

HOUSE FINANCE COMMITTEE

April 14, 2016

5:03 p.m.

5:03:12 PM

CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 5:03 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair  
Representative Steve Thompson, Co-Chair  
Representative Dan Saddler, Vice-Chair  
Representative Bryce Edgmon  
Representative Les Gara  
Representative Lynn Gattis  
Representative David Guttenberg  
Representative Scott Kawasaki  
Representative Cathy Munoz  
Representative Lance Pruitt  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Tomas Boutin, Self, Juneau; Ron Fuhrer, NEA Alaska, Juneau;  
Drue Pearce, Self, Anchorage; Joelle Halle, AFLCIO,  
Anchorage; Bill Corbus, Self, Juneau; Eleanor Andrews,  
Alaska's Future, Juneau; Jordan Nigro, Self, Juneau; Tom  
Brice, Self, Juneau; Paul Fuhs, Self, Juneau.

PRESENT VIA TELECONFERENCE

David Landry, Self, Anchorage; David Morgan, Self,  
Anchorage; Gary Hutchison, Self, Fairbanks; Tam Agosti-  
Gisler, Self, Anchorage; Ed Martin, Self, Cooper Landing;  
Bev Hoffman, Self, Bethel; Dennis Knebel, Self, Anchorage;  
Cindy Bettine, Business Owner, Big Lake; Jim Sykes, Self,  
Palmer; Fred Sturman, Self, Soldotna; Nancy Hilstrand,  
Self, Kachemak Bay; Patrick Dalton, Self, Delta Junction;

Matthew Blattmachr, Self, Anchorage; Tim Robinson, Self, Palmer; Ross Mullins, Self, Cordova; Lisa Ellanna, Self, Nome; Richard Green, Self, Fairbanks; Cynthia Henry, Self, Fairbanks; Susan Sprinkle, Self, Fairbanks; Walter Robinson, Self, Fairbanks; James Squyres, Self, Rural Deltana; Paul Kendall, Self, Anchorage; Ed Martin III, Self, Sterling; William Deaton, Self, Cordova; Bill Lambert, Self, North Pole; Colleen Bickford, Self, Anchorage; Sharon Dalton, Self, Delta Junction; Terrie Gottstein, Self, Anchorage; Lauren Blanchett, Self, Anchorage; Andy Holleman, President, Anchorage Education Association, Anchorage; Alyse Galvin, Self, Anchorage; Kelsi Pulcznski, Self, Anchorage; Olivia Pidgeon, Self, Anchorage; Merrick Pierce, Self, Fairbanks; Pam Throop, Self, Fairbanks; Earl Whitt, Self, Anchorage; Paul Roderick, Self, Anchor Point; Robert McCoy, Self, Anchorage; Jeremy Price, Americans for Prosperity, Anchorage; Steve Gibson, Self, Homer; Deena Mitchell, Self, Anchorage; Patrick Schlichting, Self, Delta Junction; Jeanine St. John, Self, Anchorage; Jean Ellis, Self, Petersburg; Linda Murphy, Self, Soldotna; Meg Nordale, Self, Fairbanks; Willie Lewis, Self, Anchorage; Naja Brandt, Self, Nome; Carl Kancir, Self, Anchorage; Jeff Barnard, Self, Juneau; Richard Olsen, Self, Homer; Edward Witbeck, Self, Kenai; David Otness, Self, Cordova; Garvin Bucaria, Self, Wasilla; Bernie Hoffman, Self, Fairbanks; Hollis Hall, Self, Fairbanks; Joel Switzer, Self, Fairbanks; David Boyle, Self, Anchorage; Mike Swain, Self, Anchorage; Garret Floyd Self Anchorage; Doug Goering, Self, Fairbanks; Sara Willson, Self, Juneau; Deborah Brollini, Self, Anchorage. George Pierce, Self, Kasilof; Patricia Fisher, Self, Meadow Lakes;

#### SUMMARY

HB 245 PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS

HB 245 was HEARD and HELD in committee for further consideration.

HB 250 INDIV. INCOME TAX: CREDITS; RETURNS

HB 250 was HEARD and HELD in committee for further consideration.

Vice-Chair Saddler indicated that Representative Wilson was present and that they would be hearing public testimony on

HB 245 and HB 250. He also encouraged testifiers to submit their written testimony. He noted that time was limited to 2 minutes and asked that testimony remain civil and respectful.

[5:04:51 PM](#)

#hb245

#HB250

HOUSE BILL NO. 245

"An Act relating to the Alaska permanent fund; relating to appropriations to the dividend fund; relating to income of the Alaska permanent fund; relating to the earnings reserve account; relating to the Alaska permanent fund dividend; making conforming amendments; and providing for an effective date."

HOUSE BILL NO. 250

"An Act relating to the taxation of income of individuals; repealing tax credits applied against the tax on individuals under the Alaska Net Income Tax Act; and providing for an effective date."

^PUBLIC TESTOMONY: HB 245 and HB 250

[5:04:51 PM](#)

DAVID LANDRY, SELF, ANCHORAGE (via teleconference), supported a personal income tax. He felt that to solve the problem there would actually have to be a higher income tax than proposed which would be more equitable and better for rural Alaska. He described his work experience reporting that over the last 18 months he had clients come to him with plans and then decided to defer. Uncertainty was a big issue for contractors. He suggested getting an income tax on the books as soon as possible for more predictability.

[5:07:29 PM](#)

DAVID MORGAN, SELF, ANCHORAGE (via teleconference), was a member of Common Wealth North and was a professional economist. He was currently looking at Gunnar Knapp's report and referenced page 32. He noted that an income tax would result in a higher loss of jobs by pulling out dollars in the aggregate format. However, only half of

Alaskans paid federal income tax and only 25 percent itemize their taxes. He disagreed with the fairness concept of an income tax. He also thought using savings from the Permanent Fund (PF) would be necessary along with conducting further studies. He thanked the committee.

[5:09:40 PM](#)

GARY HUTCHISON, SELF, FAIRBANKS (via teleconference), supported HB 245. He thought an income tax was important to consider but did not believe the legislature should hurry to implement it. He thought a tax needed to be applied in conjunction with managing the State of Alaska's Public Employment Retirement System (PERS) liability. If the state was going to remove money from the economy with an income tax he thought it was necessary for the state to have a tool for management of its PERS and Teacher's Retirement System (TRS) unfunded liabilities.

[5:11:38 PM](#)

GEORGE PIERCE, SELF, KASILOF (via teleconference), urged the state not to take his Permanent Fund Dividend (PFD). He supported cutting tax credits and thought the state gave everything to the oil companies. He wanted the people of Alaska to be able to vote on whether the state should use their PFD. He thought it was time for the legislature to impose an income tax and other taxes. He suggested that the legislature needed fixing. He spoke against major projects.

Vice-Chair Saddler indicated that Representative Gattis, Representative Munoz, and Representative Edgmon had joined the meeting.

[5:13:59 PM](#)

TAM AGOSTI-GISLER, SELF, ANCHORAGE (via teleconference), spoke in favor of the Percent of Market Value (POMV) approach regarding the PF and supported an income tax. She asked the legislature not to balance the budget strictly with cuts.

Vice-Chair Saddler relayed that Co-Chair Thompson had joined the meeting.

[5:15:20 PM](#)

ED MARTIN, SELF, COOPER LANDING (via teleconference), spoke of a YouTube video in which five previous governors discussed taxes. He spoke against a personal income tax. He thought it was unfair. He did not feel like Alaskan's should be taxed on their PFD. He suggested that the legislature needed to cut more and reduce spending. He felt that both the governor and the legislature needed to create new wealth from Alaska's resource. He recommended selling some of the state's land. He urged the use of the Constitutional Budget Reserve (CBR).

[5:18:48 PM](#)

TOMAS BOUTIN, SELF, JUNEAU, opposed a personal income tax. He spoke of producing less of what the state consumed than any other state. He opined that the state could not support itself with oil by taxing each other. He thought the state's options were to increase production or reduce consumption. State government was a measure of consumption rather than production. He reported that fewer than half of Alaskans paid a federal income tax. Therefore, a state income tax would tax a minority of Alaskans and only those who worked. He opined that taxing workers and job creators set up an adverse selection: the people who would be likely to leave. He mentioned the \$11 billion debt the state currently had. He thought an income tax would exacerbate the state's problems.

[5:21:47 PM](#)

RON FUHRER, NEA ALASKA, JUNEAU, supported HB 245 and HB 250. He wondered what future would be left for Alaskans and their children. He thought the deficit was too large to address without restructuring how the state used the PF earnings. He thought a sustainable draw was necessary to preserve the dividend for future generations and to help pay for essential services such as public safety and public education. He supported passing a broad-based tax and urged members to pass a long-term fiscal plan.

[5:23:39 PM](#)

BEV HOFFMAN, SELF, BETHEL (via teleconference), supported a personal income tax and opposed tax credits for oil and mining companies. She relayed some labor statistics for 2014. Reports documented an increase in resident wages of 4 percent to \$13.9 billion. Non-resident wages increased 7

percent to 2.6 billion. The total wages for 2014 equaled \$16.5 billion which were going untaxed. She did not understand why the deficit was such a problem. She did not mind contributing even though she did not make a lot in retirement. She counted on her PFD for paying for electricity, heating fuel, and water. She supported capping the PFD. She also suggested an "opt out" choice for Alaska residents. She supported the use of the PF Earnings Reserve Account (ERA) with the caveat that the fund continued to grow. She encouraged members to continue eliminating "fluff" in the budget. She urged members to work together for all of Alaska.

Vice-Chair Saddler acknowledged Co-Chair Neuman and Representative Pruitt at the table.

[5:26:14 PM](#)

DENNIS KNEBEL, SELF, ANCHORAGE (via teleconference), supported HB 245. He urged members to act expediently and to work together. He opined that a sustainable budget would keep Alaskan's working. He also supported action to extend the life of the CBR using a portion of the ERA to fill the budget gap. Additional budget reductions and additional tax measures would be necessary to resolve the state's fiscal woes. He thanked members for their leadership.

[5:27:52 PM](#)

CINDY BETTINE, BUSINESS OWNER, BIG LAKE (via teleconference), supported using the ERA to help bridge the budget gap and added immediate action was necessary. She thought every Alaskan should contribute. She did not have a problem with other options to raise revenues, but dipping into the ERA was the first right step. She appreciated the work done by legislators and encouraged members to act in the current session.

[5:29:24 PM](#)

PATRICIA FISHER, SELF, MEADOW LAKES (via teleconference), supported HB 245 and encouraged members to take immediate action to address the budget crisis. She believed a comprehensive approach to solving the state's fiscal woes was absolutely necessary and included restructuring the PF, imposing taxes, and further cutting unnecessary

expenditures. She reemphasized the need to act expeditiously.

[5:30:34 PM](#)

JIM SYKES, SELF, PALMER (via teleconference), had not heard whether the budget gap could be solved without touching the PFD. He thought it was possible. He encouraged members to review the Institute of Social and Economic Research (ISER)'s findings that it was less damaging to the economy to pay the full PFD and tax it back rather than to transfer half of the PFD directly to state government. He believed the state could not afford to subsidize oil credits and carry-forwards with PFD's. He urged the members to keep the PFD and to continue inflation proofing the PF. He thought the POMV at 5.2 percent was too high and was impossible to reach. He stressed the importance of getting things done correctly rather than quickly. He thought the PFD and inflation proofing had been the glue that held things together and urged the legislature not to touch them under any conditions. He thanked members for their hard work.

[5:32:40 PM](#)

FRED STURMAN, SELF, SOLDOTNA (via teleconference), told of two friends that had lost work. He invited members to explain to his friends that the legislature wanted to take their PFD's, impose an income tax, initiate a sales tax, and take other measures in order to keep government employees in their jobs making \$150 thousand to \$200 thousand. He continued that government had never produced new money, but rather spent it. He suggested several potential areas of government that could be reduced. He reemphasized the need to reduce government.

[5:35:07 PM](#)

DRUE PEARCE, SELF, ANCHORAGE, spoke in support of HB 245. She stated that the fiscal crisis facing the state was dire. During the time she served as a legislator she recalled making substantial budget cuts when oil prices were \$9.50 per barrel. However, at that time the state did not face a lack of reserves as it did currently. She stressed that the state could not afford the government it had. She commended the legislature for making the cuts that it had. However, the problems the state faced was only partly due to over-spending. The committee substitute

represented a major step in protecting the state's economic future. She supported structured use of the PF to help close the deficit. She supported action in the current session to extend the life of the CBR by using a portion of the ERA to fill the budget hole. She was an owner of a small Anchorage-based business and was concerned about protecting her investment and keeping her business doors open. She stated that support in the current session would protect private sector jobs and investment. She was sure the enormity of the budget gap was overwhelming. She implored the committee to act expeditiously, otherwise the price would be huge.

[5:37:48 PM](#)

JOELLE HALLE, AFLCIO, ANCHORAGE, relayed that her organization was proud to be participating in the Alaska's Future group. She stated that the organization was fully supportive of restructuring the PF to make sure the state could pay for the services it provided and to ensure there was a dividend in the future. She stated that one of the ways to protect the dividend into the future was to restructure the fund presently. The option would provide a meaningful contribution of about \$1.7 billion or \$1.8 billion to filling the state's \$4 million budget gap. In light of some of the current conversations she surmised that the most regressive thing that the legislature could do was nothing. She implored members to take action. She thanked committee members for their time and service.

[5:39:44 PM](#)

BILL CORBUS, SELF, JUNEAU, relayed that he had been the commissioner of the Department of Revenue from 2003 to 2006. He urged the committee to support HB 245; it was a good compromise and was an important ingredient to solve the state's fiscal dilemma.

Vice-Chair Saddler announced that Representative Gara had joined the meeting.

[5:40:52 PM](#)

ELEANOR ANDREWS, ALASKA'S FUTURE, JUNEAU, relayed that she had been in Juneau over 50 years and had raised her children and grandchildren. She had been the commissioner of Department of Administration (DOA) during the crash in

1986. Following her employment with the state she was a very successful business person. She stated that Alaska was a place of opportunity, but if the state did not act to use part of the ERA to fill the gap and strategically plan a sustainable budget for the future she predicted the state would experience a similar crash to that in 1986 and 1987. It had been her displeasure to help the governor sequester 50 percent of the operating budget. She reported that not one city or village received a municipal grant. She had to meet with vendors to get them to agree to accepting pennies on the dollar for payment for their services. The state could barely fund its defense agencies. She remembered being in Anchorage when whole subdivisions emptied as people lost their jobs. The banks could not handle the keys dropped off for people's mortgages. She thought the state had some time to plan what would happen. She was aware there would be a reduced budget and there would not be big mega projects. She thought it was important to look at what was essential, what was constitutionally required, what was statutorily required, and what would keep the economy from bottoming out. She opined that she would much rather have people and herself receive half of the dividend and to look forward to it. She supported restructuring the PF.

[5:43:18 PM](#)

NANCY HILSTRAND, SELF, KACHEMAK BAY (via teleconference), supported HB 250. She wanted to see self-determination come back to the state similar to what existed in the 70's. She hoped the legislature would reinstate the state income tax. She reported having a value-added fish processing plant with 60 employees. About 50 percent of her employees came from out-of-state. She thought it was important that they paid into Alaska's economy before leaving rather than taking it all with them. She believed the same tax should apply to oil, mining, logging, and fishing companies. She thanked the legislature for its work and hoped action would be taken soon.

[5:44:37 PM](#)

PATRICK DALTON, SELF, DELTA JUNCTION (via teleconference), reported that David Ramsey had anecdotal evidence that millionaires were leaving states with income taxes. He continued that when the multi-millionaires left states to avoid income taxes they also took many jobs with them. He thought it was a big fallacy for the state to try to tax

its way out of its fiscal hole. He thought the larger problem was that the state was spending too much without a base to support it. He relayed that the state had two historical models of economic science. He mentioned the tax cuts accompanied by deregulation in the early 80's and tax cuts in the roaring 20's. He wanted the legislature to stop taxing and start cutting the state budget. He thanked the committee for listening to his testimony and hoped the legislature would consider the issues carefully.

[5:46:44 PM](#)

MATTHEW BLATTMACHR, SELF, ANCHORAGE (via teleconference), addressed HB 245 and noted that there was no silver bullet to dealing with the state's fiscal crisis. He agreed that a multi-faceted approach was needed. He thought that cutting spending and implementing new sources of revenue were necessary. He commented that the PF was created for a rainy day. He believed it was a rainy day as well as the right time to consider restructuring the PF. He spoke to HB 250. He thought multiple sources of revenue were needed to pay for state government. He noted that HB 250 had some unintended consequences to functioning and profitable industries in Alaska, specifically the trust and estates industry where it generated a significant amount of free revenue to the state. The revenue would go away over night with an income tax bill without certain provisions in place. He thanked the committee for its work and for the opportunity to testify.

Vice-Chair Saddler asked if he opposed HB 250 or if he wanted to see it amended.

Mr. Blattmacher stated that he was in support of the concept behind HB 250 but wanted to see it amended.

[5:49:12 PM](#)

TIM ROBINSON, SELF, PALMER (via teleconference), did not believe the budget crisis would end with only one action. He thought a global approach was needed which included imposing an income tax. He believed that the plane loads of people coming to Alaska to work could certainly contribute their fair share towards the infrastructure they were using. He opined they paid nothing in Alaska and took from the state. He spoke of a testifier from the previous day who told of not making any money in the oil industry for

more than eight years. He thought that if a person worked at something for 8 years and did not make money they would likely give it up. The testifier was fighting against amending the tax credits. He stated the oil industry needed to be taxed by the state remarking that it was Alaska's oil. He stated that it was a rainy day, but the PF needed to be protected. He favored increasing income taxes and oil taxes. He claimed that they would not be taxes but rather a share of Alaska's revenue. He remarked that BP's president received a \$3 million raise in the prior year.

[5:51:53 PM](#)

ROSS MULLINS, SELF, CORDOVA (via teleconference), spoke in support of HB 245 and HB 250. He supported the use of the PF and was in favor of an income tax to help spread the pain of the dividend cuts. The income tax would help in a progressive manner and would counteract some of the regressive aspects of the PFD reductions. He strongly supported the governor's approach. He thought a POMV approach was much more risky. He opined that the budget reserves and all revenues should go to the PF, which would be the future of the state. It had been a significant factor in the state's growth. He believed the fund should be looked to for future revenues. He believed appropriate sideboards were necessary to protect the PF restricting spending.

[5:54:58 PM](#)

LISA ELLANNA, SELF, NOME (via teleconference), spoke in support of HB 250, but disagreed with the proposed tax matrix. She was a single mother of four children and did not receive any state assistance or child support. She noted that it was a fact for many people in the state. She fully supported a state income tax and believed it would tie people to their government. She believed it would increase government accountability and public voice. She strongly disagreed with the matrix where married couples were paying less taxes than single parents. Married couples had 2 times more earning power and because of that they should be paying more than single parents. She asked that the structure of tax be crafted in an ethical way. She thanked the members for the opportunity to share.

[5:57:43 PM](#)

RICHARD GREEN, SELF, FAIRBANKS (via teleconference), testified in support of HB 245 and HB 250. He thought it

was critical to address the budget deficit in the current session by reducing the state's operating budget and using the ERA to pay for services. He asked the committee to never underestimate the common sense and memory of the Alaskan voter. He reiterated his support for both bills.

5:59:12 PM

CYNTHIA HENRY, SELF, FAIRBANKS (via teleconference), spoke in support of HB 245 and in opposition to HB 250. She appreciated the hard work of the legislature in the current session. She operated a retail business in Alaska with multiple mall locations in Anchorage. She felt that the fate of her business was at the mercy of a healthy economy. She observed decreased mall traffic where her businesses were located and a cautiousness among customers. She opined that the ripple effect of reduced consumer spending was accelerating and permeating the Alaska economy. She asked that the legislature vote against implementing a personal income tax. Companies in the oil industry were already cutting back and leaving the state. She had grave concerns about the impact of the job losses and uncertainty for Alaska's small businesses such as hers. She felt that imposing a personal income tax would exacerbate an already-weak economy. She thought that after cuts to state government, the best tool the state had to address the deficit was to use a portion of the ERA to pay for government services. She suggested that the remaining deficit should be funded by the CBR. She thought that in following her suggestions the life of the CBR would be extended and a sustainable dividend program would be maintained. Acting immediately would save the dividend, avoid a recession, and maintain the state's bond rating. Enacting legislation utilizing earnings from the PF combined with a draw from the CBR would provide some certainty for the private sector that the legislature was managing the state's fiscal challenge. As a result, private sector jobs would be protected and private sector support of investment would continue.

6:01:16 PM

SUSAN SPRINKLE, SELF, FAIRBANKS (via teleconference), spoke in support of HB 250 and wanted an income tax imposed. She stated that according to a 2014 report, \$2.6 billion in wages were paid to non-residents working in Alaska. Non-residents worked in many different industries including the

oil, fishing, seafood, logging, and mining industries. She encouraged taxing for the use of public services. She stressed that solely making cuts would not solve the state's fiscal issues. She believed the state should pay its way. She mentioned being in favor of supporting the university system appropriately. She wanted to see the research system remain intact at the university.

[6:03:44 PM](#)

WALTER ROBINSON, SELF, FAIRBANKS (via teleconference), had grave concerns over the state's fiscal challenges and believed it was necessary to address the problems in the current year. He believed state services were very important to a healthy economy. Both of his children were home schooled and needed support for the state that supported home school programs. He supported HB 245 and HB 250. He asked members to take immediate action and do what was right.

[6:05:08 PM](#)

JAMES SQUYRES, SELF, RURAL DELTANA (via teleconference), spoke against using the earnings reserves and an income tax. He opposed both bills. He was a self-described Article 1, Section 2 Alaskan. He stated that the government was too bloated and inefficient. He mentioned that when bills were passed out of committee without notice to Alaskans about changes distrust formed. He also noted that trust was impeded because of testimony from the public being so limited in committee hearings. He knew of some people who had worked years on a particular issue only to have their time before the committee reduced to a very short period, sometimes being cut off or dropped from the teleconference line. He questioned whether legislators were actually listening to Alaskans. He thought the legislature currently had tools to address the deficit without HB 245 and HB 250. He did not support the bills.

[6:07:09 PM](#)

PAUL KENDALL, SELF, ANCHORAGE (via teleconference), spoke against both bills. He wondered what the legislature would do if the stock market dropped significantly and the oil companies decided to shut down the pipeline. He asked if legislators would hunt Alaskans down to pay for the retirement compensation for unionized employees. He thought

it was unbelievable that the state was in its current situation. He spoke in favor of a capital move and believed the legislature needed to meet for 90 days to 6 months to be able to answer some probing and challenging questions. He spoke to defining essential services. He believed there were five life essential services including water, sewer, trash, and electricity, and communications. In terms of necessity and in his estimation, everything else was debatable.

[6:09:40 PM](#)

ED MARTIN III, SELF, STERLING (via teleconference), spoke in opposition to HB 245 and HB 250. He stressed that Alaska was a resource-rich state. He thought it was a shame that only 1 percent of Alaska land was held in private ownership. He thought it was time to let loose of some of the state's resources like timber. He suggested that Alaska was on a three-legged stool: oil, fish, and tourism. He compared taxing Alaskans and taking away their dividend to giving a man a fish which he would eat for a day rather than teaching him how to fish so he could feed himself for a lifetime. He wondered where the state would be sitting in five years if the state took the money in the current year. He believed in creating new wealth. He suggested giving Alaska's land to the people predicting they would produce. It was both a short-term and long-term solution. He also mentioned the burden for a small business owner to have to do the paperwork accompanying taxes. He opposed both pieces of legislation. He felt the state should sell down its assets before coming to the people for a hand-out.

[6:12:06 PM](#)

WILLIAM DEATON, SELF, CORDOVA (via teleconference), spoke in opposition of HB 245 and HB 250. He believed the legislature needed to reduce the scope and size of government and government spending. He suggested one of the cuts should be defunding Planned Parenthood. He implored the state to cut government spending. Small business owners, such as himself, did not want to pay additional taxes on the money they made. He encouraged the legislature to make the hard decisions quickly.

[6:13:17 PM](#)

BILL LAMBERT, SELF, NORTH POLE (via teleconference), spoke in opposition to HB 245 and HB 250. He thought every state agency should be accountable for their electricity, sewer, and water. He would love to see every Alaskan with land rights of 3 acres. It would encourage an expansion across the state. He thanked the committee.

[6:15:27 PM](#)

COLLEEN BICKFORD, SELF, ANCHORAGE (via teleconference), was concerned about the state's fiscal future. She spoke in support of HB 250. She thought it was crucial to use a portion of the ERA for the budget. She was not fully in support of HB 245 as written, but supported the general concept. She appreciated the opportunity to testify.

[6:16:32 PM](#)

SHARON DALTON, SELF, DELTA JUNCTION (via teleconference), spoke in opposition to HB 245 and HB 250. She opposed new taxes and relayed that people lived in Alaska for personal freedom. She stated that cuts needed to be made to government. She pointed out that taxes would lead her to shut the doors to her family's small business and potentially move to the Lower 48. She believed the constant sense of entitlement needed to be stopped. She mentioned a 96 page plan online that would balance the budget without any taxation. She thought the legislature was driving people out of the state with more taxes.

Vice-Chair Saddler conveyed that Representative Kawasaki had joined the meeting.

[6:18:39 PM](#)

TERRIE GOTTSTEIN, SELF, ANCHORAGE (via teleconference), was in support of HB 250 but did not believe the bill went far enough. She thought a multi-faceted approach was necessary to solve the state's budget crisis. She did not support a sales tax because she believed it disproportionately impacted rural communities. She stated making changes to the PF was necessary, but it was an important source of cash to rural communities. She thought the governor's plan would sustain the PF. She mentioned a video produced by youth in Alaska that likened Alaskans to trust fund kids. She stated that new revenue sources were necessary. She thought an income tax was the fairest way to generate

revenue and would capture money from out-of-state workers. She wanted to pay her way and thought most Alaskans felt the same.

[6:21:23 PM](#)

LAUREN BLANCHETT, SELF, ANCHORAGE (via teleconference), spoke in support of HB 245 and HB 250. She was not married to the details in HB 245, but supported the concept of restructuring the PF. She favored a balanced approach which included generating new revenue sources, restructuring the PF, instituting an income tax, and making additional cuts to government spending. However, she did not want to see the education system or certain other critical services decimated. She reiterated her support for HB 245 and HB 250.

[6:22:36 PM](#)

ANDY HOLLEMAN, PRESIDENT, ANCHORAGE EDUCATION ASSOCIATION, ANCHORAGE, (via teleconference), testified in support of HB 245 and HB 250. He relayed that an income tax should be a small part of a package of taxes. Although multiple taxes were not something people liked, it meant that everyone would be paying something. He thought it was crucial to make use of the ERA, generate moderate other revenues, and make other moderate reductions as part of an overall package. He advocated making changes in the current year. He opined that long-term residents were ready to support the legislature in his concept and offered the support of his members as well.

[6:23:37 PM](#)

JORDEN NIGRO, SELF, JUNEAU, spoke in support of HB 245 and HB 250. She stated that some people were leaving because of the economy. She grew up in Juneau and it was her home. She was not leaving and wanted to be part of the solution. She thought both of the bills gave Alaskans the opportunity to be part of the solution. She was aware that there was not a simple answer but believed many people wanted to stay.

[6:25:11 PM](#)

ALYSE GALVIN, SELF, ANCHORAGE (via teleconference), spoke in favor of HB 250 and opposed HB 245. She believed an income tax was more equitable than a cap on the PFD. Also,

an income tax would capture revenues from out-of-state workers. She thought it was important for all people to pull together to do their part. She stated that the solution should not come from one section or another or only from the state's savings account. She continued that drawing exclusively from savings diminished the chance of using the reserves in the future. She asked members to support HB 250.

KELSI PULCZNSKI, SELF, ANCHORAGE (via teleconference), spoke in opposition to HB 250. She believed it was absurd that the legislature was considering an income tax to fund the state's extravagant spending. She was a recipient of the Alaska Performance Scholarship but believed the program should be cut. She stated that without the program her life would be harder. However, she saw the program as a luxury that could not be afforded by the state. She stressed the need to downsize state government and services; every department had waste that to cut. She referred to the irresponsible spending associated with the Anchorage Legislative Information Office and the expense of the building. She thought education, healthcare, and state services should be reduced significantly. Instituting a broad-based tax told her that Alaskan lawmakers had given up. They had given up on responsible spending, right sizing government, their constituents, and themselves. She urged members to oppose HB 250.

[6:29:50 PM](#)

OLIVIA PIDGEON, SELF, ANCHORAGE (via teleconference), spoke in strong opposition to HB 250. She remarked that the state had a plethora of extra services it did not need. She thought education, healthcare, and state services could stand to take cuts. She spoke to irresponsible spending at the University of Alaska Anchorage. She was a college student and was her own sole provider. She opined that state government was trying to tax its way out of a \$4 billion deficit. She thought that passing HB 250 would perpetuate the fiscal problem. She asked members not to support the legislation.

[6:31:14 PM](#)

MERRICK PIERCE, SELF, FAIRBANKS (via teleconference), offered// that state spending needed to be curtailed prior to the implementation of the bills. He spoke to excessive

spending by the legislature in the areas of travel and per diem. He also criticized the \$32 million expenditure for the Anchorage LIO. He stated that the severance tax policy did not capture a fair share of oil revenues. He provided some figures related to the state's oil tax system. He alluded to the ramifications of a reduction of the PFD by \$1000 per person. It equated to a hit to the Fairbanks North Star Borough in the amount of \$100 million. He relayed that 2500 people had left over the previous 1.5 years and noted all of the vacant office space. He discouraged an income tax or a raid on the PF until further reductions were made.

[6:33:24 PM](#)

PAM THROOP, SELF, FAIRBANKS (via teleconference), appreciated Gavel-to-Gavel. She believed that most Alaskans would not be opposed to an income tax or the use of the PF if oil and gas companies had been asked to pay more of their share. She implored the committee to take a look at the issue. She did not think it would hurt the oil companies to pitch in especially when the people of Alaska were being asked to contribute. She stated that BP had shutdown 3 of its 5 rigs. Conoco Phillips laid off people within weeks of the passage of SB 21. She stated that SB 21 had not done what it was supposed to do. She could not support either bill until something was done with oil and gas tax credits.

[6:35:41 PM](#)

EARL WHITT, SELF, ANCHORAGE (via teleconference), did not see anything in HB 250 that precluded a personal income tax to military members, whether active guard or reserve. He wondered if he was correct.

Vice-Chair Saddler replied in the affirmative.

Mr. Whitt encouraged the committee look into an amendment to exempt active duty military, guard, and reserve members from paying an income tax. He spoke to other states that had exempted military service members from income taxes. He thanked the committee for all that it did.

[6:37:59 PM](#)

PAUL RODERICK, SELF, ANCHOR POINT (via teleconference), suggested that if the state was going to impose an income tax it should consider a larger percentage, as the cost of administering it would be the same. He supported HB 250. He opposed HB 245. He wanted the PF left alone. He thought the legislature was moving too fast to make good decisions. He did not believe the state had cut enough. He remarked that no one wanted to lose anything, but thought it was necessary. He thought it would be important to address how the potential changes would affect people at the low income level. He thanked the committee.

6:40:20 PM

ROBERT MCCOY, SELF, ANCHORAGE (via teleconference), spoke in opposition to HB 250. He believed an income tax would penalize the most productive people in the state. He thought the PFD was one of the worse things instated. He believed that having an income tax and keeping the PFD took money from productive people and placed it in the hands of 2 and 3 year-olds who were not yet productive. He spoke in support of curtailing or restructuring the PFD favoring HB 245. He added that he thought a sales tax was fair. He reiterated his opposition to an income tax.

Vice-Chair Saddler asked if Mr. McCoy was in support or opposition to HB 245.

Mr. McCoy was in favor of HB 245.

6:43:16 PM

JEREMY PRICE, AMERICANS FOR PROSPERITY, ANCHORAGE (via teleconference), spoke in opposition to HB 250. The group supported the reduction of the size of state government which would only come through real reform with substantive legislation overhauling ever growing and unsustainable programs. The group also supported using PF savings and earnings before taxes. He proclaimed that Alaskans did not pay their fair share in taxes he asked for the consideration of the following: According to the Tax Foundation, Alaska had one of the highest corporate tax rates in the entire country at 9.43 percent. Also, according to the Tax Foundation, Alaska was one of the highest states with the percentage of private sector workers who were employed by pass through businesses where the employer was paying taxes through the individual income

tax code rather than the corporate tax code. Over 58 percent of private sector workers in Alaska were employed through these self-employed businesses; limited liability corporations, sole proprietorships and "S" corporations where owners paid taxes through the individual income tax code. As such, increasing income taxes on these individuals would harm small businesses disproportionately. The biggest risk takers in the state were those who had created a small business. They had invested the most and had the most to lose with an individual income tax. These small business owners were also the job creators in Alaska. He provided a personal perspective about his family business. He had watched his parents struggle to keep their business afloat during tough economic times. Presently, he thought it was harder than ever to grow a successful business. He implored the committee to keep from making it more difficult.

[6:45:46 PM](#)

TOM BRICE, SELF, JUNEAU, spoke in support of HB 245 and HB 250. He spoke to an income tax and noted that \$2.6 billion worth of wages were leaving the state with out-of-state workers. He opined that those workers should contribute some of their earnings to help pay for services. He provided examples of state services he appreciated. He thought both bills helped move the state forward.

[6:48:25 PM](#)

PAUL FUHS, SELF, JUNEAU, wanted to address the issues of fairness and repressiveness. He noted he had read the report put out by the Rasmussen group. He thought it was very shallow and, it was clear that someone did not really understand how the state's budget operated. He thought it was regressive to take \$1000 from people particularly from the lowest end of the income scale. He wondered how the state would pay for the services without turning the state's savings into revenue producing assets. The part of the budget that was designated general funds (DGF) was paid for by the people of Alaska. The state's entire regulatory structure was paid for by fees collected from Alaskans. In 2016 Alaska paid for services in the amount of \$877 million. The largest piece of unrestricted general funds (UGF) was Medicaid and school funding - services people depended on. The state paid \$7 thousand per Medicaid recipient. In urban areas, the state paid \$20 thousand per student and in rural areas the state paid \$30 thousand per

student for education. Personally he was willing to pay an income tax even though it would only raise about \$200 million and did not fit the state's budget gap. He suggested that unless legislation such as HB 245 was adopted the state would not get any closer to solving its fiscal problems. Ironically, the people that needed some of the programs the most would likely suffer the most.

Vice-Chair Saddler asked for clarification on Mr. Fuhs' positions on the bills.

Mr. Fuhs responded that he was willing to pay an income tax, but did not know if it was the best policy for the state. He supported HB 245 or some version that turns the state's saving into revenue producing assets.

[6:50:36 PM](#)

STEVE GIBSON, SELF, HOMER (via teleconference), relayed that he was a small business owner. He believed HB 245 was on the right track, but he supported Representative Seaton's version. He thought it was better to use a 15 percent federal income tax liability, otherwise, it would not be a very serious effort at imposing a tax. He offered that the state should consider an income tax and other taxes before considering the use of the PFD, especially if the state was going to associate it with royalties instead of the stock market. He thought the oil field did not look hopeful in the future. He thought it would be a poor idea to invest in a sovereign wealth fund in the long run. He realized that because of the revenue shortfall the state would have to appropriate some of the PF, but it was not a long term plan. He furthered that an income tax was a much more equitable revenue generator than a sales tax.

[6:53:02 PM](#)

DEENA MITCHELL, SELF, ANCHORAGE (via teleconference), strongly supported an income tax, which she believed was the most simple and equitable way to tax and bring in revenue. She added that the tax should be at a higher amount than 6 percent. She supported the POMV method to access the PF. She was very willing to pay for the services she received and supported HB 245 and HB 250.

[6:54:02 PM](#)

PATRICK SCHLICHTING, SELF, DELTA JUNCTION (via teleconference), spoke in support of an income tax. He believed it was the civic responsibility of all Alaskans to support the state and that everyone should have skin in the game. He was disheartened with cuts that had been made. He spoke to unplowed roads by Department of Transportation and Public Facilities due to a lack of funds. He stated that an income tax would capture revenues from out-of-state workers who enjoyed the infrastructure and benefits of Alaska - a small price to pay. He suggested that the state would find a level of tax that people could afford. As far as the PF, he thought it was meant to be used at some point. He offered that currently Alaskans had trust issues with the legislature. He spoke to the expense of the LIO in Anchorage and how the issues surrounding it had created distrust. He favored an income tax.

[6:56:39 PM](#)

JEANINE ST. JOHN, SELF, ANCHORAGE (via teleconference), remarked that the state had been fortunate to live on oil for a long time but should not count on it in the future. She supported HB 245 or some version of using the ERA. He also supported reducing the PFD. In general, she supported HB 250. She agreed that an income tax was necessary and that people should have skin in the game. However, she was concerned that there had not been a lot of time to discuss the issue. She believed the point earlier about military exemption required consideration. She believed it was urgent to come up with a structure to use monies from the ERA. She thanked the committee.

[6:58:55 PM](#)

JEAN ELLIS, SELF, PETERSBURG (via teleconference), spoke in support of an income tax under HB 250. She was opposed to a state sales tax. She supported HB 245 and believed a restructuring of the PF was important. She opined that capping the PFD at \$1000 was more than people received in some years in the past and more than people might receive in future years.

[7:00:22 PM](#)

LINDA MURPHY, SELF, SOLDOTNA (via teleconference), spoke in support of HB 245 and HB 250. She stated that it was critical for the legislature to do something immediately.

She was in support of a state income tax, giving everyone skin in the game. She did not want to see the PFD go away completely but thought HB 245 was a well thought out piece of legislation. She urged members to support the bills.

Vice-Chair Saddler asked her position on an income tax.

Ms. Murphy replied that she was in favor of an income tax.

[7:01:53 PM](#)

MEG NORDALE, SELF, FAIRBANKS (via teleconference), was concerned about the fiscal challenges of the state and was and the future of Alaska. She believed it was time to make the hard decisions required to address Alaska's fiscal issues. A healthy state economy was crucial for a vigorous and healthy private sector economy. She spoke in support of implementing a fiscal plan using a portion of the ERAs, making cuts to spending, and generating new revenues. She opined that HB 245 would provide fiscal stability for Alaska's future. She felt the private sector's future depended on the legislature's proactive work during the session. She believed the worst decision was no decision and a poorly timed one was no different. She urged support for HB 245 and HB 250.

[7:04:06 PM](#)

WILLIE LEWIS, SELF, ANCHORAGE (via teleconference), spoke about climate change. He noted that oil was down and he referred to supply and demand. He wanted to know why the discussion was not about renewable energy. He wanted to know why the state had to hold hands with the oil companies when oil was declining.

[7:06:15 PM](#)

NAJA BRANDT, SELF, NOME (via teleconference), spoke about the income tax. She believed that it was unfair for single parents to have to pay more than married couples. She stated that her mother was a single parent and had a hard time with money. She reiterated that it was not fair.

[7:07:07 PM](#)

CARL KANCIR, SELF, ANCHORAGE (via teleconference), spoke in opposition of HB 245, HB 250, and a sales tax. He felt that money had been spent in excess.

[7:08:16 PM](#)

JEFF BARNARD, SELF, JUNEAU (via teleconference), believed it was time for the legislature to grow a backbone and to address the state's issues. He suggested that the state needed to do something other than drawing from the PF. He favored broad-based taxes. He encouraged members to act immediately.

[7:09:14 PM](#)

RICHARD OLSEN, SELF, HOMER (via teleconference), he urged the legislature to set a precedent. He did not support to the use of the PF. He emphasized that there was a reason for the word "permanent".

[7:11:46 PM](#)

EDWARD WITBECK, SELF, KENAI (via teleconference), recommended taxing the coal companies and mining companies 25 percent rather than 6 percent. He suggested halting the oil incentives and about multiple oil companies including BlueCrest and Furie who received credits. He encouraged further taxing the industry.

[7:13:57 PM](#)

DAVID OTNESS, SELF, CORDOVA (via teleconference), spoke against dipping into the PFD and expecting people in rural Alaska to prop up the economy of the urban areas. He thought that was what HB 245 was doing. He did not want the proposed legislation passed in a hurry. He thought it was a drastic step reaching into the PF. It was something the state fought for long and hard. He did not think the legislation had to pass in the current year.

[7:15:48 PM](#)

AT EASE

[7:30:13 PM](#)

RECONVENED

GARVIN BUCARIA, SELF, WASILLA (via teleconference), opposed HB 250. He thought it was hasty to be imposing a state tax and would cost more in administrative fees. He also opposed HB 245 and supported keeping the existing PF program. The structure of the PF program administered investments far more effectively than the Department of Revenue. He favored drastic cuts to state spending including funding for mega projects. Additionally he opposed new bonding. He supported the oil production tax incentives, as he wanted the industry to remain healthy. He recommended balancing the budget with CBR monies and other slush funds. He advised members not to be intimidated by the current governor who had a pipedream regarding the natural gas pipeline. He spoke against funding many of the mega projects. He reiterated his opposition to both pieces of legislation.

[7:33:11 PM](#)

BERNIE HOFFMAN, SELF, FAIRBANKS (via teleconference), agreed that a multifaceted approach was needed to close the state's budget gap. She did not support the 5 percent draw from the PF. She recommended a 20 percent reduction in state expenses across the board without cherry picking and suggested imposing a 10 percent sales tax. She thought oil tax credits needed to be modified. She further recommended tripling the gas tax, doubling the taxes on alcohol and tobacco, and suspend all large projects. She recommended a sales tax exempting food, water, prescriptions, and healthcare. She suggested tapping the PFD but only for education without using it to build structures. She spoke of using the overflow of the Power Cost Equalization fund to close the budget gap.

[7:35:37 PM](#)

HOLLIS HALL, SELF, FAIRBANKS (via teleconference), spoke in favor of both pieces of legislation. He thought HB 245 would allow all Alaskans to share the burden. He believed HB 250 would allow those that were more affluent and those out-of-state workers to share some of the costs of running the state. He was pleased with the House's actions. He thanked the committee for working hard.

[7:36:31 PM](#)

JOEL SWITZER, SELF, FAIRBANKS (via teleconference), spoke in favor of HB 250. He felt that out-of-state workers made

up a large portion of the workforce and as beneficiaries could help support state government. He wanted to see the PF left alone, as it had been a model for other governments around the world including Saudi Arabia. He opposed HB 245.

[7:38:19 PM](#)

DAVID BOYLE, SELF, ANCHORAGE (via teleconference), was opposed to HB 250. He did not want to pay for the 1 percent art program. He also did not want to pay for college students under the Alaska Performance Scholarship Program because in 18 years they should have accumulated well over 26 thousand of PFD payments they could be used to pay for college. He did not want to pay for the LIO in Anchorage or for annual merit pay increases. He mentioned a number of other things he did not want to pay for. He reviewed the fiscal note which advocated hiring an additional 44 full-time state employees and another 16 part-time employees to administer an income tax. He thought the governor was trying to grow government in the Department of Revenue and the Department of Health and Social Services. He opposed HB 250 and urged members to not let the governor rush members into a panic. Rather, he encouraged them to take their time and make good decisions. He respected the work the legislature was doing.

[7:40:10 PM](#)

MIKE SWAIN, SELF, ANCHORAGE (via teleconference), opposed HB 245. He suggested amending HB 250 to a flat income tax. He mentioned that the PF was a rainy day account. He did not believe PF monies were intended to fund government. He thought HB 245 was an implementation of continuing government revenue and as such opposed it. He relayed that because the share of Alaska's wealth within the PF was an investment return, the PFD was of more value than the current day oil investments. Alaska's PFD was a return of value of an investment, good or bad, rather than an expense. Incorporating a link between the PFD directly to oil royalties would be a direct tax, redistributing royalty oil tax directly to the public. The PFD was vital because it was a return on an investment.

[7:42:51 PM](#)

GARRET FLOYD, SELF, ANCHORAGE (via teleconference), spoke in favor of HB 245 and HB 250. He asked legislators to make

the tough calls that had to be made. He advocated broad-based taxes. He urged members to pass both pieces of legislation and thanked them for their service.

[7:44:19 PM](#)

DOUG GOERING, SELF, FAIRBANKS (via teleconference), relayed one aspect of the PFD program. He understood that in the previous year the state distributed roughly \$1.4 billion in PFD checks. His guess was that \$700 million of that payout went to the federal government as federal tax liability. While he was in favor of raising revenues by both some restructuring of the PFD payout program and a state income tax he urged members to think carefully about how the two programs were structured. He believed that there was a way they could be structured such that the federal tax liability would be significantly reduced, if not eliminated. As a result, several \$100 million would remain in Alaska rather than leaving the state as was currently the case. He thought handing out a dividend and then collecting state income tax on that dividend bolstered federal revenues needlessly. He offered that the two bills could be combined in such a way that the federal tax liability would be significantly reduced. He thanked members for their service and their time.

[7:46:23 PM](#)

SARA WILLSON, SELF, JUNEAU (via teleconference), supported the use of the PF for government operations. She opposed a personal income tax due to administrative costs. She also questioned whether the numerous out-of-state workers would comply with the proposed regulation to pay a percentage of federal income tax. She suggested that the income tax be implemented similar to the way Social Security taxes were deducted. She thought it would involve less bureaucratic and administrative costs. She thanked the committee.

[7:47:27 PM](#)

AT EASE

[7:47:48 PM](#)

RECONVENED

DEBORAH BROLLINI, SELF, ANCHORAGE (via teleconference), spoke against HB 245 and HB 250. She felt that if Alaska wanted to increase revenues it needed to increase oil

production through the Trans-Alaska Pipeline System (TAPS). She believed Alaskans needed to be reminded where state revenue was generated. She thanked members for their time.

[7:49:36 PM](#)

Vice-Chair Saddler CLOSED public testimony.

HB 245 was HEARD and HELD in committee for further consideration.

HB 250 was HEARD and HELD in committee for further consideration.

Vice-Chair Saddler reminded members that amendments for HB 245, HB 250, and HB 249 were due by Friday, April 15, 2016, at 5:00PM.

#

ADJOURNMENT

[7:50:22 PM](#)

The meeting was adjourned at 7:50 p.m.