

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

January 28, 2004
7:00 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Chair
Representative Vic Kohring
Representative Dan Ogg
Representative Norman Rokeberg
Representative Ralph Samuels
Representative Peggy Wilson
Representative Max Gruenberg
Representative Carl Moses

MEMBERS ABSENT

Representative Bruce Weyhrauch, Vice Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 236

"An Act imposing a tax on employment; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 236

SHORT TITLE: EMPLOYMENT TAX FOR EDUCATION

SPONSOR(S): REPRESENTATIVE(S) WILSON

04/02/03	(H)	READ THE FIRST TIME - REFERRALS
04/02/03	(H)	W&M, FIN
04/10/03	(H)	W&M AT 7:00 AM HOUSE FINANCE 519
04/10/03	(H)	-- Meeting Canceled --
04/16/03	(H)	W&M AT 7:00 AM HOUSE FINANCE 519
04/16/03	(H)	Heard & Held/Subcommittee assigned
04/16/03	(H)	MINUTE(W&M)
01/28/04	(H)	W&M AT 7:00 AM HOUSE FINANCE 519

WITNESS REGISTER

DON RULIEN

Alaska Society of Certified Public Accountants

Anchorage, Alaska

POSITION STATEMENT: Answered questions about HB 236.

STEVEN PORTER, Deputy Commissioner

Office of the Commissioner

Department of Revenue

Juneau, Alaska

POSITION STATEMENT: Answered questions about HB 236.

CHUCK HARLAMERT

Juneau Section Chief

Tax Division of Administrative Services

Department of Revenue

Juneau, Alaska

POSITION STATEMENT: Answered questions about HB 236.

PATRICK OWEN

Juneau, Alaska

POSITION STATEMENT: Testified in favor of HB 236.

KEVIN RITCHIE

Executive Director

Alaska Municipal League

Juneau, Alaska

POSITION STATEMENT: Spoke in favor of HB 236.

ACTION NARRATIVE

TAPE 04-4, SIDE A

[About 40 seconds of blank tape at the beginning of side A]

Number 0001

CHAIR MIKE HAWKER called the House Special Committee on Ways and Means meeting to order at 7:00 a.m. Representatives Hawker, Samuels, Kohring, Gruenberg, Moses, and Ogg were present at the call to order. Representatives Rokeberg and Wilson arrived as the meeting was in progress.

HB 236-EMPLOYMENT TAX FOR EDUCATION

CHAIR HAWKER announced that the only order of business would be HOUSE BILL NO. 236, "An Act imposing a tax on employment; and providing for an effective date." He noted that Version D had been worked on during the interim and that today's proposed committee substitute (CS) is Version H. He also announced that there was a quorum present.

Number 0152

REPRESENTATIVE SAMUELS moved to adopt HB CS236, Version 23-LS0921\H, Kurtz, 4/14/03, as the working document. There being no objection, Version H was before the committee.

CHAIR HAWKER said the concept behind this revenue bill is to tax employees, ages 19 and older, \$100. He welcomed Representative Wilson, the sponsor of the bill, who arrived at the hearing. He said it could raise \$40 million a year and is a very popular idea around the state. He said the bill was still a concept and needed technical work from the professional [revenue] community. Chair Hawker welcomed the teleconference witnesses and Representative Rokeberg, who arrived at the hearing.

CHAIR HAWKER asked Don Rulien if he had seen Version H of the bill.

Number 0662

DON RULIEN, Alaska Society of Certified Public Accountants, noting that he's head of that society, said he had Version H in front of him.

Number 0711

STEVEN PORTER, Deputy Commissioner, Office of the Commissioner, Department of Revenue, said the bill would need to be modified to reflect the January 1, 2005, effective date, to prescribe a calendar year tax period. The Department of Revenue (DOR) estimates that this program could generate \$39 million in revenue for a full fiscal year starting in 2006, he said. He said there would be a substantial number of returns, both from businesses and from private individuals. He noted that DOR would have to increase staff by 13 full-time employees and 10 temporary workers, initially, and then adjust to 12 full-time employees and 10 temporary workers. He also said that there would need to be \$680,000 in capital for a large-scale imaging and data capture system to accommodate the [additional] data.

REPRESENTATIVE GRUENBERG referred to page 2, paragraph 1 [of the fiscal note from the Department of Revenue], which read in part, "... and include authority for the Department to provide taxpayer incentives for use of electronic filing or other cost saving technology." He asked what kinds of incentives could be applied, and if they could be applied to other revenue raising.

Number 0906

CHUCK HARLAMERT, Juneau Section Chief, Tax Division, Department of Revenue (DOR), replied that, at present, the largest tax program is the corporate income tax, with 12,000 taxpayers, and that the cost-benefits of investing in technology aren't there. He said [DOR] envisions a provision that grants authority, within limits, to establish incentives to taxpayers and preparers to use the technology that is adopted.

REPRESENTATIVE GRUENBERG asked if DOR had any specific incentives in mind.

MR. HARLAMERT replied in the negative.

REPRESENTATIVE GRUENBERG said he would like to pursue this idea in other areas as well, for example, in child support collection.

MR. PORTER explained that Department of Revenue, within the Permanent Fund [Dividend Division], Child Support Enforcement Division, and Tax Division, is trying to move forward with incentives. He cited as examples, an on-line system and an electronic card system, with appropriate incentives, depending on the type of public [targeted]. He said DOR was trying to be creative.

Number 1136

REPRESENTATIVE WILSON, sponsor of the bill, said the committee has spent time talking about trying to make it easier for employers and the state to work with the bill. The letter from the National Payroll Reporting Consortium, Inc. (NPRC) suggests changes in the bill, from their standpoint, for employers, she said, and asked Mr. Porter if he had seen the letter.

MR. PORTER replied that he had not seen the letter.

REPRESENTATIVE WILSON suggested the committee go over the letter together.

CHAIR HAWKER stated that his intent was to address those issues in discussion with Don Rulien.

CHAIR HAWKER called attention to HB 236, Version H, page 1, line 6, and questioned the words "19 years of age or older". He said that it does not address persons who turn 19 later on in the

year, and that on page 2, line 14, it does require the person to be 19 years of age for the entire tax year.

CHAIR HAWKER asked if there might be problems about the tax "kicking in" only after the person has made \$1,000.

Number 1450

MR. RULIEN said there would be a problem with transient employees who would be difficult for an employer to track. A better plan would be to make collection similar to [the Employment Security Contribution for state unemployment] where the amount is withheld. At the end of the year a form is filed for a refund, if too much was withheld, or there were multiple employers and an overpayment was made. [The bill as written] puts a larger burden on the employer. He also agreed with the need to move the date on the bill to a calendar year, because payroll is based on the calendar year. He said that would make it easier to follow the law.

CHAIR HAWKER agreed. He said creating dual fiscal year-ends for single employers, with a payroll year-end that is at odds with the federal tax-reporting year-end, would create a second level of reporting.

Number 1610

MR. RULIEN referred to page 2, lines 3-5, and said [a return] had to be [filed] by the 15th day of the month, which is not a requirement in reporting now. He said it would be much easier to follow the same rules that exist today.

CHAIR HAWKER said the current reporting form in Alaska is the ESC form, and there is a long list of regulations on timing and reporting. He asked if it would be a viable alternative for the employer to use the same reporting, forms, and dates, to the state.

MR. RULIEN replied he thought it would be an excellent alternative. He said there could simply be a new column on the Employment Security Contribution (ESC) report, and also on the employee application for a refund report, which is on an annual basis. He said payroll employees are very used to the form and it would be easy to do. The form would need more lines because there would be more requirements for reporting individual employees, specifically for the \$100 "payroll tax." He said that employment security only has one ceiling, but this tax

would have a ceiling of \$100 with a \$1,000 floor. He said he did not think there should be a \$1,000 floor, because that would add another unnecessary step before [figuring] the withholding.

CHAIR HAWKER asked if anyone from DOR could discuss the ESC reporting system.

Number 1900

MR. HARLAMERT said all of the data that was required in the proposed tax could be done on the ESC report except for how it would be coordinated with a federally funded program. He said there was concern about how to spread the costs between the larger federal program and the state program. He said it was probable that the allocated costs to the state of the federal program would be higher than the costs [of a state program] standing alone. He said it was a tradeoff between employer convenience and the greater expense to the state.

REPRESENTATIVE GRUENBERG asked, if there was not a \$1,000 minimum, how many more people and how much more revenue over \$39 million would be brought in.

MR. HARLAMERT replied he did not know, but he could get a hold of the figures.

REPRESENTATIVE ROKEBERG asked for clarification about how the state would be burdened by the use of the ESC reporting method.

Number 2200

MR. HARLAMERT explained that the ESC report is the federally funded unemployment tax collected by the Department of Labor (& Workforce Development (DLWD)). He said the DLWD system is elaborate and intended to cover the process of collecting premiums and awarding benefits. Many states use the same technology, he said. The DLWD system is more expensive and larger-scale than what DOR uses. He does not know the costs DOR would have to allocate to the [proposed] tax program. He guessed that it would be more than the marginal costs of adding the tax program to the DLWD system.

REPRESENTATIVE ROKEBERG said the ESC form to collect the unemployment tax from the employers and employees of the state follows the format of a software program developed by the federal government and the DLWD. He asked Mr. Harlamert if he was suggesting that it might be more expensive to reprogram the

software and [redo the] form to accommodate this new tax than to have a discrete, stand-alone form.

Number 2400

MR. HARLAMERT replied it would not. He said he assumed that the [new tax] would be handled along with the ESC form in the [DLWD] system. He said the DOR has not explored capturing the data through [DLWD's] system.

CHAIR HAWKER said only general revenue would be collected, and adding another column to a form already in place seems logical.

MR. RULIEN spoke about compensation and said that only those who are earning W-2 wages are required to file and have ESC withheld, and also to pay in ESC. He said one of the problems is there are a lot of unreported wages: partnership earnings, limited liability company earnings, and self-employed earnings. A problem with ESC is that it matches [state] forms to the federal unemployment tax forms, and this new tax encompasses a greater portion of wages that are not reported on ESC or under federal unemployment tax, he said. He wondered if DOR had considered these issues.

Number 2713

REPRESENTATIVE GRUENBERG suggested on page 1, line 7, that the term "compensation" be changed to "income". He said then all types of income, as defined by the Internal Revenue Code (IRC), could be included. He wondered how much additional tax would be generated.

MR. RULIEN said the term should not be called "income" because interest, dividends, and the permanent fund [dividend] would be included. He suggested "earned income" or "self-employment taxable income", which would be subject to Social Security and Medicare [withholding].

MR. HARLAMERT said DOR has not reviewed the tax to go beyond the term "earned income". He said there are 425,000 taxpayers in the state and there would be a substantial increase in the number of people that receive the permanent fund [dividend], but who don't have earned income.

MR. RULIEN said most professional associations are either limited liability companies, partnerships, or sole proprietorships. They are a source of a huge amount of revenue

[not considered] because they are not required to file returns with the state.

Number 2922

REPRESENTATIVE WILSON asked Mr. Rulien to restate his rewording ideas.

MR. RULIEN said he was trying to come up with the right word for "earned income" because he thinks it is not the intent of the tax to include interest or dividends. He suggested "self-employment earnings", which are subject to the Social Security and Medicare rules under the IRC. He wondered if self-employment earnings, as defined by the IRC, could also be included.

Number 3030

CHAIR HAWKER said there seemed to be three categories. The first one was "W-2 reportable earnings," which are wages and compensations from an employee-employer relationship. The second one was compensation reportable, or "1099 reportable income for the purposes of services."

MR. RULIEN suggested that the second category could be called "non-employee compensation."

CHAIR HAWKER agreed and said the third category could be called, from a partnership standpoint, "reportable on form [Schedule K-1] to an individual."

MR. RULIEN said the categories were correct.

Number 3143

REPRESENTATIVE ROKEBERG asked for clarification on the [ESC] reporting and wondered if it was a quarterly report.

MR. RULIEN said it was quarterly.

REPRESENTATIVE ROKEBERG asked if there were any monthly reports to the DOR or DLWD.

MR. HARLAMERT replied that there were no monthly reports relative to compensation.

REPRESENTATIVE ROKEBERG asked if there were monthly reports required by the Internal Revenue Service.

CHAIR HAWKER answered there were payments [due] but not reports.

REPRESENTATIVE ROKEBERG said there were requirements written in the bill for monthly reports, which would be an additional burden [on the employer]. He said he was concerned with the fiscal [impact] on the private sector. He said that the structuring of the reporting mechanism was important. He talked about the form and the three choices: line item only on the ESC report, a stand-alone report, or a combination report.

Number 3448

CHAIR HAWKER suggested there might be a fourth option and asked if there were any federal reporting requirements, monthly or quarterly, that already provided enough information so that they could be used by employers.

MR. RULIEN answered that the ESC requirements are much more detailed than the federal requirements and include social security requirements.

REPRESENTATIVE ROKEBERG, speaking from personal experience as a self-employed person, said he was concerned about not adding a burden to those who are self-employed. He suggested a special requirement to file yearly income, if cash flow on tax revenue receipts is an issue. The timing of the reporting would be important, he said.

CHAIR HAWKER asked Mr. Rulien to explain the consistency of the reporting requirements for the W-2, 1099, and K-1 [federal forms].

MR. RULIEN explained that the W-2 and 1099 [forms] are due out to the employees by January 31 and are then required to be filed with the Internal Revenue Service (IRS) by February 28. [Limited liability companies], which have a K-1 partnership, and sole proprietors, which don't have K-1 partnerships, but [file] a Schedule C, which is part of the individual tax return, all have a file due date on October 15 under "extensions of the following year."

CHAIR HAWKER added, "That is [true] if, and only if, they are calendar-year taxpayers." He asked Mr. Rulien to explain any variations [of due dates].

MR. RULIEN explained that the due date is the 15th day of the 10th month at the end of the taxable year, which could vary. He suggested considering gross income rather than net income on a quarterly basis.

Number 3837

REPRESENTATIVE OGG spoke about the 1099 form and the fishing industry's not having to file on a quarterly basis. He explained that they file on a yearly basis if 90 percent of their income is from fishing. He said the fishing industry is the largest employer in the state and must be considered. He said there were many crewmembers who only work three months, and there would be no way of knowing what their income was until the following year.

MR. RULIEN said the burden should be on the employer or owner of the fishing vessel who pays the fishermen, or this large source of revenue would be lost.

Number 3950

REPRESENTATIVE OGG said a burden is created on the owner of the fishing business because quarterly reporting is currently not required.

MR. RULIEN agreed.

CHAIR HAWKER spoke about the federal ES form as a trigger, and questioned if the tax should be on the employee or employer.

REPRESENTATIVE WILSON said that decision should be made early on. She said care must be taken not to put the extra burdens of time and expense on small business employers.

REPRESENTATIVE OGG said his intent was not to let fishermen escape the tax, but to explain the difference in the nature of the employer-employee relationship in the fishing industry. He said it was a contractual relationship based on the percentage of the income.

CHAIR HAWKER asked if earnings from a fishing enterprise, the net [income] of the individual, was a 1099-reportable item.

MR. RULIEN said that was correct, but the IRS has given the fishing industry an exemption, saying the owner of the fishing

business does not have to treat the fishermen they are paying a percentage to as employees, so he/she is allowed to [file] a 1099. He said the burden needs to be put on the employer to withhold the tax from the fisherman in order to collect the tax.

Number 4350

CHAIR HAWKER said Mr. Rulien brings out two critical technical issues. He said the 1099 form is strictly a federal form and is not copied to the state. He asked if the people reporting earnings on a 1099 are required to file quarterly estimated payments.

MR. RULIEN said that was correct.

CHAIR HAWKER asked if this applied to an employee in any situation when receiving a 1099.

MR. RULIEN said this does not apply to fishermen because they earn [90] percent of their earnings from fishing and have until March 1 of the following year to pay taxes without a penalty.

CHAIR HAWKER said fishermen do not have to make the ESC payments.

Number 4457

REPRESENTATIVE OGG said he would be concerned if the state designated the owner of a fishing business as an employer because that might trigger worker's compensation issues which are not presently in effect.

REPRESENTATIVE WILSON asked if it would be legal to collect [the tax] if the [federal government] says the relationship is not an employee-employer relationship.

Number 4600

REPRESENTATIVE ROKEBERG again spoke as a longtime self-employed person. He said he was interested in hearing more about the IRS exception for fishers in Alaska. He said the issues between self-employment and independent contractor relationships are spoken to in the law, in IRS regulations, and in [state] statutes to a degree, and in terms of practice and regulations. He said there were safe-harbor tests and other accounting tests to yield differentials between the two relationships. He said he did not see clarification as a major problem.

TAPE 04-4, SIDE B

Number 4627

REPRESENTATIVE ROKEBERG said the bigger problems are the timing in the reporting requirements and how the tax relates to small businesses. He said another problem is whether the tax should be on employers and not employees. Typically, the burden of collection is on the employers, but the tax still [should] remain with the individual, and he said this should be clearly stated.

CHAIR HAWKER said there were other circumstances such as the non-employee compensation arrangement, "1099 folks," where the federal statute recognizes the necessity for the payer to withhold "backup withholding." In such cases, the money is taken before it reaches the person being paid, without violating the separation of the employer-employee relationship.

Number 4444

CHAIR HAWKER referred to page 1, lines 6 and 7, "receives compensation greater than \$1,000 in the state." He asked Representative Wilson if the intent was to tax the \$1,000 just earned, or does it mean the next \$100 after \$1,000 has been earned.

REPRESENTATIVE WILSON said it was a good question and the intent was not to take an entire paycheck, and the amount was simply a starting point.

CHAIR HAWKER agreed with Representative Wilson that the bill was a work in progress. He asked Mr. Rulien to speak about the \$1,000 floor issue.

Number 4254

MR. RULIEN said the wording of the bill puts the burden on the employee to show the employer that he/she has already earned \$1,000 at "ABC" company. He said he likes the ES rules whereby the employer withholds [the tax] no matter how many times the employee has worked, and then, at the end of the year, the employee can request a refund if he/she has overpaid the \$100, by attaching the W-2 [form] to show the over withholding.

CHAIR HAWKER said that was how it currently worked today as a refund on a single check, after application at the end of the year.

Number 4130

MR. RULIEN suggested the tax be [stated] as a 10 percent tax not to exceed \$100, collected in the first month, in most cases. He said he was looking for an easier way to report for employees and the payroll department.

CHAIR HAWKER said when computers came along it caused problems with standardized reporting, and if the tax is not simplified, wage earners would have to be entered separately into the program with their own wage-base table.

MR. RULIEN said a 10 percent tax not to exceed \$100 would be simpler.

CHAIR HAWKER said he was thinking of a \$20-per-paycheck withholding, until \$100 is reached, but then thought of the problem of persons who have not had their liabilities withheld by the time they cease employment.

MR. RULIEN agreed with Representative Wilson's concern not to take a person's whole paycheck, and said \$20 might be a lot of money to some people.

Number 3813

REPRESENTATIVE GRUENBERG spoke about his district, which includes Mountain View and Russian Jack, where there is a highly transient population and people change jobs frequently. He said if each job withholds \$100 from [these people's] paycheck, it would be a real imposition. He said a burden would be put on them if they had to wait until the end of the year and apply for a refund. He suggested a mechanism whereby the first employer could give them a card that shows [the tax has been taken out], so that when they go to the next employer they can show [the card]. He said the tax would be a real imposition on people who can ill afford it. He asked Representative Wilson to comment on this issue.

REPRESENTATIVE GRUENBERG asked if the term "compensation" on [page 1], line 7, has an established legal meaning.

MR. RULIEN said "compensation" means a W-2 earner.

REPRESENTATIVE GRUENBERG asked if the term was in the field of taxation.

Number 3557

MR. RULIEN answered that it was both in the field of accounting and in taxation. He said it would be more readily understood as "W-2 earner", because partnership earnings are not "compensation". They are not reported as W-2 earnings and are exempt. He said the wording [in the bill] needs to be changed to encompass all professional earnings, self-employed earnings, and everything else.

REPRESENTATIVE GRUENBERG said he noticed "compensation" was defined in the bill.

CHAIR HAWKER remarked that a truly distinct definition of what is subject to taxation is needed, and he suggested the committee refer to IRC and state statute, where the definition has been clearly delineated, litigated, and ruled on by various courts.

REPRESENTATIVE GRUENBERG said he assumed the term "personal services" on [page 1], line 9, similarly, has a well-defined definition.

MR. RULIEN said he understands that \$100 is much larger to some people than to others, especially transient workers who would have many withholdings. He noted that on page 2, line 19, the burden is on the employers. If they do not withhold properly, then they have to pay the tax, he added. He wondered about the correct definition of proper disclosure by the employee. He quoted [from lines 21-22], the employer can demonstrate that the employer relied on proof provided by the employee", and asked what the proof was.

REPRESENTATIVE GRUENBERG suggested the DOR be given the authority to prescribe these details; for example, the type of proof required.

Number 3254

REPRESENTATIVE WILSON said the NPRC letter says, "... the state should adopt the federal income tax definitions of 'employer' and 'employee' for the purposes of consistency and administrative convenience," when it comes to the compensation

definition. She asked if it would make things easier if the committee followed those suggestions.

MR. RULIEN gave an example of a limited liability company with employees that are partners who get wages, and said he does not want [the tax] to miss out on an untapped source, such as this company, by using the employer-employee definition.

Number 3126

REPRESENTATIVE ROKEBERG agreed uniform definitions need to be adopted. He said he disagreed with Representative Gruenberg's idea to cede the rule-making authority to work [on the bill] to the DOR. He said he was concerned about public policy-making issues and that the language in the statutes is almost unintelligible to the average citizen. He said people need to be able to look at the face of the bill and understand it, and the committee needs to do a better job of clarifying the law to the public.

Number 3000

REPRESENTATIVE OGG agreed with the 10 percent idea. He also agreed the tax could be a problem for the [multiple job] employee. He said that for people who do not make \$1,000 a month, a fair amount of income would be taken as tax in the first month. He suggested an accommodation for those situations.

CHAIR HAWKER proposed changes to the effective date of the bill and suggested Representative Wilson meet with the committee aide and DOR to work on a committee substitute.

REPRESENTATIVE ROKEBERG echoed previous comments about the impacts [of the tax] on multiple employment situations, which are very common for various reasons. He suggested not charging the tax until a \$3,000 threshold [of income] is reached. He spoke in favor of a year-end reconciliation with a W-2 form.

CHAIR HAWKER said in the process of drafting laws, sometimes the realities and practicalities are overlooked.

REPRESENTATIVE ROKEBERG wondered why the age was set at 19 and older and did not include workers 16-18 years old.

REPRESENTATIVE WILSON said the committee was concerned about the 16-year-old babysitter and those kids "nickel and diming it." She said more work would be done on this issue.

REPRESENTATIVE GRUENBERG asked if there was a law to draft legislation in plain English.

CHAIR HAWKER spoke about the implementation date's needing work because the current retroactive date was not going to work. He asked for opinions on an effectiveness clause whereby the bill would become effective any January 1, when January 1 follows a state fiscal year-end June 30, and when the balance in the constitutional budget reserve is less than \$1.5 billion. Once the tax is imposed, it would cease to be in effect any December 31, following a fiscal year-end when the CBR is in excess of \$2.5 billion.

Number 2125

REPRESENTATIVE ROKEBERG said the idea was a great trigger mechanism as it related to the CBR. He brought up the idea of a "reverse trigger mechanism."

Number 1908

REPRESENTATIVE GRUENBERG said the bill would affect all of the "little wage earners," and the people should be able to understand the bill.

CHAIR HAWKER said his intent was directed at the "little wage earners." He thanked Mr. Rulien for his participation.

Number 1638

PATRICK OWEN testified in favor of HB 236 and said it was long overdue. He said if it had been in place last year, the problems of education funding in rural areas would be solved. He said the future leaders of [Alaska] need to be educated properly. He said he would like to see the state income tax back again.

REPRESENTATIVE ROKEBERG said Mr. Owen's testimony brought up a very interesting point the committee should recognize. In the past there had been, concurrently, the state tax as well as the "head" tax. He said he thought the rationale behind having two taxes at the same time was to make sure the transient workforce,

the lower-income workforce, and youth labor, which were under the threshold of the income tax, would pay the "head" tax.

MR. OWEN said it was a shame the oil companies were bringing their own people to take jobs and were taking jobs away from Alaskans. He said the companies are making big money that goes back down south and Alaska does not benefit from it. Unemployment compensation is paid out [down south], he added. He said the tax was one way that money could stay in Alaska. He said he would like to see the money generated by this tax go into an education fund, instead of the general fund.

Number 1305

REPRESENTATIVE OGG said he appreciated Mr. Owen's comments. He asked Mr. Owen's opinion if the choice had to be made between education funding and funding Medicaid.

MR. OWEN replied that both programs are viable.

REPRESENTATIVE OGG said it was a question that would have to be asked, eventually, in the committee.

Number 1113

KEVIN RITCHIE, Executive Director, Alaska Municipal League (AML), said the goal of AML is to work with [the legislature] to adopt a long-range fiscal plan including implementation of reasonable taxes and user fees to provide a stable base for funding. He said he would like to be able to bring this tax to communities as part of a package.

Number 1020

REPRESENTATIVE GRUENBERG spoke about the [Alaska Conference of Mayors' "vote of no confidence"] resolution and said:

With all due seriousness, the mission of the legislature, and this body, and the Conference of Mayors, is to deal with the fiscal crisis and resolutions, and messages like that are really counterproductive and don't foster the relationship we need to have if we are going to work together to solve the problem.

He said he was only speaking on behalf of himself and asked Mr. Ritchie to carry that message back.

MR. RITCHIE thanked him and said he would.

REPRESENTATIVE ROKEBERG echoed Representative Gruenberg's sentiments. He said certain people coming [to the legislature] from various communities with hat in hand looking for a handout probably will not be welcome in certain offices in this building. He asked Mr. Ritchie if the mayors are part of AML.

MR. RITCHIE replied the [Alaska Conference of Mayors] and AML are separate organizations.

REPRESENTATIVE WILSON said it has been frustrating and difficult for [members of the committee], and the committee would also like to see progress on the fiscal plan.

CHAIR HAWKER agreed, personally, with the previous speakers and discussed the committee's past efforts [to work on a fiscal plan]. He asked Mr. Ritchie to carry back a message of disappointment to the mayors.

MR. RITCHIE said AML and the Alaska Conference of Mayors have a joint platform to support "a strong goal of working with the legislature to work with the public to see the value of a long-range fiscal plan and some of the measures needed to get there." Both organizations support the POMV concept, and will work to carry that discussion to the public.

[HB 236 was held over]

Number 0507

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Ways and Means meeting was adjourned at 8:31 a.m.