

Rose Foley

From: Michael Dale <[REDACTED]>
Sent: Saturday, May 15, 2021 8:10 AM
To: House Finance; Rep. Kevin McCabe; House Ways and Means
Subject: Stop the theft of our PFD - NO to HB 202 & HB 37

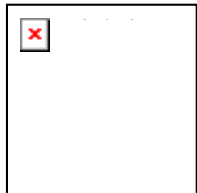
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HB 202 & HB 37 are designed to take away the PFD from the citizens of Alaska. This is theft. Statutory PFD is the only way our PFD should be done. The PFD was set up for the citizens and since that first PFD, legislators have been trying ways to steal it from the public. We elected you to office to represent us and if you were to ask any Alaskan to their face if our government should take their PFD from them, the answer would be a resounding NO. HB 37 wants an 80/20 split, even that isn't acceptable. Leave the PFD alone. Statutory PFD or resign.

To be perfectly clear - VOTE NO ON HB 202 AND HB 37.

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Michael Dale



Rose Foley

From: Jan DeNapoli [REDACTED]
Sent: Friday, May 14, 2021 7:45 PM
To: House Ways and Means
Subject: HB 202 and HB 37 OPPOSE

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Hello,
I would like to express opposition to these 2 house bills.

HB202 Payment of the PFD from current royalties rather than the Earnings Reserve (Merrick)

HB 37 Income Tax (Rep. Wool)

I oppose HB 202:

The current PFD regime was intended to make Alaskans conscious of state expenditures, and to protect Alaskans from the boom-and-bust cycles of the oil industry, and to allow Alaskans to enjoy CONUS prosperity without leaving Alaska, thereby mitigating population and depopulation of local communities. This bill would increase the PFD when oil money is good and reduce it when oil money is lackluster. It would make business cycles more severe in Alaska.

1) The solution is only statutory, and therefore can be repealed by subsequent legislatures- it is not the permanent solution that can withstand a court challenge should subsequent legislatures decide to ignore statute. 2) UGF dollars would be reduced by roughly 50%, 3) This bill makes the PFD payment hostage to federal policies and environmental groups that affect drilling and production 4) This bill would take public attention away from the performance of funds held the APFC & the state budget (which might be more a pro to some rather than a "con."), 5) from the perspective of peak oil theory, it would imply declining PFD payments. 6) Oil industry tax credits would have a major impact on the PFD payment, 7) it would accentuate the boom and busts and undermine the logic of the fund as conceptualized by its originators and undesirable for fiscal policy, 8) it goes into effect immediately and means this year's pfd would be less than \$500.

I oppose HB 37: The imposition of an income tax

- A) This will simply drive assets out of Alaska into Washington State, where there is no income tax.
- B) The tax will cost more in administrative costs than in revenue
- C) Every single forecast of the Revenue from this tax is based on an Alaska before 2018. Alaska has lost a significant portion of their population (data from DOLWD) and the revenue estimates from an income tax greatly overstate the revenue collected.

Please vote to represent your constituents. Thank you.

Jan DeNapoli
Two Rivers, AK 99716
[REDACTED]

Sent from my iPhone

Rose Foley

From: Kendall Young <[REDACTED]>
Sent: Friday, May 14, 2021 2:35 PM
To: House Ways and Means
Subject: HB 37 and HB202

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Good afternoon,

My family and I stand in direct opposition to HB37. The reason that we moved here was because of the fact that there was no income tax, regardless of high cost of living. Now, on the tail end of a pandemic, someone decided it was a good idea to burden families with more taxes, when our dollars are buying less and less as it is.

Anyone who stands with this bill should be voted out of office on the next possible election. I'm not alone in that sentiment.

Concerning HB202, changing the formula on the PFD, or touching the money that the people of Alaska are rightfully entitled to is a non-starter. Turning it into feast or famine, as opposed to the formula that had worked for years is something that me or my friends are against. If the budget needs to be scorched earth to accomplish that, then so be it. My family has had to cut back this year due to reduced income. Perhaps it is high time for Juneau to be responsible as well, without dipping their pockets into other people's money.

Thank you,
Kendall

Rose Foley

From: Putt Clark [REDACTED]
Sent: Friday, May 14, 2021 1:06 PM
To: House Ways and Means
Subject: HB37

Follow Up Flag: Follow up
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To the Honorable Members of the House Ways and Means Committee:

I urge you to pass this bill out of committee. We all know our state faces a budget shortfall, and promising to continue to provide beefy PFD checks to all residents is not sustainable when seeing the oil revenue-dependent fund dwindling. It is not sustainable, and leaders must take action.

It is time to impose a small income tax to ensure the future health of the PFD.

Our state has become far too dependent on oil revenues, as we all know. When oil prices suffer, so does our state. Services need to be prioritized over the PFD. This income tax would free up those funds to help keep our budget sustainable.

Please pass this legislation.

Thank you for your time,

Respectfully,

Putt Clark
Fairbanks

Rose Foley

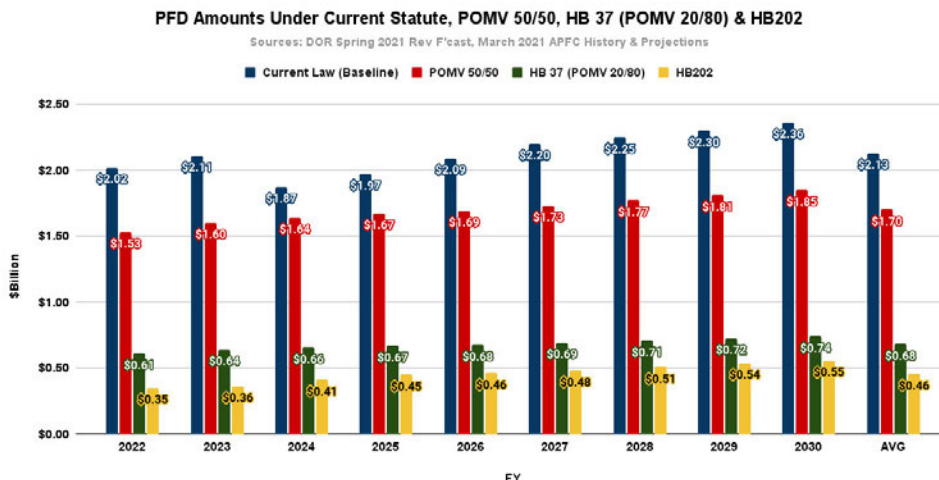
From: Brad Keithley <bgkeithley@gmail.com>
Sent: Friday, May 14, 2021 12:44 PM
To: House Ways and Means
Cc: Rep. Ivy Spohnholz; Rep. Adam Wool; Rep. Andy Josephson; Rep. Calvin Schrage; Rep. Andi Story; Rep. Mike Prax; Rep. David Eastman; Rose Foley
Subject: Comments on HB 202 & HB 37

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On behalf of the Alaskans for Sustainable Budgets project, this is to provide our comments on HB 202 and HB 37. For the reasons outlined below, we oppose HB 202 and HB 37 as originally proposed. As discussed in III. below, however, we could support HB 37, if modified as proposed in that part.

I. Introduction

Both HB 202 and HB 37 propose significant reductions to the current statutory PFD. For reference, below we compare the PFD levels proposed by the bills, together with that proposed by the Governor this week (POMV 50/50), to the current law baseline.

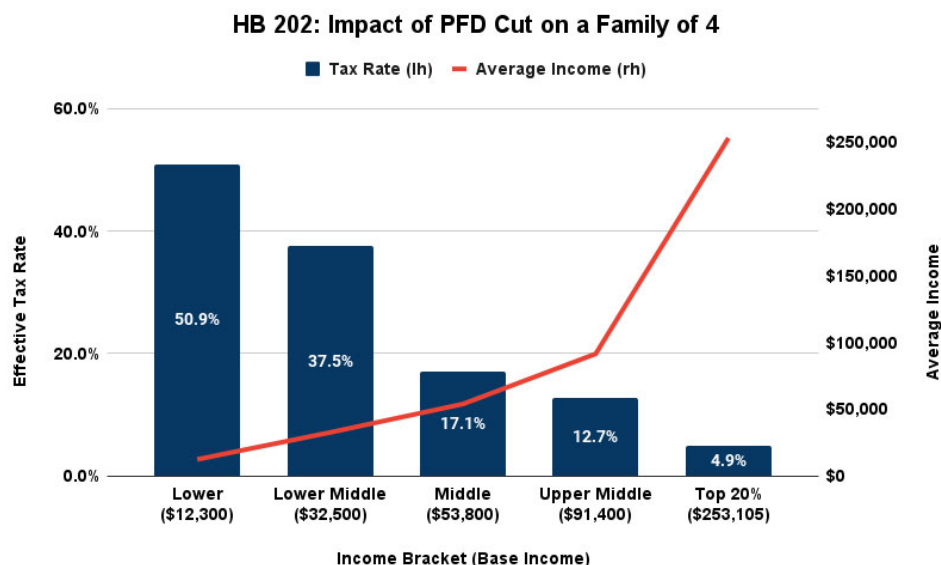


The bills propose the reductions in order to divert to government a significant portion of the revenues that otherwise would go to Alaska families under current law. The impact is far from even across all families, however. Some would forego a much greater percentage of their income than others. Put another way, under both bills some families would be required to contribute more (be taxed more) - much more as a percent of their income - to pay for government than others.

II. Distributional Impact

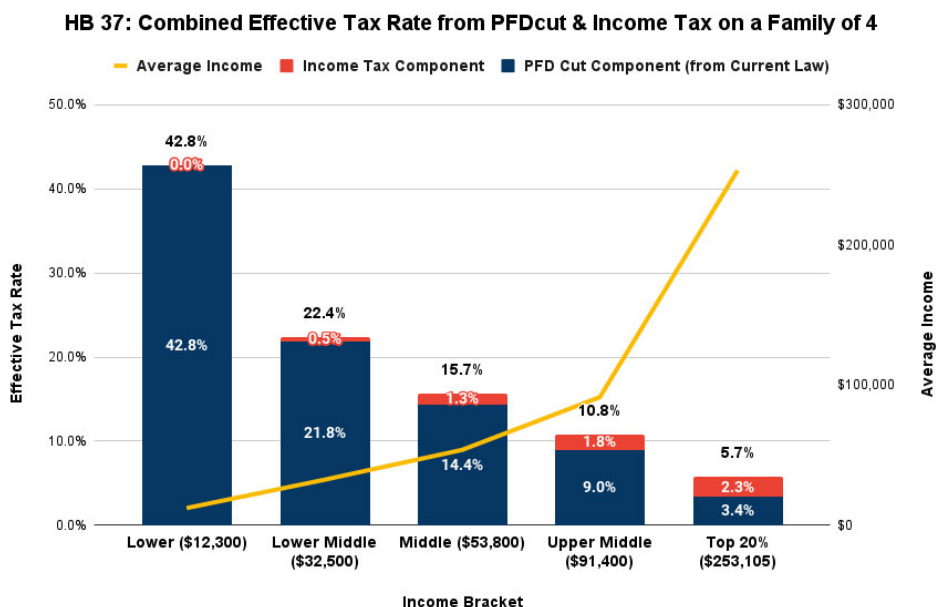
To assess their impact on Alaska families we have calculated by income bracket the percentage change in income (effective tax rate) for a family of 4 under each bill. The average base income level for each bracket is taken from the [December 2020 ITEP Study](#) (Appendix A). The percentages are calculated by adjusting the base income for the current law PFD and applying the cuts from that current law baseline proposed by each bill.

The results for HB 202 are as follows:



As shown, the results are hugely regressive, with low income (Lower 20%) Alaska families contributing more than 10 times, middle income Alaska families more than 3 times and even upper middle income families more than double the amount contributed by upper income families.

HB 37 is structured somewhat differently. In addition to the reduction in the PFD, the statute also proposes an income tax which, while stated as a flat rate, is somewhat progressive in effect due to the inclusion of a standard deduction and exclusion of the PFD from income. Nonetheless, because of the size of the proposed PFD cut, the overall impact remains substantially regressive.



Low income (Lower 20%) Alaska families still contribute more than 7 times, middle income Alaska families nearly 3 times and even upper middle income families nearly 2 times the amount contributed by upper income families.

As we said when we [presented to the Committee](#) earlier this session (at p. 11), not only are such results inequitable, using PFD cuts (or in the case of HB 37, mostly PFD cuts) to close the deficit have the "largest

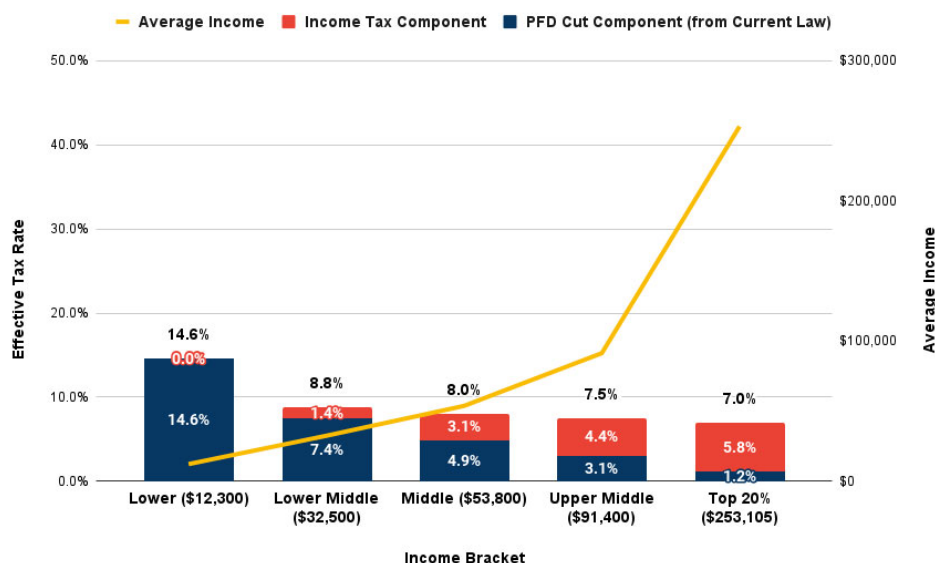
adverse impact" of all the various revenue options on both the overall Alaska economy and Alaska families. For that reason we oppose both HB 202 and HB 37 as written. There are much more equitable and lower impact approaches.

III. Proposed Modification of HB 37

Indeed, by amending HB 37 we believe the Committee could develop one such, more equitable/lower impact approach.

Our concern with HB 37 largely revolves around the size of the PFD cut. Reducing the size of the PFD cut (to POMV 50/50), offset by increasing the size of the tax component (to 6.5%) to maintain the same overall revenue level, would produce a much more equitable, lower impact result.

Modified HB 37: Combined Effective Tax Rate from PFDcut & Income Tax on a Family of 4



While still regressive, the disparities between income brackets would shrink significantly. Moreover, under such a modified approach, *all* income brackets other than the Top20% would see a significant reduction in their combined tax rate from that resulting under either HB 202 or HB 37, as originally proposed.

A middle income family of 4, for example, would see their effective tax rate decline from 17.1% (HB 202) and 15.7% (HB 37, as originally proposed) to 8.0% (Modified HB 37). An upper middle income family of 4 would see their effective tax rate decline from 12.7% (HB 202) and 10.8% (HB 37, as originally proposed) to 7.5% (Modified HB 37). Only upper income (Top20%) families would contribute more under HB 37, as modified, than the other options, but even then they would still be called on to contribute less than every other income bracket (the remaining 80%) is contributing.

Such a result is not only more equitable, it would substantially reduce the adverse impact of the proposed bill on both Alaska families and the overall Alaska economy.

IV. Conclusion

For all of these reasons, we oppose HB 202 and HB 37, as originally proposed. They create a hugely regressive and inequitable burden among Alaska families, leading to large adverse impacts on both those families and the overall Alaska economy.

We could support HB 37, however, if amended as proposed in III. above. By substantially reducing the

regressivity of the original proposal, the bill would significantly lower the adverse impact on both Alaska families and the overall Alaska economy.

We also note that HB 37's income based, "flat" approach is critical both to the fairness and our support of a modified bill. Substituting a sales tax as the tax component, for example, would go in the opposite direction, increasing the regressivity of the impact. As we noted in our earlier [presentation to the Committee](#) (at 11), after PFD cuts, "sales taxes would be the next costliest measure for households with children." As explained in [ITEP's 2017 study](#):

... general sales taxes tend to be regressive, impacting low- and middle-income families more heavily than high-income families when measured as a percentage of household income. This effect comes about largely because low- and middle-income families spend a larger fraction of their earnings on items subject to sales tax, while high-income families direct a large share of their income into savings and investments.

HB 37's balance, as modified, depends on maintaining a flat (to slightly progressive) counterbalance to the regressivity of the PFD cuts. Substituting a sales tax for the current tax component would simply stack one regressive approach on top of another, doubling down on bad.

We appreciate the opportunity to submit these comments.

Brad
Brad Keithley
Managing Director, Alaskans for Sustainable Budgets

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Rose Foley

From: Moira Ireland [REDACTED]
Sent: Thursday, May 13, 2021 12:40 PM
To: House Ways and Means
Subject: HB37

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Hello - I am an Alaskan from Kenai, Alaska. I am greatly concerned with the content of House Bill 37. As an Alaska citizen, I do NOT support the proposed changes of the percentages of distribution. This bill supports a bloated, padded state budget and takes money from Alaskan citizens by reducing the percentage of the earnings interest of ALASKAN OWNED OIL distributed to Alaskans. I do NOT support this bill and urge you to reject this bill.

Thank you
Moira Ireland

Rose Foley

From: [REDACTED]
Sent: Tuesday, May 11, 2021 5:45 PM
To: House Ways and Means
Subject: Oppose HB 202 & 37

Follow Up Flag: Follow up
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Honorable members of the House Ways and Means Committee,

My name is Adam Hykes, and for the purpose of this email. I represent myself as well as my wife Kayla Hykes. We are both residents of district 31 in Homer.

We oppose HB 37
We oppose HB 202

The repeated replacement of "corporation shall transfer" with "legislation may appropriate" is a continued insult to Alaskan citizens who for the last 4 years have not been given the dignity of voting on THEIR money.

Furthermore, the tactic of holding hearings for these bills without an opportunity for public testimony is underhanded.

This is especially egregious given that you all plan to create a statewide income tax with hb 37. That subject alone had better be given several days for public testimony.

Respectfully,
Adam & Kayla Hykes