

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 9, 2005

1:35 p.m.

MEMBERS PRESENT

Senator Gary Stevens, Chair
Senator Johnny Ellis
Senator Albert Kookesh

MEMBERS ABSENT

Senator Bert Stedman
Senator Thomas Wagoner

COMMITTEE CALENDAR

HOUSE BILL NO. 42

"An Act naming the Joe Williams, Sr., Coastal Trail."

HEARD AND HELD

SENATE BILL NO. 114

"An Act relating to consolidating or abolishing certain service areas in second class boroughs."

HEARD AND HELD

SENATE BILL NO. 112

"An Act imposing a tax on residents of regional educational attendance areas; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 42

SHORT TITLE: JOE WILLIAMS, SR., COASTAL TRAIL

SPONSOR(S): REPRESENTATIVE(S) ELKINS

01/10/05	(H)	PREFILE RELEASED 12/30/04
01/10/05	(H)	READ THE FIRST TIME - REFERRALS
01/10/05	(H)	CRA, TRA
01/20/05	(H)	CRA AT 8:00 AM CAPITOL 124
01/20/05	(H)	Moved Out of Committee
01/20/05	(H)	MINUTE(CRA)

01/21/05 (H) CRA RPT 5DP
 01/21/05 (H) DP: SALMON, LEDOUX, NEUMAN, OLSON,
 THOMAS
 01/21/05 (H) FIN REFERRAL ADDED AFTER TRA
 02/08/05 (H) TRA AT 1:30 PM CAPITOL 17
 02/08/05 (H) Moved Out of Committee
 02/08/05 (H) MINUTE(TRA)
 02/09/05 (H) TRA RPT 5DP
 02/09/05 (H) DP: SALMON, NEUMAN, THOMAS, GATTO,
 ELKINS
 02/14/05 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 02/14/05 (H) Moved Out of Committee
 02/14/05 (H) MINUTE(FIN)
 02/16/05 (H) FIN RPT 9DP
 02/16/05 (H) DP: HAWKER, WEYHRAUCH, CROFT, HOLM,
 KELLY, STOLTZE, FOSTER, MEYER, CHENAULT
 02/16/05 (H) ALL MEMBERS COSPONSORS
 02/16/05 (H) TRANSMITTED TO (S)
 02/16/05 (H) VERSION: HB 42
 02/18/05 (S) READ THE FIRST TIME - REFERRALS
 02/18/05 (S) TRA, CRA
 03/01/05 (S) TRA AT 1:30 PM BUTROVICH 205
 03/01/05 (S) Scheduled But Not Heard
 03/03/05 (S) TRA AT 1:30 PM BUTROVICH 205
 03/03/05 (S) Moved HB 42 Out of Committee
 03/03/05 (S) MINUTE(TRA)
 03/04/05 (S) TRA RPT 4DP
 03/04/05 (S) DP: HUGGINS, FRENCH, KOOKESH, COWDERY
 03/09/05 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 114

SHORT TITLE: SERVICE AREAS IN SECOND CLASS BOROUGHES
 SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

02/23/05 (S) READ THE FIRST TIME - REFERRALS
 02/23/05 (S) CRA
 03/09/05 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 112

SHORT TITLE: TAX ON REAA RESIDENTS
 SPONSOR(S): SENATOR(S) BUNDE

02/23/05 (S) READ THE FIRST TIME - REFERRALS
 02/23/05 (S) CRA, FIN
 03/09/05 (S) CRA AT 1:30 PM BELTZ 211

WITNESS REGISTER

Jim Van Horn
Staff to Representative Jim Elkins
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Introduced HB 42

Melanie Lesh
Staff to Senator Gary Stevens
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Introduced SB 114

Renee Broker, Attorney
Fairbanks North Star Borough
PO Box 71267
Fairbanks, Alaska 99707
POSITION STATEMENT: Testified on SB 114

Rynniewa Moss
Legislative Aide for Representative John Coghill
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Testified on SB 114

Kevin Ritchie
Alaska Municipal League
217 Second Street
Juneau, Alaska 99801
POSITION STATEMENT: Strongly supported SB 114 and testified in support of the concept of SB 112

Senator Con Bunde
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of SB 112

John Borg
Eagle, AK
POSITION STATEMENT: Raised questions about SB 112

Joe Banghart, Superintendent
McGrath area school district
POSITION STATEMENT: Suggested the committee consider other options than that proposed in SB 112

Darroll Hargraves, Chair
Local Boundary Commission

Department of Community & Economic Development
550 West Seventh Avenue, Suite
Anchorage, Alaska 99501-3510

POSITION STATEMENT: Spoke in support of the concept of SB 112
but the LBC took no position on the bill

Richard Schultz
Tok, AK

POSITION STATEMENT: Testified in support of SB 112

William Miller
Dot Lake Village Council
Alaska Gateway School Board
P.O. Box 226
Tok, AK 99737

POSITION STATEMENT: Suggested changes to SB 112

Issac Juneby, Chief
Eagle Village, AK

POSITION STATEMENT: Opposed SB 112.

Jim Nygaard, Superintendent
Southeast Island School District
P.O. Box 195691218A
Shoreline Drive
Thorne Bay, AK 99919

POSITION STATEMENT: Expressed concern with SB 112.

Patrick Dalton
Delta Junction, AK

POSITION STATEMENT: Supports SB 112

Irene Meade
Delta Junction, AK

POSITION STATEMENT: Supports SB 112

Denny K. Weathers
Cordova, AK

POSITION STATEMENT: Opposes SB 112

P.R. Miller
Delta Junction, AK

POSITION STATEMENT: Testified on SB 112

John Kunik
Glennallen, AK

POSITION STATEMENT: Questioned where the money would come from for SB 112

Mike Murphy

Delta Junction, AK

POSITION STATEMENT: Testified on SB 112

Audrey Murphy

Delta Junction, AK

POSITION STATEMENT: Testified on SB 112

ACTION NARRATIVE

CHAIR GARY STEVENS convened the Senate Community and Regional Affairs Standing Committee meeting at [1:35:57 PM](#). Senator Ellis and Chair Gary Stevens were present and Senator Kookesh arrived during the course of the meeting. He announced that a quorum was not present and no action would be taken on bills that day.

[1:36:43 PM](#)

HB 42-JOE WILLIAMS, SR., COASTAL TRAIL

CHAIR GARY STEVENS announced HB 42 to be up for consideration.

JIM VAN HORN, staff to Representative Jim Elkins, explained HB 42 names three miles of coastal trail between Ketchikan and Saxman the Joe Williams Sr. Coastal Trail. Mr. Williams served as mayor of Saxman for 38 years, was active in public affairs and was a highly respected citizen.

The bill honors the memory of a respected Native leader and his family as well.

[1:38:54 PM](#)

CHAIR GARY STEVENS noted that most House members were co-sponsors then asked whether the sponsor objected to the proposed committee substitute, which would change the name to the Joseph C. Williams Coastal Trail.

MR. VAN HORN responded the sponsor had no objection.

CHAIR GARY STEVENS held HB 42 in committee.

SB 114-SERVICE AREAS IN SECOND CLASS BOROUGHS

[1:39:34 PM](#)

CHAIR GARY STEVENS announced SB 114 to be up for consideration.

MELANIE LESH, staff to Senator Gary Stevens, explained that SB 114 relates to consolidation or dissolution of certain service areas in second-class boroughs. It is the companion bill to HB 121 that is awaiting final House action.

MS. LESH explained that Senator Gary Stevens was asked to introduce SB 114 to help resolve unintended consequences related to the creation then cessation of funding for road service districts.

Initially state revenue sharing was sufficient to allow subdivisions outside city limits to maintain local area roads. Local service area road commissions were created to collect revenue sharing based on the miles of road in the particular service area.

When the revenue sharing program terminated, a number of service areas had insufficient funding to perform road maintenance. Those service areas became non-functional and roads in those service areas are deteriorating.

Second Class Boroughs have no road powers and no authority to dissolve a service area without a vote of the residents, but even so they are concerned about their liability for the deteriorating roads. The proposed statute change would allow for the dissolution or consolidation of non-functioning districts.

MS. LESH stated that SB 114 serves to resolve a problem in the Fairbanks North Star Borough and the borough attorney would provide further explanation.

[1:41:29 PM](#)

RENEE BROKER, attorney for the Fairbanks North Star Borough, reported that the borough has 107 road-service areas. Since state revenue sharing terminated, some service areas have become unable or unwilling to tax themselves sufficiently to provide some or any road maintenance. Some service areas aren't even able to attract commissioners to serve on the service area boards, which means they are headed for legal dysfunction. The Fairbanks North Star Borough supports SB 114 to regain a measure of control since it has the responsibility for dysfunctional

service areas and the liability for poorly maintained roads. It wants to step in and exercise responsible action with respect to those service areas specifically, but has no interest in extending its authority to service areas that are functioning legally and as intended.

CHAIR GARY STEVENS asked Ms. Moss to come forward.

[1:44:00 PM](#)

RYNNIEVA MOSS, legislative aide for Representative John Coghill, reported she was testifying in support of SB 114 as chair of a road service district in North Pole.

Initially she had concerns about protecting properly functioning service districts but she is comfortable that the language in SB 114 does provide protection to service areas that function properly and allows them to continue to conduct their business.

[1:44:52 PM](#)

CHAIR GARY STEVENS asked Ms. Moss if she sees the advantage in removing road service areas that are non-functioning.

MS. MOSS replied yes and recapped the issue that Second Class Boroughs become liable for roads that aren't maintained in accordance with the state statutes that set up the service area. SB 114 removes that liability. She contended that it's the people that live in the service areas that will be liable because ambulances, fire trucks and school buses will eventually stop using roads that aren't maintained.

CHAIR GARY STEVENS said the borough might become the deep pocket in the event of a lawsuit.

KEVIN RITCHIE, Alaska Municipal League (AML), reported that both the AML legislative committee and the AML board strongly support SB 114.

There was no further testimony.

[1:46:57 PM](#)

CHAIR GARY STEVENS announced he would hold SB 114 in committee and take action at the next meeting.

At ease [1:47:15 PM](#) - [1:50:46 PM](#)

CHAIR GARY STEVENS noted that Senator Kookesh had joined the meeting and a quorum was present.

SB 112-TAX ON REAA RESIDENTS

CHAIR GARY STEVENS announced SB 112 to be up for consideration and asked Senator Bunde to come forward.

[1:50:52 PM](#)

SENATOR CON BUNDE, sponsor of SB 112, opened his comments with the observation that all school districts could use more money and that only 4 of 34 districts statewide contribute to the maximum for schools.

SB 112 simply says let's have some equity and compare what the average per capita payment for schools is in organized and unorganized areas. It provides the opportunity for adults in the unorganized areas to approach the average payment of adults in the organized areas. He estimates that this would amount to a tax of approximately \$400 per person and by FY 08 and would generate to nearly \$13 million for schools.

This doesn't supplant existing support for school; the money would be in addition to current funding. Although funds cannot be dedicated, he contended that this would be a true school tax.

[1:55:56 PM](#)

CHAIR GARY STEVENS remarked his community receives payment in lieu of taxes (PILT) money for the military base and REAAs also receive some type of federal support. He asked the sponsor to explain what that money does and does not do for the recipients and how it fits into payment for education.

[1:56:20 PM](#)

SENATOR BUNDE asserted that PILT funds are pass through monies from the federal government and, in his view, they aren't a local contribution.

SENATOR KOOKESH pointed out that the funds don't have to be pass through money because a number of other states funnel that money directly to school districts.

SENATOR BUNDE replied the funds are pass through in Alaska.

SENATOR KOOKESH said his point is that other states have proven that the money doesn't have to be pass through so the idea shouldn't be brushed aside lightly.

SENATOR BUNDE responded he doesn't define it as a local contribution.

SENATOR ELLIS questioned how enforcement and penalties would work for late or non-payment issues.

SENATOR BUNDE said the Department of Revenue (DOR) representative could answer in greater detail, but collection would be a simple payroll deduction for those who are employed. For the self-employed and unemployed, the tax would be paid directly to the state. Anyone in default would be subject to collection of the debt just like with any other bill.

SENATOR KOOKESH noted that DOR estimates that residents from the unorganized borough have earned \$5.5 million in income since 2004. For comparison purposes, he was curious whether the department knew how much people in organized boroughs earned in the same period. REAAs have contributed far more than \$2 million to the economy of the state and he was interested in whether the sponsor had reviewed that information.

SENATOR BUNDE replied he didn't have the earned income in organized areas at his fingertips, but he is looking at personal local contribution. People living in areas with a sales tax make a personal local contribution to services including schools. And property owners living in communities with property tax also make a local contribution to support schools.

"The contributions that we all make to our state's economy are appreciated and are vital to our growth, but I view that as a separate issue than what is the personal local contribution."

[2:00:30 PM](#)

SENATOR KOOKESH: responded he brought the question up because it needs an answer before the bill goes forward.

CHAIR GARY STEVENS noted Mr. Fried and Mr. Harlamert from the Department of Revenue were present to answer questions. He then informed the sponsor that his intention was to bring the bill up at a future meeting.

2:00:53 PM

KEVIN RITCHIE, Alaska Municipal League (AML), said the AML legislative committee believes that the way the Legislature deals with the unorganized area is a key issue. Assemblies routinely work to find ways to pay bills while making life better for residents and that's what the Legislature is doing for the unorganized area. He stressed that the equity of this type of tax requires serious discussion.

2:03:57 PM

The AML has spent considerable time discussing the evolution of local government and this is yet another discussion of how to govern the unorganized borough. This is a very important issue and the AML would like to be fully engaged. Certainly there is nothing that says that the unorganized borough may not be taxed, but the key is how that will come about, he concluded.

CHAIR GARY STEVENS opened teleconference testimony.

2:04:48 PM

JOHN BORG from Eagle testified that the argument against implementing a statewide income tax is that it would unfairly impact lower income people and he thought the \$424 tax assessment would similarly impact low-income adults. Also, he disagreed with the idea that families that pay for home school materials should also be expected to pay for a school that they don't use. There is no logic to that, he said.

CHAIR GARY STEVENS pointed out that people in organized boroughs pay property tax to support schools whether they use them or not.

2:07:16 PM

JOE BANGHART, superintendent, Iditarod School District, in McGrath explained that his job includes balancing the books and preparing a budget for the McGrath school district, which isn't on the road system. Everyone is certainly concerned with preparing young people with a good education, but the McGrath REAA is faced with a projected deficit of at least \$605,000 in the '06 school year.

Instead of a flat rate tax on REAA residents, he suggested the committee consider other options. A graduated scale tax based on

income or a state income tax would better accommodate low-income individuals. Another option is to tax workers that come into the state and work short term.

He reported that his district receives just \$70,000 of the annual \$600,000 in pass through funds. Because of population shifts that are occurring in rural areas of the state, he is concerned that if a tax were levied more people might leave and further impact the school.

If an agreement were made, how would the money be spent to ensure that it would benefit the children, he asked. In closing he used the following analogy:

Our school district has a serious cut ... that requires 50 stitches to close our system or we're going to bleed to death. Current offers in Juneau only provide 5 to 10 of these stitches. The blood is flowing and soon we will bleed to death.

[2:13:16 PM](#)

CHAIR GARY STEVENS thanked Superintendent Banghart, for his comments and specific suggestions.

[2:13:37 PM](#)

DARROLL HARGRAVES, Local Boundary Commission (LBC) chair, spoke in support of the concept of SB 112 and noted that in particular it is a means to remove disincentives for borough incorporation.

He argued that it is clearly an impediment to borough formation when you consider that REAA school districts aren't required to make a local contribution to support schools while municipal school districts are required to do so. SB 112 would remove that impediment by leveling the playing field so that everyone would pay taxes to help support state services offered on the local level.

MR. HARGRAVES referenced pages 115-122 of the LBC annual report for details about taxing unorganized areas. He acknowledged that the bill might need technical refinements and that the LBC was available to lend assistance in that regard.

[2:17:41 PM](#)

CHAIR GARY STEVENS thanked Mr. Hargraves for both his testimony and efforts on behalf of the LBC.

SENATOR KOOKESH asked Mr. Hargraves to send a copy of the LBC minutes in which it went on record in support of the concept of SB 112

MR. HARGRAVES replied:

The commission put the concept together for its report that it submitted to you earlier in the session. There has been no specific action on [SB] 112. The concept itself is in the report that we referred to you.

SENATOR KOOKESH reiterated his desire to receive a copy of the minutes supporting the concept of SB 112 because he heard him specifically say that "we support the concept on Senate Bill 112."

MR. HARGRAVES said:

I can tell you it was supported in the formation of our report to you. Local Boundary Commission members were surveyed to see how they individually felt about this since this bill just came up. And we did have unanimous support from them to support this and speak to its support.

He referenced pages 115-122 of the LBC annual report and said the specific concept is addressed there.

[2:19:14 PM](#)

CHAIR GARY STEVENS asked Senator Kookesh if he was satisfied with the answer.

SENATOR KOOKESH replied he wasn't satisfied.

CHAIR GARY STEVENS asked if he needed a copy of the annual report.

SENATOR KOOKESH replied, "It's interesting that SB 112 came out after the annual meeting and for him to specifically state that.... the commission is supportive of [SB] 112 is peculiar to me."

[2:19:43 PM](#)

MR. HARGRAVES clarified it is the concept that the commission has gone on record as supporting, but they aren't speaking in support of the specifics of SB 112.

CHAIR GARY STEVENS reiterated that on pages 115-122 the commission supported the concept, but they have taken no position on the bill.

MR. HARGRAVES said that is correct.

[2:20:28 PM](#)

RICHARD SCHULTZ, former Alaska State Senator, testified from Tok in support of SB 112. As the sponsor pointed out, the bill meets the guidelines established in the Constitution under Article 1, Section 1, but it also satisfies Article 1, Section 2; Article 10, Section 3; and Article 10, Section 6.

This is the fairest way to approach the inequities and disparities that exist between the organized and unorganized areas and the argument that people in the unorganized areas aren't paying their fair share is legitimate. SB 112 allows areas to remain unorganized while putting them on equal footing with the organized areas.

MR. SCHULTZ pointed out that if the bill passed and the unorganized areas ultimately decided they didn't like it, they would still have the constitutional ability to petition to become a borough and if that were successful, the area would have the authority to determine the local tax structure.

The debate is in the legislative court, which is where it should be. But be cognizant that the unorganized borough is nearly unanimous in its opposition to mandatory boroughs as an additional layer of unwanted and unnecessary government.

In terms of the bill mechanics, he suggested that accurate information about how many people live in a particular area should come from Permanent Fund Dividend applications rather than from the Department of Revenue and/or the Department of Labor and Workforce Development (DOLWD). Even if the tax weren't deducted from the dividend, you'd still have accurate information about who owed and who didn't owe.

He expressed respect for Mr. Hargraves and appreciation for the time he has spent serving on the LBC. Nonetheless he opined that

system and the regulations that have been written are out of control and are causing more problems than they are worth. He stated support for the legislation and said he believes that most people in the unorganized areas want the mandatory borough issue to go away. If it requires some sort of a tax assessment, then the unorganized area wants to sit at the table to address that. Certainly no one is eager to pay a head tax, but it would give the unorganized areas some legitimacy when it comes to addressing issues of statewide equity.

In a closing comment he suggested that PL 874 money would not be affected in the REAAs if the head tax were to pass, but that Eddy Jeans could give a definitive answer.

[2:26:08 PM](#)

CHAIR GARY STEVENS thanked former Senator Schultz for his past and present service to the state.

[2:26:30 PM](#)

WILLIAM MILLER, President, Dot Lake Village Council testified on behalf of the council, which is the governing body of the federally recognized tribe of Dot Lake. After reviewing the bill, he had a number of comments and recommendations.

On page 1, line 7 he would prefer that the word "employed" were used rather than "residing" because of the number of people that work in the area but don't live there.

Page 1, line 8 indicates that the tax amount would be set and this would be expensive for the individuals living on a limited income. In addition, the bill doesn't address the disabled, the unemployed and those living on Social Security and retirement. He would prefer that the language say the tax would not exceed 1 percent of income. He also recommended deleting "by dividing amount" from page 1, lines 9-10.

Page 2, lines 5-11 deals with the payment method, which could be devastating to individuals that live from paycheck to paycheck. He suggested a preferred method would be to withhold the taxes the same way that employers presently withhold unemployment tax so tax payments would be spread throughout the year.

He opined a percentage-of-income tax payment is appropriate for employed individuals and the self-employed would pay the tax at year-end based on the federal income tax form.

Using Senator Bunde's figures, he said that tax of \$13 million or 2.5 percent would be generated.

In conclusion Mr. Miller emphasized that employed individuals should pay the tax and not everyone in the REAA.

[2:32:54 PM](#)

CHAIR GARY STEVENS asked Mr. Miller to send his written comments to the committee if at all possible.

MR. MILLER agreed to do so.

[2:33:50 PM](#)

ISSAC JUNEBOY, Chief of Eagle Village, testified in opposition to SB 112. As Senator Bunde intended, the bill points to all rural areas and it says it is in line with the Alaska State Constitution. However, the statement is used in the wrong context when used for tax purposes, he contended.

Another reason he opposes SB 112 is that there are no jobs in some rural areas and some people live on very limited incomes and they couldn't afford to pay a tax. He suggested that putting money into resource development is preferable to this approach.

[2:36:55 PM](#)

CHAIR GARY STEVENS thanked Mr. Juneby.

[2:36:58 PM](#)

JIM NYGAARD, superintendent, Southeast Island School District, expressed concern with regard to SB 112 because it puts the 225 students in his district at risk. He explained that the district is an REAA with eight sites. Between 60 and 70 percent of the children attending school in the district live at the poverty level so the discussion about generating taxes locally is great cause for concern.

Referencing earlier testimony on the PERS/TRS impact to the state, he reported that in his district the PERS increase from FY 04 to FY 06 amounts to more than \$250,000. Both PERS and TRS employees have less reason to stay and more reason to move out of state all the time.

He referenced the analogy about needing 50 stitches to sew up a wound but only having money for 5 stitches. His district can't even afford to go to the doctor.

Because of teacher retention, children living at the poverty level, and the cost of living rate in his REAA he opposed SB 112.

[2:39:36 PM](#)

CHAIR GARY STEVENS reiterated the concerns are that costs are getting higher and that he doesn't see any way for his REAA to fund the costs.

MR. NYGAARD replied, "If we tax a population that's in the poverty level, it only accelerates the decline of other opportunities."

CHAIR GARY STEVENS thanked Mr. Nygaard.

[2:40:49 PM](#)

PATRICK DALTON testified from Delta Junction in support of SB 112. He explained that a local group of citizens conducted an informal survey to determine whether borough formation was popular. Although the community didn't want a borough, it was willing to support a direct head tax. He clarified that the survey was sent to post office box holders. Twenty percent of the box holders responded and 80 percent of the respondents favored some sort of a head tax rather than forming a borough.

He reported that his area has renewed confidence in the Legislature because with this action it is acting as the assembly for the unorganized borough, which is exactly what it is supposed to do.

[2:42:14 PM](#)

IRENE MEADE, Delta Junction local historian, testified in support of SB 112. She reported that the community has studied forming a borough a number of times over the last 30-40 years and that the residents realize that Fairbanks has designs on the area because of its potential wealth.

She discussed potential mining development and the expansion of Fort Greeley as a missile base and pointed out that in the boom

cycles most of the workers aren't residents so the money doesn't stay in the local area.

Most residents are willing to support the school system and she looks forward to listening to further debate on SB 112.

[2:44:48 PM](#)

CHAIR GARY STEVENS said he appreciated Ms. Meade's historical approach.

[2:44:53 PM](#)

DENNY K WEATHERS, Hawkins Island resident, testified via teleconference to oppose SB 112. She said it's important to note that prior to 1980, the State of Alaska had a statewide school tax. In April of 1980 the Legislature repealed the tax after the Department of Revenue asked it to do so. The justification was that withholding the school tax in the absence of an income tax would be an unnecessary burden on employers in future years and that the revenue would be marginal.

Because SB 112 targets just REAA residents, she suggested the tax would be discriminatory and unconstitutional. Pointing out that SB 112 charges all REAA residents whether they use the school system or not, she suggested that it might be time to abolish the REAA and look into other means of education.

MS. WEATHERS said her husband pays a raw fish tax that goes to the community in which he delivers fish, but neither her family nor her school district receive anything from that tax. She also pays the Cordova sales tax when she shops there and that tax goes to the Cordova school system and not hers so she's helping yet another community.

Most of the people that own homes in the Prince William Sound area aren't full time residents so she disagrees with Mr. Hargraves when he talks about SB 112 leveling the playing field. She has no school building and no one paid for her to home school her children.

She said this is yet another example of the government wanting something that the people oppose. Two wrongs don't make a right and the government needs to figure that out, she said.

Finally she asked Mr. Hargraves to clarify his statement regarding the LBC supporting the concept of the legislation

because when she discussed the issue with Mr. Bockhorst he indicated the department didn't have a position on the bill.

2:50:30 PM

CHAIR GARY STEVENS clarified that Mr. Hargraves said the LBC supports the concept found in the bill, but it didn't support the bill because SB 112 came out after the annual report. He directed her to pages 115-122 of the annual report.

MS. WEATHERS replied the concept wasn't written the way SB 112 was written.

2:51:23 PM

P.R. MILLER, Delta Junction resident, quoted the state constitution and suggested the state be reorganized into delineated unorganized boroughs.

He takes exception to the idea that his area pays nothing to support the school and other systems. He referenced the pipeline running through the area, payment in lieu of taxes money for Fort Greeley and Black Rapids, and borough start up money, which amounts to millions of dollars. It's all coming from the Delta area for not being a borough and the state would be very unhappy if the area were to become a borough.

He had two ways figured out to fund schools. First, anyone that files a federal income tax form could deduct \$100 and donate the money to the local school. The second suggestion requires a payment of one percent of adjusted income.

2:55:56 PM

JOHN KUNIK, Glennallen resident, testified via teleconference and took issue with page 2, lines 20-22 because he believes that this is a dedicated tax. He suggested that his area contributes about \$6.5 million into the general fund when you consider the pipeline and PILT payments.

He pointed out that most of the land in the area isn't in private hands and isn't taxable so he didn't understand where the money would come from if the area were forced into a borough. The unemployment rate in the area is high and there is no detailed analysis about land values and how much it would cost to implement a governmental structure.

He asked the LBC what would happen and who would be responsible if an area were to organize and subsequently found it couldn't afford to sustain the governmental structure.

Where would the excess money come from, he asked.

[2:58:59 PM](#)

MIKE MURPHY, Delta Junction resident, testified via teleconference and said he supports some sort of tax for people living and or working in the unorganized boroughs simply as a measure of fairness.

[2:59:31 PM](#)

AUDREY MURPHY, Delta Junction resident, said everyone receives a PFD therefore she believes everyone could afford to pay something for education. She concluded, "I want to support education because I want to live in an educated populace and this is a good way to do this."

[3:00:13 PM](#)

CHAIR GARY STEVENS asked Senator Bunde if he had any closing comments.

[3:00:47 PM](#)

SENATOR BUNDE asked that discussion about mandatory boroughs and education be kept separate because they are two different issues.

He summarized using the last comments from his sponsor statement.

The constitution says that all people are equal and entitled to equal rights opportunity and protection under the law. And all people have a corresponding obligation to the people in the state. An educated populace benefits everyone and it's critically important to see that Alaska's children get an adequate education. SB 112 is not an attempt to penalize, but simply to find additional funds.

[3:02:07 PM](#)

CHAIR GARY STEVENS announced he would hold SB 112 in committee.

There being no further business to come before the committee,
Chair Gary Stevens adjourned the meeting at [3:02:23 PM](#).