than those on the top, but that is why this bill also proposes a progressive income tax which will affect those same people with less income either not at all or much less than those at the top. Together these two revenue streams provide a balanced approach to providing new revenues to fund government services.

--I support the proposed rate of 4.75 percent of the market value of the entire fund as the annual draw from the earnings reserve fund. This figure is safer than a higher draw

that might eventually deplete the earnings reserve fund.

--For years our state revenues have fluctuated widely depending on the price of oil and the amount of oil flowing through the pipeline. We have now both opportunity and the need for stability in our revenues. We've had a wild ride since the late 1970s thanks to income from oil. And income from oil will continue to be part of our revenues for many years. But now that the price of oil is so low and expected to stay that way and now that the amount of oil produced in Alaska is declining it is time to establish a more stable and sustainable system.

--What this bill does not do is address oil taxes, oil credits, and smaller targeted tax sources such as our very low taxes on gasoline and other resource taxes. These must be addressed by this Legislature but it cannot all be done in one bill.

To all members of the Finance committee: please support this bill as individuals and work with your Senate colleagues to gain their support. I have two talented grandchildren now attending college out of state. I want them to be able to live here. If you do not act this session I fear for their future—and to lose future citizens like these two will diminish our state's future. If you have children or grandchildren, please think of them as you act!

Helen and Gayle Nienhueser
Anchorage, AK 99508

Good afternoon, House Finance Committee Co-Chairs and Members. My name is Dave Hanson. I am a forty-two year Alaska resident and a fiscal conservative.

I strongly support House Bill 115. It is time to responsibly pay for government services with a mix of revenue measures that we and our businesses can depend on.

As part of HB 115, I support a state Income tax and wish to leave you with three points:

1. Alaska had an income tax for 31 years which went as high as 16% of your federal tax bill, similar to the proposed 15% in HB 115. We accepted those taxes and eliminated the income tax only after we were receiving so much oil tax revenue, we did not need it. Now we need it again.
2. In the United States, only Alaska does not have either an income tax or a sales tax.
3. Seventeen percent of a state income tax would be paid by non-residents of Alaska and the federal government. Seven percent by non-residents and 10 percent by the federal government in the form of reductions in our income tax obligations since state income tax would be deducted from our federal taxes. So Alaskans would pay 83% of the tax bill. Without an income tax, Alaskans would pay 100% of our revenue needs from state savings accounts, earnings reserves, and reduced permanent fund dividends.

Finally, the best spending cap is an income tax. When people pay for government directly from their pockets, they pay attention.

A page titled Executive Summary has been provided to you as part of my testimony. Thank you,

To encourage informed discussion, I direct your attention to an information paper, that takes no position on an income tax, entitled: “An Introduction to Alaska Income Tax Options and Issues” completed by Maria Hanson under the direction of Gunner Knapp at the Institute of Social and Economic Research (ISER). This paper has been provided to your staff to provide to you as background.

Dave Hanson

Dear Legislators,

It is of the utmost priority that our elected officials move forward in an expeditious manner to remedy the State's financial crisis. I firmly believe that HB115 accomplishes this. It seems that everyone is in agreement that something must be done as long as it doesn't affect them but that train of thought is unrealistic. A solution will require shared pain and sacrifice from all including the oil companies.

As presented HB115 is projected to achieve a balanced budget in 5 years, preserve the Permanent Fund (with continued growth) and allow restoration of State cuts that have gone too far and pose a threat to both economic stability and growth for Alaska and Alaskans.

I urge you all to roll up your sleeves, end the partisanship bickering and work together to do what is right for Alaska.

Thank you for your time and I would like to express my deepest gratitude for the work you do knowing it's not always easy.

Respectfully,

Jay Rhodes

Dear Members of the House Finance Committee,

I am strongly in favor of instituting a personal income tax in Alaska on both residents and out of state workers, and retaining the PFD.

Reducing the PFD disproportionately affects poorer families and goes unnoticed by wealthy families, and high earning seasonal workers.

For families working in variable industries, such as fishing, some years they make hundreds of thousands of dollars, some years they barely survive. An income tax will adjust to this and protect them on the years where they make very little.

It will tax the out of state workers who come for the summer months, make a year's income, use Alaskan infrastructure and then disappear.

I run a small business in Cordova, Alaska with a variable income. This is the only way forward that makes sense for both our flexible economy and our large proportion of out of state seasonal workers.

Best regards,

Kate Laird

Cordova, AK 99574

Dear House Finance Committee Members:

As a 31-year resident of Alaska, I'm writing to **thank you** for your work on HB 115, the State Revenue Restructuring Act. I strongly support its goals and applaud this committee for having the courage and intellectual honesty to introduce this bill and solve Alaska's multi-billion dollar deficit. In listening yesterday (online) to a lot of the public testimony, I found much to agree with but also much that was disturbing. I know how incredibly busy each of you is, so I'll cut to the chase.

I SUPPORT:

* Using some of the Earnings Reserve Account (Permanent Fund) to support state operations that each Alaskan relies on.

* Maintaining an ongoing and healthy PFD program and protecting the corpus of the fund, as I believe this bill does.

* Instituting a state income tax. While there will be tweaks to the specifics (rates, minimum floor etc.) I think an income tax is essential for each and every Alaskan. Services are not free and we ALL must be willing to pay for them. An income tax is progressive and fair. I'm hopeful an income (versus a state sales tax) will balance out some of the loss of a smaller PFD that is felt more by rural areas. This also makes more sense in terms of wages earned by non-residents.

I OPPOSE:

* State sales tax: This is regressive and will inordinately impact rural residents and municipal governments that have a high local sales tax already. If passed, this would likely lead to increased property taxes. **STRONGLY OPPOSE.**

* Rural/Urban Divide: I heard several people testify about rural areas and residents in a manner that made me incredibly sad. We are all Alaskans—period. That means any solution adopted to solve the state's fiscal crisis should not devolve to name-calling, finger pointing or pitting one region or type of resident against another.

* Relying on budget cuts to solve this: I've been to numerous presentations, looked at ISER information, attended legislative hearings, etc. Shutting down the entire State of Alaska's government will not fix this and there have been significant reductions already. No doubt we can trim a bit more, but that is **NO EXCUSE** to not implement a multi-pronged approach. The time to act is past due.

It is my sincere hope the Legislature does not continue to speechify, sound bite, blame the other party, stall. We need action **this legislative session**. I support income tax, use of PFD earnings, a stable dividend and bi-partisan action. I'm counting on your courage to be true leaders this year. Thank you.

Sincerely,



Patty Ware, Juneau