

HOUSE FINANCE COMMITTEE  
February 17, 2017  
1:36 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:36 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Paul Seaton, Co-Chair  
Representative Les Gara, Vice-Chair  
Representative Jason Grenn  
Representative David Guttenberg  
Representative Scott Kawasaki  
Representative Dan Ortiz  
Representative Lance Pruitt  
Representative Steve Thompson  
Representative Cathy Tilton  
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Bob Bartholomew, Finance Director, City and Borough of Juneau (CBJ), Juneau; Martin Steepetin, Self, Juneau; Pat Race, Self, Juneau; Luann McVey, Self, Juneau; Abbe Hensly, Alaska Early Childhood Advocacy Group, Juneau; Jerry McCune, United Fishermen of Alaska, Juneau; Dan DeSloover, Self, Juneau; Kevin Allen, Self, Juneau; Senator Shelley Hughes, Representative Louise Stutes, Representative Colleen Sullivan-Leonard; Representative Justin Parish

PRESENT VIA TELECONFERENCE

Ed Rasmuson, Self, Anchorage; Kathy Hanson, Self, Bethel; Pauline Hessing, Self, Anchorage; Julia Person, Self, Homer; Richard McGahan, Self, Kenai; David Landry, Self,

Anchorage; Pat Holmes, Self, Kodiak; Nancy Bird, Self, Cordova; Eileen Bechtol, Self, Homer; Ryker Dial, Self, Fairbanks; Garvan Bucaria, Self, Wasilla; Rodney Dial, Self, Ketchikan; Shannon Connelly, Self, Palmer; Barbara Haney, Self, Fairbanks; Patrick Dalton, Self, Delta Junction; Dave Otness, Self, Cordova; Mike Milligan, Self, Kodiak; Dave Brighton, Kenai Peninsula Education Association, Kenai; Lynda Raymond, Self, Homer; Charles McKee, Self, Anchorage; Deborah Dale, Self, Ketchikan; Mike Coons, Self, Palmer; Sue Sherif, Self, Fairbanks; Carrie Harris, Self, Palmer; Pamela Samash, Self, Nenana; Robert Smith, self, Cordova; Douglas Pengilly, Self, Kodiak; Fred Sturman, Self, Soldotna; Ronald Keffer, Self, Homer; Michael McCarthy, Self, Homer; Dave Hanson, Self, Anchorage; Sam Cason, Self, Anchorage; Steve St. Clair, Self, Wasilla; Kate Graber, Self, Palmer; Michael Sallee, Self, Ketchikan; Donna Lee, Self, Chickaloon; Trevor Storrs, Alaska Children's Trust (ACT), Anchorage; Teresa Wallen, Self, Wasilla; Jake Jacobsen, Self, Kodiak; Nick Szabo, Self, Kodiak; George Pierce, Self, Kasilof; Patrick McCoy, Self, Unalakleet; Dave Jones, Assistant Superintendent, Kenai Peninsula Borough School District, Soldotna; Pencia Rose Beaton, Self, Anchorage; Alicia Amberg, Alaska Miners Association (AMA), Anchorage; David Trantham, Self, Bethel; Bonnie Burgan-Kelly, Self, Palmer; Thomas Williams, Self, Chugiak; Karen Perry, Self, Chugiak; Carmen Gutierrez, Self, Anchorage; Stephen Senisch, Self, Wasilla; Janice Raisanen, Self, Wasilla; Arlene Ronda, Self, Homer; Richard Gustafson, Self, Homer; Merrick Peirce, Self, Fairbanks; Jerry Alderman, Self, Anchorage; Jeffrey Todd Brown, Self, Anchorage; William Harrington, Self, Anchorage; Michael Chambers, United for Liberty, Anchorage; Terrence Shanigan, Self, Anchorage; Christine Nees, Self, Anchorage; David Nees, Alaska Policy Forum, Anchorage; Janet McCabe Self Anchorage; Robin Smith, Self, Anchorage; Paul Kendall, Self, Anchorage; Kelly Repnow, Self, Palmer; Stephen Wright, Self, Wasilla; Ed Larrivee II, Self, Anchorage; James Squyres, Self, Rural Deltana; Richard Heller, Self, Butte; Sharon Cissna, Self, Anchorage; John Farleigh, Self, Anchorage; Larry Michaelson, Self, Meadow Lakes; Cindy Michaelson, Self, Meadow Lakes; Ron Johnson, Self, Butte; Janet Johnson, Self, Butte; Pamela Goode Self Rural Deltana; Denny Kay Weather, Self, Hawkins Island; Shelee Chamberlain, Self, Anchorage; Brian Feldmann, Self, Fairbanks; Ross Mullins, Self, Cordova; Michael

Sheldon, Self, Petersburg; David Parish, Self, Juneau; William Deaton, Self, Cordova; Mary Nanuwak, Self, Bethel; Ross Bieling, Self, Anchorage; Ed Martin, Self, Cooper Landing; Evan Eads, Self, Fairbanks.

SUMMARY

HB 115 INCOME TAX; PFD CREDIT; PERM FUND INCOME

HB 115 was HEARD and HELD in committee for further consideration.

Co-Chair Foster indicated that all members of the committee were present. He reported that the committee would be hearing public testimony on HB 115. Testimony was limited to 2 minutes and the deadline for signing up for the day was 3:15 P.M.

#hb115

HOUSE BILL NO. 115

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

^PUBLIC TESTIMONY

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ED RASMUSON, SELF, ANCHORAGE (via teleconference), spoke in support of HB 115. He believed the state's fiscal challenges needed to be addressed in the current year and appreciated the efforts of legislators. He thought the bill addressed two of the four needed elements of a comprehensive fiscal plan. He believed a percentage of market value (POMV) model, which preserved the Permanent Fund Dividend (PFD) and used earnings to support the state general fund (GF), was a much-needed structure in combination with a broad-based revenue source. He added that the other remaining necessary elements of a comprehensive fiscal plan were sensible budget reductions

and a revision of the state's oil and gas production tax credit system. He asserted that all four elements were within reach. He opined that Alaska's over-reliance on a single source of revenue was catching up with the economy. As an Alaskan, he was willing to pay his fair share and encouraged legislators to do their part.

1:41:00 PM

KATHY HANSON, SELF, BETHEL (via teleconference), spoke in favor of an equitable approach to the state's fiscal crisis. She thought the state's budget had already been cut to the bone and cutting the PFD was not a fair solution. However, she saw a state income tax as a reasonable option. She was aware that no one liked to pay taxes but reasoned that Alaskans could not continue to expect essential services without contributing to them. She asked members to support a state income tax based on an individual's federal tax obligation. She advocated spreading the burden to all parts of society.

1:42:54 PM

BOB BARTHOLOMEW, FINANCE DIRECTOR, CITY AND BOROUGH OF JUNEAU (CBJ), JUNEAU, spoke in support of HB 115. He reported that CBJ had signed a resolution supporting an increase in state revenues and a restructuring of the Permanent Fund (PF). He looked at HB 115 from a policy perspective posing the question whether there was a specific need or a public justification for revenues the state was trying to raise. He noted obligations that had been presented by Commissioner Hoffbeck of the Department of Revenue (DOR) including school debt reimbursement and pension obligations. Legally, both commitments had to be met. He asserted that the state had a reason to raise revenues. In terms of the best way to do so, he assessed who should pay. He remarked that commitments had been made many years prior regarding school debt reimbursement and pensions. Local governments had met their obligations for over a decade and he asked the state to do the same. He highlighted that good tax policy included elements of fairness, justification, and diversification. He reasoned that HB 115 allowed for citizen buy-in. An income tax would capture the participation from non-residents who benefited from state services. He also noted that 105 communities had a sales tax, which affected residents and non-residents

alike. He reiterated CBJ's support of HB 115 and thanked the legislature for its efforts.

[1:46:25 PM](#)

PAULINE HESSING, SELF, ANCHORAGE (via teleconference), urged members to support HB 115. She spoke in favor of a personal income tax and of capping the PFD at \$1000. She appreciated the information provided by the Institute of Social and Economic Research (ISER). She thought it was necessary to modify the oil tax system making it based on a range of oil prices. She hoped that Alaskans would share in the spirit of generosity and willingness to cooperate, similar to what she found in the hearts of its citizens when she moved to Alaska in 1976.

[1:48:25 PM](#)

JULIA PERSON, SELF, HOMER (via teleconference), supported HB 115 and the reinstatement of a state income tax. As a lifelong Alaskan, she had seen many seasonal workers make significant money, utilize state services, and leave the state without supporting it. The Homer sales tax was an exception. She elaborated that an income tax was an equitable way of supporting the state.

[1:49:33 PM](#)

RICHARD MCGAHAN, SELF, KENAI (via teleconference), spoke in favor of cutting Alaska's budget. He compared the state's spending 20 years prior to the present. He opined that it had increased tenfold. He supposed that without additional budget cuts the state would be much deeper in debt in 20 years. He was a homesteader of 62 years in Alaska and did not favor large government. He offered that without the legislature doing things differently government would continue to grow.

[1:51:04 PM](#)

DAVID LANDRY, SELF, ANCHORAGE (via teleconference), spoke in favor of HB 115. He opined that instability had a negative effect on the economy. He preferred paying an income tax than losing his business. He supported an income tax over a sales tax, as he thought a sales tax would more negatively impact rural Alaska.

[1:53:11 PM](#)

PAT HOLMES, SELF, KODIAK (via teleconference), supported HB 115. He remarked that things had significantly changed since statehood prior to oil. He recommended having a brief summary of the 4 items in the bill and their meaning. He asked about the appropriation of certain amounts of the earnings reserve account (ERA). There was a discussion about reducing the percentage from 21 percent to 4.75 percent. He wanted members to explain the related section for him to understand it better. He supported an income tax and reflected on when he was a young man making enough money to pay one. He thought it was the only fair way to collect revenues. He opposed altering the PFD and believed it would negatively impact low-income folks. He asked for more information regarding a change to the oil and gas tax structure. He expressed concerns that rural Alaska would be inequitably affected by a reduction to the amount of the PFD.

Co-Chair Foster indicated that Co-Chair Seaton would reach out to him to answer his questions.

[1:55:58 PM](#)

NANCY BIRD, SELF, CORDOVA (via teleconference), strongly supported HB 115. She called attention to an opinion piece in the Anchorage Dispatch News by Dermot Cole. She agreed that Alaska's legislators had never needed to master the art of compromise more than presently. She felt that everyone needed to contribute. She thanked the committee and urged members to continue their efforts in getting the legislation passed.

[1:57:15 PM](#)

EILEEN BECHTOL, SELF, HOMER (via teleconference), spoke in support of HB 115 and a POMV model. She thanked Co-Chair Seaton and Co-Chair Foster for the courage to introduce the legislation. She opined that a POMV model provided a more stable revenue source for the state budget. She thought a state income tax was more equitable than a state sales tax. She thought it was important to capture taxes from those that worked in Alaska and lived elsewhere. She spoke about the hard work of state employees. She was aware that the health and safety of Alaska had to be

funded. She listed a number of agency divisions and programs that she felt needed to be funded.

[1:59:02 PM](#)

RYKER DIAL, SELF, FAIRBANKS (via teleconference), spoke in opposition to HB 115. He thought the bill would result in a large exodus of people from the state. The change resulting from the legislation would affect him to the extent that he would be unlikely to settle in Alaska. He urged members to turn to the two largest expenditures within the government: Health and Social Services and Education. He noted there were 133 communities across the state in which the 5-year federal welfare limit did not apply. Alaska had more residents on welfare per capita than any other state in the U.S. He thought it was a great disservice to burden hard working Alaskans. He asserted that the dependence on government prevented Alaskans from growing. He believed the school system needed restructuring to make things more equitable for hard working, productive Alaskans. He urged legislators to fight for Alaska's future.

[2:00:50 PM](#)

GARVAN BUCARIA, SELF, WASILLA (via teleconference), spoke in opposition to HB 115. He opined that further cuts were needed prior to making changes to the PF. He thought it risked the health of the PF. He opposed a state income tax and the increased spending to administer the tax. He recommended cutting funding to the governor's gas line project.

[2:02:39 PM](#)

MARTIN STEEPETIN, SELF, JUNEAU, spoke in support of HB 115. He relayed that he had worked all over the state in a number of professions and with several different people. He supported the tough decision of digging into the PF but wanted to protect it for the future. He hoped the legislature would take action in the current session. He suggested that people were reluctant to spend money until a decision was made.

[2:06:06 PM](#)

RODNEY DIAL, SELF, KETCHIKAN (via teleconference), spoke in opposition of HB 115. He opined that by passing

the legislation the PFD would turn into a welfare program. He clarified that the budget deficit was not a result of the urban areas paying enough, as they already paid \$1.5 billion per year in taxes. He suggested that the cost stemmed from the rural areas paying nothing for services while being dependent on the state. He thought Alaska had become a magnet for welfare recipients. He felt that the \$25 minimum fee in HB 115 represented an insignificant contribution from the people who were the greatest users of state resources. He asserted that it was not a shared sacrifice for 100,000 Alaskan households to get \$25 less free money while working Alaskans paid the brunt of the tax. In an effort to isolate rural Alaska from the realities of modern life, including taxes, the state would create an environment in which those that would pay an income tax could afford to move and likely would. The greatest users of state resources would not be able to afford to move and would stay. He opined that the legislation was discriminatory in nature. He relayed that the proposal would not tax one of the main sources of income in some rural communities: dividends from corporations that were not taxed at the federal level. They would not be subject to a state income tax. He referred to a federal statute having to do with income exclusions based on race. He purported that it would result in discriminatory taxation and would divide Alaskans. He wanted the legislature to ensure that the tax burden would be shared by all Alaskans. He agreed with Representative Ortiz's idea concerning credit for areas that already paid local taxes such as the required local contribution. He could support the PFD draw but not the discriminatory parts of the income tax. He urged members not to allow the advancement of the legislation from committee.

[2:09:03 PM](#)

SHANNON CONNELLY, SELF, PALMER (via teleconference), opposed HB 115. She opined that a monster had been created in the form of government. She thought the legislation would steal from the PF as well as from the pockets of Alaskans. She pointed out that the legislature had not created a sustainable budget and that the legislation would contribute to additional expenses with tax collection activities. She continued that legislators had not shown financial responsibility for growing government. She reasoned that the legislature needed to make necessary budget reductions to reverse government growth. She urged

members to do what was best for the state by opposing HB 115.

[2:10:30 PM](#)

BARBARA HANEY, SELF, FAIRBANKS (via teleconference), spoke in opposition to HB 115. She argued that no one would want to come to Alaska once the legislation passed. She did not believe a \$25 head tax would solve Alaska's problems, especially since the state already took a portion of the people's PFD without solving it. In addition, she did not think the Marijuana tax would solve the state's fiscal crisis. She opined that there would be a large increase in absentee ownership and relayed a personal experience. She firmly opposed HB 115.

Representative Wilson informed the testifier that a person that did not generate any income would not be subject to the \$25 head tax. Ms. Haney disagreed.

[2:13:28 PM](#)

PATRICK DALTON, SELF, DELTA JUNCTION (via teleconference), spoke against HB 115. He supposed it was regrettable when the state lost employees but even more regrettable when it lost employers. He mentioned that Dave Ramsey, a millionaire in Alaska, confirmed he would leave the state if income taxes were imposed because of the multiplier affect an income tax would have. He opined that an income tax would be counter-productive. Alaska spent more on government per capita than any other state. He explained that the state spent too much on government and needed further reductions to its budget. He mentioned practices from the Regan era. He thought smaller government was better and opposed an income tax.

[2:16:06 PM](#)

DAVE OTNESS, SELF, CORDOVA (via teleconference), spoke in favor of an income tax. He thought the elephant in the living room was oil tax credits. He believed oil tax credits needed to be revisited prior to dipping into the PFD. He spoke in favor of the new bi-partisan group in the House. He reiterated that he did not want to see the PFD disturbed.

[2:18:27 PM](#)

MIKE MILLIGAN, SELF, KODIAK (via teleconference), spoke in support of HB 115 thanking Co-Chair Seaton for introducing the legislation. He agreed with the previous speaker about the effects of SB 21. He spoke in favor of an income tax and thought it should be attached to a PFD application. He also thought it would be a good idea to attach property taxes to the PFD application. He was troubled by the amount of people receiving PFD's from out of state. He also supported capturing taxes from out of state workers.

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DAVE BRIGHTON, KENAI PENINSULA EDUCATION ASSOCIATION, KENAI (via teleconference), favored HB 115 commenting that it was a balanced solution. He spoke of the negative impacts on his son's education caused by school district budget cuts. Several programs were being cut. He noted that 43 percent of the budget had been cut over the last 4 years. He supported an income tax and the use of the Permanent Fund Earnings Reserves to cover government services. He urged members to support the bill and to solve the state's financial crisis in the current year.

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LYNDA RAYMOND, SELF, HOMER (via teleconference), was a 49 year resident of Alaska. She reported that when she first moved to the state it had a much smaller population but was fiscally responsible. She reported that legislators had worked hard to ensure the state's functionality and sustainability. She thought that presently legislators had ignored their responsibility for restoring fiscal sustainability of the state budget. She wanted to see a solution adopted in the current session but did not want education further reduced. She opposed tax credits to oil companies, and supported a state income tax. She opposed a state sales tax or reducing Alaskans' PFD, as they were regressive options. If it was necessary to reduce the PFD, she encouraged a state income tax to accompany the reduction. She urged members to fix the problem and to support HB 115.

[2:25:23 PM](#)

CHARLES MCKEE, SELF, ANCHORAGE (via teleconference), accused the legislature of gross negligence. He quoted an Alaska statute. He spoke to items outside of the bill. He did not believe he was being heard by legislators.

[2:29:17 PM](#)

PAT RACE, SELF, JUNEAU, spoke in favor of HB 115. He thought Alaskans should be responsible and contribute to state government through an income tax. He thought an income tax increased budgetary diversity; it was a mark of ownership and a declaration of independence against outside influence. He spoke of the history of the original income tax in Alaska and the foundational role it played to statehood. He mentioned having spoken to George Rodgers, a respected economist that regretted the legislature not zeroing out the income tax but leaving it on the books. He encouraged members to take the difficult step of putting the income tax back in place.

[2:31:12 PM](#)

DEBORAH DALE, SELF, KETCHIKAN (via teleconference), spoke in opposition to the bill, especially to the income tax portion. She spoke about her family history and her work experience. She reported that she and her husband owned a business of which she was the bookkeeper. She reported that the business could not afford insurance and would be unable to afford costs if an income tax was reinstated. She underscored the current health insurance crisis and discussed high insurance premiums. She reported that she would be looking at closing her business if an income tax passed.

[2:34:30 PM](#)

MIKE COONS, SELF, PALMER (via teleconference), testified against the legislation. He referred to specific portions of the bill. He shared his experience working on the North Slope and spoke to an income tax in Louisiana. He was opposed to taxing Alaskans and people from out of state working on the North Slope. He did not support taxing working Alaskans if lower income residents were not going to pay a tax. He thought it was a myth and lie that a state income tax would generate enough income to pay for government.

[2:36:51 PM](#)

SUE SHERIF, SELF, FAIRBANKS (via teleconference), thanked the co-chairs and the House for their bipartisan efforts in the current year. She supported the legislation. She supported a temporary cap on PFDs, the use of some of the fund's earnings, and an income tax. She thought it was reasonable to ask residents to pay a modest income tax. She believed it would be hard to find a state with a lower tax burden. She believed it was necessary for Alaskans to step up to the plate.

[2:39:18 PM](#)

CARRIE HARRIS, SELF, PALMER (via teleconference), spoke against HB 115. She believed that meaningful oil and mining tax reform was needed. She stressed the state was not a business partner with the oil and mining companies but the owners of rich resources. As the owner of Alaska's resources, she felt it was time the state collected more for them. She opined that the legislature needed to reduce its budget as well as to sell the Anchorage Legislative Information Office building. She highlighted the need to generate new sources of revenue including cannabis. She furthered that that all of her suggestions should be implemented prior to imposing an income tax. She encouraged members to act or they would be removed through the election process.

[2:41:20 PM](#)

PAMELA SAMASH, SELF, NENANA (via teleconference), spoke in opposition of HB 115. She did not believe the people should have to carry the weight of government. She spoke to the difficulty in living in the state including extreme temperatures and the high cost of heating and electric bills. She felt the government was working against the people. She opined that if people could not survive in Alaska the state would be unable to obtain taxes. She recommended the state help its residents instead of suppressing and draining them. She did not believe the legislature had done its job. She purported that losing half of the people's dividend was a sacrifice. She urged members to vote against HB 115.

[2:43:39 PM](#)

ROBERT SMITH, SELF, CORDOVA (via teleconference), spoke in favor of an income tax. He did not like seeing people come to Alaska, make their living, and take their money out of state. He thought it was unconscionable for the state to take PFD money from Alaskans while it continued to pay oil companies to take oil out of Alaska. He furthered that taking PFD monies hurt the poorest Alaskans. An income tax made non-Alaskans contribute their share. He noted a lockdown the Department of Fish and Game had imposed on certain fisheries. He opined that by allowing the Department of Fish and Game to close fisheries for decades, year-round residents were more dependent on their PFD. He believed there was more room for reductions to the budget and a more rational use of the state's money by the government.

[2:45:30 PM](#)

DOUGLAS PENGILLY, SELF, KODIAK (via teleconference), favored HB 115. He thought the bill provided a good approach. He asserted that the sources of income for state government needed to be diversified and reasoned that the state could not continue to rely on oil revenues. He commented that the legislation was an equitable way to spread the costs to Alaskan residents. He recognized that each resident needed to have skin in the game. He was certain that if the state tried to cut its budget further, there would be an exodus of people out of Alaska.

Co-Chair Foster recognized Senator Shelley Hughes, Representative Louise Stutes, and Representative Colleen Sullivan-Leonard in the audience.

[2:47:48 PM](#)

FRED STURMAN, SELF, SOLDOTNA (via teleconference), believed the legislature caused the state's fiscal problems by increasing salaries, buying additional buildings, and spending too much money. He relayed a story about a friend who had recently had his work hours reduced. He also mentioned a contractor friend who had to reduce his staff for the year. He thought the legislature should take a closer look at the effects of taxing people and taking money out of the economy.

[2:50:03 PM](#)

RONALD KEFFER, SELF, HOMER (via teleconference), spoke in favor of HB 115. He purported that if nothing was done to provide a stable and balanced state budget, the resulting uncertainty would cause the recession in Alaska to worsen. He did not believe oil revenues would return to previous high levels that afforded the state a large budget. It was important to adopt a method of balancing a budget that was fair and sustainable. He thought the burden of taxation should be apportioned fairly. He reported that the PF was established with the expectation of using the earnings to support state government. He believed reducing the PFD was a regressive step. The bill moderated that step by retaining the dividend at a reasonable level. He thought the income tax was fair and captured both resident and non-resident income. He spoke to the level of administration needed to implement a tax. He argued that a simple tax would require less administration. He urged legislators to support the legislation.

[2:52:23 PM](#)

MICHAEL MCCARTHY, SELF, HOMER (via teleconference), spoke in favor of HB 115. He appreciated the fiscal certainty it offered. He mentioned that the Dow Jones industrial average was \$20,623. He supposed it was at an artificial high similar to the 2008 recession. He indicated he was also concerned with the potential repeal of the Dodd-Frank Act. He thought Alaska needed a stable fiscal plan to survive outside impacts. He had asked several people if they would support a state income tax. All but one person replied affirmatively. He also reported that all persons he talked with agreed that out-of-state workers should pay a tax on their Alaska income. He did not believe cutting the state budget further was the right step for the state and that additional cuts would have unintended consequences. He urged members to support the bill.

[2:54:36 PM](#)

DAVE HANSON, SELF, ANCHORAGE (via teleconference), strongly supported HB 115. He made 3 points. First, Alaska had an income tax for 31 years similar to the one in HB 115. Secondly, in the US, Alaska was the only state that did not have an income tax or a statewide sales tax. Thirdly, 17 percent of a state income tax would be paid by non-residents and the federal government. Alaskans would pay 83 percent of the tax bill. Without an income tax,

Alaskans were paying 100 percent of the state's revenue needs from savings accounts, earning reserves, and reduced PFDs. He reasoned that the best spending cap was an income tax because when people funded government directly from their pockets they paid attention to how government spent its money. He mentioned one of ISER's studies, which he thought provided good information.

[2:58:09 PM](#)

SAM CASON, SELF, ANCHORAGE (via teleconference), supported HB 115. He spoke in favor of a sustainable solution. He thanked Co-Chair Seaton for providing a structure that addressed both an immediate solution and a more permanent one. He reiterated his support for HB 115.

[2:59:42 PM](#)

LUANN MCVEY, SELF, JUNEAU, supported HB 115. She spoke about the reductions that had been made to education. She emphasized the efforts of teachers to tailor instruction to each child. She provided additional information regarding her experience as a past teacher and the requirements to provide quality education. She stressed the importance of properly funding education. She thought a state income tax would help to provide that funding. She also favored doing without a PFD.

[3:02:10 PM](#)

ABBE HENSLY, ALASKA EARLY CHILDHOOD ADVOCACY GROUP, JUNEAU, spoke in favor of HB 115. She provided information regarding the advocacy group. The group supported the legislature in developing a long-term fiscal plan that minimized costly unintended consequences, invested in the state's human infrastructure, and generated revenue. The group supported the legislature making budget decisions that maintained or increased services and support for young children and their families and encouraged maximizing all available funding opportunities. She emphasized the need for a long-term fiscal plan to be put into place in the current legislative session. She would provide a copy of the group's resolution supporting HB 115.

[3:04:42 PM](#)

STEVE ST. CLAIR, SELF, WASILLA (via teleconference), spoke in opposition to HB 115. He wondered why the bill was being considered. He mentioned that changing or reducing the PFD was the most regressive option. He opposed an income tax as well. He urged members to stop punishing those who want to work. He thought a redistribution of wealth was a bad plan. He mentioned a plan he had been involved with writing. He reminded members that they represented the people. He urged members to vote no on HB 115.

[3:07:50 PM](#)

KATE GRABER, SELF, PALMER (via teleconference), favored HB 115. She argued that something needed to be done to save the state. She did not advocate for additional cuts to the budget, but rather wanted to see services maintained and state workers employed. She felt that Alaska needed to maintain its quality of life no matter the cost. She believed the legislation represented a good start and hoped the committee would pass it.

[3:10:53 PM](#)

MICHAEL SALLEE, SELF, KETCHIKAN (via teleconference), suggested that prior to implementing any sales tax or change to the PFD he recommended 2 things. First, he recommended charging fossil fuel companies royalties at a rate equivalent to what they paid in other oil producing states. Secondly, fossil fuel companies and timber extractors should be charged a carbon tax calculated based on the currently externalized environmental and health costs. He was not opposed to an income tax or the use of PF earnings as long as the fund remained protected via inflation proofing and a spending limit. He was neutral regarding HB 115.

[3:13:25 PM](#)

DONNA LEE, SELF, CHICKALOON (via teleconference), supported HB 115. She had 2 children in Alaska with families. She wanted to see services maintained. She saw HB 115 as a way of relieving the state of its fiscal woes. She did not want to see the state's monetary resources dwindle before finding a solution to its problems. She viewed a state income tax as more equitable than a state sales tax. She wanted to see the PFD remain intact. She supposed that

a 4.75 percent draw from the PF was reasonable. She reviewed some of the details of HB 115 and reiterated her support for the legislation. She urged the legislature to make good decisions for the future of the people of Alaska and to compromise.

[3:15:55 PM](#)

TREVOR STORRS, ALASKA CHILDREN'S TRUST (ACT), ANCHORAGE (via teleconference), spoke in favor of HB 115 and a sustainable fiscal solution. He advocated for a combined approach, which included further efficiencies and new revenue sources. The long-term fiscal plan needed to include investment in the state's most valuable resource: its children. He relayed that in the following week ISER would be releasing a report commissioned by ACT that analyzed the effects of alternative revenue measures on families with children. He reported that when families were negatively impacted economically the amount of interpersonal violence increased. The goal of the report was to provide lawmakers with information to allow them to make the best decision that will help ACT to prevent child abuse and neglect. He confirmed that the report showed that cuts to the PFD would have the greatest negative impacts for families with children than any other tax measure. He provided additional details of the report. He urged members to invest in prevention, which would reduce costs, improve the health of Alaskans, and grow the economy.

[3:18:30 PM](#)

TERESA WALLEN, SELF, WASILLA (via teleconference), opposed HB 115. She noted the high cost of living in Alaska. She also noted the benefits of living in the state, particularly in Anchorage, because of the available medical care. She presumed HB 115 would negatively impact Alaska's healthcare industry. She spoke to the multiple nursing positions open in the state and conveyed that she knew of several nurses considering leaving the state. She opined that it was never a good idea to tax productivity. She relayed a number of questions for the legislature to consider. She reemphasized that a state income tax would be detrimental to the healthcare industry in Alaska.

[3:24:05 PM](#)

JERRY MCCUNE, UNITED FISHERMEN OF ALASKA, JUNEAU, indicated the organization was neutral regarding HB 115. He brought up a question about specific section of the bill regarding statute AS 43.22.050 on page 8, line 6. The section addressed captains being required to withhold monies from their crew. He reviewed the standard practice of how captains paid their crew. He had several detailed questions that he felt needed to be addressed within the context of the bill. United Fishermen of Alaska wanted to be a part of the solution but needed its questions answered first.

3:27:00 PM

DAN DESLOOVER, SELF, JUNEAU, testified in support of HB 115. He thought having diverse and sustainable funding for public institutions was critical. He shared having a 2-year-old daughter and his concerns about the challenges she would face growing up. He did not want to have to explain to her in 20 years that Alaska had the ability to strengthen the public education system, provide for the health and safety of Alaska, support sustainable industries, and protect the environment but failed to do so because legislators did not want to compromise on a sustainable budget. Alaskans faced substantial issues including climate change, the support for public education and healthcare was up in the air at the federal level. Alaskans needed to be able to count on one another. He spoke about evidence showing that having strong, well-funded public institutions was the best way for a state to ensure its ability to provide for its citizens. While seeking efficiencies and looking for cost cutting was important, he believed affirming state government to carry out the will of the people was the best way to help provide for the welfare of all. He believed that drawing from the PF responsibly, instituting a progressive income tax, and making sure that resource extractors paid their fair share was a good way to move forward. He encouraged the legislature to go forward with HB 115 and to consider ways in which to make income taxation more fair and progressive. He thought Alaskans should do their best to assist others that were not as fortunate.

Co-Chair Foster indicated that after the following testifier the committee would be taking a 10-minute break. When everyone came back, they would be hearing the

remaining testifiers; at present 86 people were signed up to testify.

[3:30:03 PM](#)

KEVIN ALLEN, SELF, JUNEAU, spoke in favor of HB 115. He appreciated the legislation being brought forward. He talked about a teleconference from 1991 with several governors together. He was concerned with things ending up similar to last year at the end of session. He thanked the committee.

Co-Chair Foster would be hearing testimony for those at off-net sites.

[3:32:36 PM](#)

AT EASE

[3:50:22 PM](#)

RECONVENED

Co-Chair Foster noted only 68 phone lines were available. He asked people to use alternative options to the off net lines if possible.

Vice-Chair Gara clarified that Co-Chair Foster was speaking about people who had already testified.

Co-Chair Foster agreed.

[3:51:43 PM](#)

JAKE JACOBSEN, SELF, KODIAK (via teleconference), was opposed to the Permanent Fund portion of the legislation. He thought the legislature should leave PFDs in place but supported an income tax. He was also in favor of a state sales tax and suggested a rebate program for people whose income fell below the poverty level equal to the tax they would pay in the same year. He opposed spending on mega projects including the Alaska Liquefied Natural Gas Line (AKLNG) project. He also supported a capital move out of Juneau. He asserted that the credibility of the legislature was damaged by the corruption reported in the newspaper including the Anchorage Legislative Information Office, the abuse of travel and per diem, and the lack of ethics in a person's ability to recuse themselves in a vote. He supported the passage of HB 44 introduced by Representative

Jason Grenn [HB 44 was legislation introduced in 2017 regarding legislative ethics around voting and conflicts]. He also thought one of the most important issues for the legislature to address was the issue of big oil. He opposed HB 115 for several reasons, most importantly because of its complexity. He argued that each bill should address a single issue. He furthered that the bill would fail because it was trying to address too many issues.

[3:54:41 PM](#)

NICK SZABO, SELF, KODIAK (via teleconference), thanked the co-chairs for introducing the legislation. He was not completely familiar with all of the specifics of the bill. However, he supported the concept of an income tax and utilizing earnings from the Permanent Fund. He believed it was necessary to be selective about cutting the budget. Cuts could transfer liability to local entities such as schools.

[3:56:40 PM](#)

GEORGE PIERCE, SELF, KASILOF (via teleconference), supported the income tax portion of the bill, but not the Permanent Fund reduction. Although he did not want taxes, he supported an income tax over a sales tax. He asked the committee to restructure oil and gas credits as well as other tax structures prior to taking away PFDs. He referred to credits provided to Point Thomson and listed other tax credits he opposed. He stressed that the state was in a recession and should be trimming back. He believed the two issues in the legislation should be separate. He emphasized the need for the legislature to address tax incentives to the oil industry. He urged the committee to stop increasing government.

[3:59:11 PM](#)

PATRICK MCCOY, SELF, UNALAKLEET (via teleconference), testified in opposition to the bill because of the cost of implementing a tax. He mentioned the money being spent excessively by school districts on travel to sporting events. He did not think the current financial situation was different from other times in the past. He mentioned the cost of groceries in the state and noted price differences between rural and urban areas. He stated the bill would extract more from Alaskans by taking money from

PFDs and adding taxes. He opined that it was already a sacrifice to live in Alaska because of the high cost of living. He suggested implementing a bed tax to target tourists. He strongly opposed HB 115.

4:04:40 PM

DAVE JONES, ASSISTANT SUPERINTENDENT, KENAI PENINSULA BOROUGH SCHOOL DISTRICT, SOLDOTNA (via teleconference), testified in favor of HB 115. He advocated for the development of a multi-revenue fiscal plan that would provide sustained, reliable, and adequate educational funding for Alaska's students. He asserted that HB 115 met the school district's priority. He was also representing the Alaska Association of School Business officials. The entity partnered with other members to create a set of joint position statements regarding legislative priorities. He read a portion of the 2017 joint position statement:

"Alaska's most important need is to immediately develop and implement a long term multi-revenue fiscal plan."

He reiterated the entity's support of HB 115. He urged members to act in the current year. He did not want to see another year of non-action. He thanked members for introducing a needed fiscal plan for Alaska.

4:06:42 PM

PENCIA ROSE BEATON, SELF, ANCHORAGE (via teleconference), spoke against HB 115. She provided background information about her family's history in Alaska. She relayed that she did not feel she was properly represented in the legislature and agreed with a previous speaker that the government was guilty of gross negligence. She wanted smaller government with people involved who cared about the economy and about the needs of Alaskans. She admonished the legislature to stop stealing from Alaskans. She opposed HB 115.

4:08:33 PM

ALICIA AMBERG, ALASKA MINERS ASSOCIATION (AMA), ANCHORAGE (via teleconference), spoke in favor of HB 115. She shared information about the association and read from a prepared statement:

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

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

In addressing revenue measures to provide for essential state functions and services, step one must be use of the Permanent Fund, which was created to fund a significant portion of state services when revenues from oil could no longer be the funding source for most of state government. There are many options for additional revenue sources to fill any remaining gap to fund government, including income tax.

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

[4:10:49 PM](#)

DAVID TRANTHAM, SELF, BETHEL (via teleconference), testified in favor of the legislation. He shared that he was a 71 year resident of Alaska. He commended the committee for putting a bill on the table and stressed the need to diversify the state's revenue. He believed the legislature had provided the opportunity for citizens to speak their minds. He underscored that something needed to be done in the current year to address the budget crisis facing the state. He recalled the highs and lows of his past. He stated it was necessary to buckle down. He stated

there was a cost to everything. He discussed the need for everyone to be a part of the solution. He thanked the committee for offering the bill.

4:14:55 PM

BONNIE BURGAN-KELLY, SELF, PALMER (via teleconference), was opposed to any taxes until additional budget cuts were made. She stated that five years previously everyone could see that oil production was approaching an end. She pointed to large projects the legislature had funded instead of taking action. She supported a plan proposed by Senator Mike Dunleavy [SB 84 - Legislation introduced in 2017 regarding the Permanent Fund earnings, dividends, and the general fund] and encouraged members to consider it.

4:16:28 PM

THOMAS WILLIAMS, SELF, CHUGIAK (via teleconference), testified against the bill. He stated change was needed and the state government was still too large. He believed spending half the state's budget on healthcare and education was too much. He remarked that the one thing that kept the state alive was its resources. He did not support cuts to the dividend. He stated the legislature had taken money out of people's pockets. He supported a budget reduction plan by Senator Mike Dunleavy. He did not know anyone who wanted to pay new taxes. He thought individuals wanted to make other people pay more taxes. He wondered if the issues would be put to a vote of the people.

Co-Chair Foster clarified that the committee was currently taking public testimony on HB 115.

Mr. Williams restated his question.

Co-Chair Foster indicated that the issue would need to be discussed at another time.

4:20:08 PM

KAREN PERRY, SELF, CHUGIAK (via teleconference), spoke against HB 115. She thought the bill should be called the "Rob Alaskans Blind Bill." She agreed with other callers who suggested breaking the legislation up into multiple bills. She asserted that Alaska was in a recession and HB 115 would make things much worse. She opined that the

legislature needed to be concerned with the overall economy of Alaska rather than the growth of state government. She asked if the committee members had read, "Diapering the Devil" by former Governor Jay Hammond or the model by the Institute of Social and Economic Research (ISER). She stressed that presently the state took 75 percent of all mineral lease revenues but could not manage money well. She contended that the legislature wanted to steal from hard working Alaskans. She believed the legislature had continued to spend for years. She did not support putting the burden on the people. She strongly suggested the committee invite Brad Keithly, the founder of Alaskans for Sustainable Budgets, to Juneau to present facts making the case for using the Jay Hammond plan. She thought the committee would want to get all of the facts before making a decision. She asked the committee to do its due diligence. She avowed that an income tax would penalize hard working producers of the state. It would add more onerous red tape to small business owners and would deter others from starting a small business. She addressed the proposed capital gains tax, which she opposed. She argued that government needed to make further reductions rather than taxing Alaskans. She strongly opposed HB 115.

[4:24:19 PM](#)

Co-Chair Foster pointed out that Co-Chair Seaton was currently chairing a House Finance Subcommittee. He noted that presently there were plenty of open phone lines for folks that wanted to call in to testify.

[4:24:59 PM](#)

CARMEN GUTIERREZ, SELF, ANCHORAGE (via teleconference), spoke in support of HB 115. She paid an income tax in the 70s and opposed the elimination of the tax in the 80s. She believed Alaskans had a long history of entitlement in which they received infrastructure benefits without paying for them. She believed entitlement needed to cease. She supported a progressive income tax and opposed additional budget cuts. She valued Alaska as a state and did not want to live in a place that became stingy and ugly because of government cuts to services. She opined that the state needed to generate revenue to cover the budget. She thought a progressive income tax was the most fair and equitable means of increasing revenues. She believed the bill

protected the PF for future generations. She urged the committee to pass HB 115.

4:30:01 PM

STEPHEN SENISCH, SELF, WASILLA (via teleconference), spoke against HB 115. He suggested the bill would tax all Alaskans, lead to fewer people living in the state, and result in less revenue. He supported reducing the size and scope of state government to a more sustainable level. He referred to the Alaska Policy Forum and articles on its website. He believed every Alaskan should read the articles that showed how to solve the budget problem without taxing every Alaskan. He remarked the state had foolishly spent \$50 million on the AKLNG project when it would not be economically feasible for several decades. He underscored that legislators needed to do their jobs to make further cuts to government.

4:32:46 PM

JANICE RAISANEN, SELF, WASILLA (via teleconference), testified in opposition to HB 115. She expressed her frustration that the hearing was being held on a Friday afternoon while most Alaskans were working. She was opposed to a state income tax. She believed the people in Alaska taking advantage of welfare and social programs were the same people who would only pay the minimum tax of \$25 if the legislation were adopted. Although capturing taxes from out-of-state workers would be helpful, their families did not utilize the state's social and welfare programs. She argued that the state needed to reach out to the people taking advantage of the state that were not working. She saw a state sales tax as a more equitable option. She was tired of people that worked hard giving to all of the welfare and social programs. She made it clear that spending for those programs should stop. She reiterated her support of a state sales tax over an income tax. She opined that it was time for people to take responsibility for their own well-being versus relying on the government. She supported additional cuts rather than taxing working people.

4:35:39 PM

ARLENE RONDA, SELF, HOMER (via teleconference), spoke in support of HB 115. She reported that she and her husband

came to Alaska in the territorial days, liked what they saw, and made Alaska their home. She and family supported an income tax in the 70s. In the early days, she paid a state income tax willingly to support state government. Following that time when oil was discovered the state income tax went away and the PF was wisely started. Presently, oil income was no longer dependable. She asserted that it was time for all Alaskans to contribute in a fair and balanced way towards state services. She commended the co-chairs for putting forth the bill. She underscored her support.

[4:37:03 PM](#)

RICHARD GUSTAFSON, SELF, HOMER (via teleconference), thanked Co-Chair Foster and Co-Chair Seaton for trying to stop kicking the can down the road. He was in favor of an income tax and hoped the bill would protect and inflation proof the Permanent Fund.

[4:38:38 PM](#)

MERRICK PEIRCE, SELF, FAIRBANKS (via teleconference), testified against the bill. He opined that the least recessionary approach was needed to reduce the deficit. He offered that Robin Brena had outlined such an approach to ensure that Alaska received a sure and balanced return for oil particularly from the legacy fields such a Prudhoe Bay. He suggested that members invite Mr. Brena to testify before the committee to explain how SB 21 [oil tax legislation passed in 2013] has utterly failed Alaska. He cited some statistics around the oil tax legislation. He argued that taking money from Alaskan families in the form of an income tax in combination with a regressive raid of dividends would deepen the state's recession. He furthered that raising taxes in a recession was the worst possible remedy. He claimed that it was morally wrong to use an income tax and a raid on dividends to subsidize the give-away of the state's oil. He added that the state's long-term obligations, including a massive underfunded pension system, would not be met with HB 115. He believed the first priority needed to be taking a fair return for the state's oil followed by making sensible budget reductions.

[4:41:37 PM](#)

JERRY ALDERMAN, SELF, ANCHORAGE (via teleconference), supported HB 115. He was confused by the numbers listed on the Sponsor Statement, as they did not add up to the number mentioned previously. He did not want the bill to fund only a portion of the state deficit. He did not want further reductions to the state budget. He supported solving the entire fiscal problem as soon as possible.

Co-Chair Foster referred Mr. Alderman to Co-Chair Seaton's office to assist him with some of the numbers he noted.

[4:43:22 PM](#)

JEFFREY TODD BROWN, SELF, ANCHORAGE (via teleconference), spoke in opposition to HB 115. He believed the bill was extreme and disagreed with comments made that the bill was progressive. He provided an example related to home mortgages. He believed in a broad-based system of taxation than what was presented in the bill. He acknowledged the importance of government and the structure it provided. However, he believed everyone needed to share in the burden. He supported a sales tax and a corporate tax. He thought Alaska needed broad-based taxation implemented a little at a time. He asserted that the legislature was wasting money.

[4:46:50 PM](#)

WILLIAM HARRINGTON, SELF, ANCHORAGE (via teleconference), opposed HB 115. He referred to chronic mismanagement of the state. He was a senior that received benefits because of decades of working. He thought the state was moving away from being an elder-friendly state. He suggested that there would be unintended consequences from driving the senior population out of state. He spoke to the lack of fiduciary responsibility of the legislature to the citizens of Alaska.

[4:49:36 PM](#)

MICHAEL CHAMBERS, UNITED FOR LIBERTY, ANCHORAGE (via teleconference), reported that three years prior he had had the opportunity to meet with 5 legislators during a special session. He liked having direct access to his legislators. He was involved in designing a 96-page budget book, which incorporated \$1.5 billion in reductions. He provided an example of one of the recommended reductions. He had

delivered the book to each legislator while visiting in Juneau during the current session. He encouraged all legislators to visit a particular website. He relayed the mission of the group. He remarked that there was a communication disconnect between legislators and Alaskans. He mentioned the massive redundancies within state government. He suggested that many legislators were advocating the restructuring of the PFD and incorporating an assortment of tax schemes. He supported Senator Dunleavy's plan to right-size government. He argued against HB 115.

[4:52:29 PM](#)

TERRENCE SHANIGAN, SELF, ANCHORAGE (via teleconference), opposed HB 115. He reported that only one-third of the government's budget paid for employee salaries. He thought further cuts were necessary. There were competing services that needed to be eliminated. He advocated further reductions. In the previous year, only 3.5 percent had been cut from the operating budget. He disagreed that the budget had not been reduced to the bone. He thought legislators needed to work harder at identifying further reductions. He relayed a statement from a member of the other body. He thought a sustainable budget was impossible in state government. He suggested constructing a budget that the state could afford from the ground up. He claimed having identified \$1.5 billion reductions that could be made rather than raiding the PF.

[4:57:17 PM](#)

CHRISTINE NEES, SELF, ANCHORAGE (via teleconference), spoke against HB 115. She thought state spending was similar to giving a credit card to a teenager and sending them to the mall. She thought certain exemptions should be included in the capital gains portion of the bill. She hoped for a more appropriate state model.

[5:00:00 PM](#)

DAVID NEES, ALASKA POLICY FORUM, ANCHORAGE (via teleconference), spoke in opposition to the bill. He indicated there had been a stress test applied to the legislation, which was rated negative 6. In other words, it impaired 6 functions of freedom for Alaskans. He highlighted that in Section 4 of the bill the word "shall"

was changed to "May." The use of the word "may" was a problem because it gave the legislature permission not to appropriate money. He also pointed out that the bill did not have a start date. Therefore, it was unclear if the calendar year or a state fiscal year applied. He provided some figures accompanying the proposed tax legislation. He suggested that the tax proposed was not fair. He noted a retroactive clause as well.

[5:02:28 PM](#)

JANET MCCABE SELF ANCHORAGE (via teleconference), spoke in support of HB 115. She and her husband had been homeowners in Anchorage since 1965. She had seen many attempts to solve the problem of relying on a single volatile source of state revenue. She believed uncertainty and instability were damaging Alaska's economy. She did not think making additional cuts was the solution. She had witnessed a stream of people leaving the state. She opined that for Alaska to flourish it must have a stable and consistent revenue structure. She agreed with a previous testifier that businesses in Alaska were holding their breath. She professed that HB 115 was the best opportunity Alaska has had to establish a stable revenue structure. She furthered that the legislation was predicated on fairness to all Alaskans. She highlighted that by protecting the PF and the PFD rural Alaskans would continue to have assistance in heating their homes and subsisting. She considered it a privilege to pay an income tax based on each individual's ability to pay. She supposed that because HB 115 combined revenue sources there was no way to be able to please everyone. She concluded by asking the legislature to come together and pass HB 115 in the current session.

[5:05:03 PM](#)

ROBIN SMITH, SELF, ANCHORAGE (via teleconference), testified in support of HB 115. She thanked the committee for working on the issue of designing a much-needed stable fiscal plan. She reported being a small business owner with her husband for over 45 years. She spoke to great opportunities provided in Alaska. She admitted her business was currently struggling because of the downturn in the economy. She purported that Alaskans needed to take responsibility by paying their fair share for the benefits they received. She was willing to pay an income tax. She made note that a portion of people's state income tax could

be written off their federal income tax. She wanted to maintain a good quality of life for herself and others. She ascribed that children were Alaska's future and spoke to the importance of education. She was deeply concerned about further cuts to healthcare, transportation, and other arenas. She was aware that because Alaska was an enormous state, costs were higher than in others. She reasoned that every state in the U.S. operated on tax revenues. She remarked that Alaska has been fortunate to have an abundant supply of oil. She supposed that with the drop in oil prices she would have to capitulate to taxation. She found it curious that some Alaskans wanted to see additional cuts made to the budget but were not willing to specify what areas should be reduced. She highlighted that Alaskans had become accustomed to receiving free services. However, she asserted that it was time to start paying for them. She reiterated her appreciation of the hard work of the writers of the bill.

[5:10:04 PM](#)

Co-Chair Foster understood that some individuals had time constraints. He offered the email address to submit written testimony.

[5:10:43 PM](#)

PAUL KENDALL, SELF, ANCHORAGE (via teleconference), called for a point of order. He asked about the rules and laws that governed the current public testimony.

Co-Chair Foster explained that the committee was currently taking public testimony. Members wanted to hear what the public had to say and to create a record. He encouraged Mr. Kendall to proceed with his testimony.

Mr. Kendall testified that all the state's problems were 98 percent leadership-based. He accused the legislature of going to Juneau to negotiate in secret. He spoke to the complexity of the issues being considered. His comments reflected his discontent with the legislature. He read from Alaska's constitution. He further relayed his dissatisfaction with the legislature. He opposed decreasing the PFD. He continued to provide testimony regarding his dissatisfaction.

[5:19:58 PM](#)

KELLY REPNOW, SELF, PALMER (via teleconference), testified against HB 115. He believed the issues in HB 115 should be addressed in separate legislation. He favored a 2-year cap. He saw the legislation as a way of taking the Permanent Fund and turning it into permanent funding. He suggested that the perception of the state's fiscal situation changed when there was a change in governors. He suggested using the funds from the Constitutional Budget Reserve (CBR) prior to using the PF. He also advocated taking out a PF loan with a promise to repay if cash was needed. He favored cutting spending not funding unnecessary projects. He considered tapping the PFD to be "kid taxation." Money in the form of PFDs went directly into the local economy. He recommended town hall meetings on HB 115. He spoke to a number of state expenditures. He spoke to the North Pole refinery that had been shut down due to reductions. He believed individuals should support legislation proposed by Senator Dunleavy. He reiterated that the issues existing in HB 115 should be addressed in separate legislation and that there should be a 2-year cap in place.

[5:24:10 PM](#)

STEPHEN WRIGHT, SELF, WASILLA (via teleconference), opposed HB 115. He believed the bill was a lemon. He did not support the use of the Permanent Fund and thought additional cuts were necessary. He continued to provide some statistics. He concluded that he was a "No" vote on the bill. He also noted that the economy needed further boosting.

[5:27:10 PM](#)

ED LARRIVEE II, SELF, ANCHORAGE (via teleconference), opposed HB 115. He claimed citizens did not want and income tax or their PFD taken away. He opined that the state needed legislators that represented the people of Alaska. He suggested that legislators should listen to a particular morning radio show. He relayed that he would only be open to a state income tax after legislators reduced the budget.

[5:30:50 PM](#)

JAMES SQUYRES, SELF, RURAL DELTANA (via teleconference), testified in opposition to HB 115. He

thought the bill went too far and that he preferred Senator Dunleavy's bill. [The call was dropped].

5:32:32 PM

RICHARD HELLER, SELF, BUTTE (via teleconference), opposed HB 115. He favored Senator Dunleavy's bill. He opined that the governor's AKLNG project was a boondoggle. He spoke to the negative aspects of the project. [The call was dropped].

5:33:20 PM

AT EASE

5:36:13 PM

RECONVENED

SHARON CISSNA, SELF, ANCHORAGE (via teleconference), spoke in favor of HB 115. She stated that the state needed many voices. She provided some historical background about herself and her family. She thought the state was having some issues. She thanked the committee for having the hearing. She relayed that she would be sending in some information and thanked the committee.

Vice-Chair Gara wanted to say hello and thanked her for all of her service.

Co-Chair Foster explained that there had been some technical difficulties.

Mr. Squyres resumed his testimony. He thought the POMV's feature had gone too far. He supported Senator Dunleavy's legislation. He thought it was more moderate than HB 115. He thought the capital gains tax contained in the bill was a scalping tax. He mentioned he was familiar with the capital gains sliding tax, as he had been an accountant in Texas. He provided examples of the complexity of the proposed tax. He reiterated his opposition to the bill.

5:45:05 PM

JOHN FARLEIGH, SELF, ANCHORAGE (via teleconference), supplied some historical background about his family in Alaska. He was concerned how his kids and grandchildren would survive in the state. He had been a commercial fisherman for 25 years. He supported HB 115 including the

15 percent income tax and he supported using a POMV model. He supported restructuring oil tax credits and using the PF earnings. He objected to people using state services without paying for them.

[5:49:30 PM](#)

LARRY MICHAELSON, SELF, MEADOW LAKES (via teleconference), strongly opposed HB 115. He recently retired and lived on a fixed income. He felt the rules were changing. He reported that his property taxes have increased by 35 percent. He thought that HB 115 would force people to consider moving from the state because of the burden caused by additional reductions. He strongly opposed HB 115.

[5:52:43 PM](#)

CINDY MICHAELSON, SELF, MEADOW LAKES (via teleconference), spoke in opposition to the legislation. She thought additional cuts were necessary. She opined that she did not want to be responsible for subsidizing people choosing to live in rural Alaska. She believed an income tax would only provide additional funds to the legislature to waste. She suggested the state live within its means.

[5:55:00 PM](#)

RON JOHNSON, SELF, BUTTE (via teleconference), adamantly opposed HB 115. He thought an income tax disproportionately affected Alaskans. He believed that the capital gains tax hit people too hard. He thought the state had done very little to cut the operating budget. He emphasized his support for Senator Dunleavy's plan. He requested further hearings on HB 115, as the legislation greatly affected all Alaskans.

[5:57:41 PM](#)

JANET JOHNSON, SELF, BUTTE (via teleconference), opposed HB 115. She agreed with her husband's testimony. She believed there were too many issues being addressed in one bill. She wanted to see the topics dealt with in separate legislation. She furthered that there should be duration caps on bills. She surmised that the state had a spending problem rather than a revenue problem. She agreed with Senator Dunleavy's plan to right-size government.

5:58:48 PM

Mr. Heller was back online. He continued to speak in opposition of HB 115. He believed that an income tax was a bad idea. He suggested opening up Alaska's resources to generate revenue. He wondered why Republican members on the finance committee were not on some of the subcommittees. He advocated moving the legislature to Anchorage. He thought the state's spending habits were ridiculous. He asserted that people from out of state came to Alaska, got their Alaska driver's license, and were receiving fraudulent PFDs. He reemphasized that it was time for the legislature to stop spending money.

6:02:09 PM

PAMELA GOODE SELF RURAL DELTANA (via teleconference), spoke in opposition of HB 115. She argued that for the previous 10 years there had been a significant amount of money flowing into the state dramatically increasing the size and scope of government. She thought the increase caused a substantial amount of fiscal irresponsibility. She surmised the drop in oil prices was not the reason for the problem but a contributing factor. She reasoned that the legislature was using the fiscal crisis as a way of getting into the PF and extracting taxes from high wage earners. She opined that HB 115 did not fix the fiscal problem. She thought the bill attacked new investors and destroyed freedom and liberty. She opposed HB 115.

6:05:14 PM

DENNY KAY WEATHER, SELF, HAWKINS ISLAND (via teleconference), strongly opposed HB 115. She believed that any money going into the state coffers would be spent. She provided a historical example. She reported that Governor Hammond came up with the PFD to safeguard the state's assets. She did not believe legislators had done their job. She added that the governor had already created a hardship for Alaskans by reducing their dividends. She suggested making additional cuts. She appreciated legislators being available to hear public testimony.

6:09:01 PM

SHELEE CHAMBERLAIN, SELF, ANCHORAGE (via teleconference), opposed HB 115. She also opposed giving oil companies tax credits, which she believed lead to the creation of the legislation. She praised Governor Walker for trying to protect the PFD by taping the dividend. She was highly opposed to taking money from the PF earnings reserve. She commented that many small communities were already burdened with a sales tax. She surmised a state income tax would add to that burden. She spoke to the possibility of being taxed twice on the PFD. She added that a minimum tax of \$25 was difficult for some people. She thanked the committee for hearing her testimony.

[6:11:51 PM](#)

BRIAN FELDMANN, SELF, FAIRBANKS (via teleconference), supported HB 115. He favored an income tax and a 6 percent sales tax but opposed taking the people's dividend. He opined that the legislature should repay previous draws. He believed the oil companies should pay more taxes and advocated the development of Alaska's future in order to generate new revenues.

[6:15:40 PM](#)

ROSS MULLINS, SELF, CORDOVA (via teleconference), spoke in support of HB 115. He emphasized the importance of protecting and growing the corpus of the PF. He was happy to see a bi-partisan House. He thought the legislature needed to move forward and do the right thing. He really did not want his PFD touched but realized that something had to be done.

[6:19:03 PM](#)

MICHAEL SHELDON, SELF, PETERSBURG (via teleconference), spoke against HB 115. He opposed restructuring the PF and creating an income tax. He thought the bill would cause more hardship on working Alaskans. He thought the representatives needed to work towards stabilizing the economy by controlling state spending. He did not want to see the PF decimated. He read from the Alaska Constitution. He urged members to put the decision to use the PF earnings to a vote of the people.

[6:23:11 PM](#)

DAVID PARISH, SELF, JUNEAU (via teleconference), spoke in favor of HB 115. He thought there was a suitable compromise that would provide a good education to his grandchildren, provide street maintenance, and continue stable ferry service on the Alaska Marine Highway System. He mentioned other programs and entities that he would like to see preserved. He thought HB 115 was the first step toward a solution.

[6:25:19 PM](#)

WILLIAM DEATON, SELF, CORDOVA (via teleconference), approved of cutting education because, as a 15-year-old boy, he was capable of learning on his own. He was against funding Planned Parenthood, as they did not provide pre-natal care. He spoke in opposition of HB 115 and supported Senator Dunleavy's plan. He also encouraged more cuts to the budget. He suggested putting any changes to the PF to a vote of the people. He opposed HB 115.

[6:27:34 PM](#)

MARY NANUWAK, SELF, BETHEL (via teleconference), spoke against HB 115. She did not like that the Alaska Legislature did not want to hear from Alaska's indigenous people. She did not approve of multiple topics in the bill. She maintained that original Alaskans should have a say in any decisions being made about the affairs of Alaska. She noted the difficulty of small villages being able to speak to the legislature. She urged members to consider children, elders, and people without money.

[6:33:09 PM](#)

ROSS BIELING, SELF, ANCHORAGE (via teleconference), spoke against HB 115. He reported that gross spending investment dropped for those states that had implemented an income tax. He thought that the capital gains portion of the bill would definitely scare off investors. He noted some of the other challenges including healthcare costs. He did not believe that HB 115 was the way to get things done.

[6:35:53 PM](#)

ED MARTIN, SELF, COOPER LANDING (via teleconference), spoke in opposition to HB 115. He provided a quote from the first United States President, Thomas Jefferson. He spoke about

the use of the PF and about protecting the PFD. He thought it was necessary to generate new wealth for the citizens of Alaska. He mentioned a homestead that had been subdivided and a program called the Alaska Land Voucher. He expressed concerns about adding 50 more people to the payroll to administer a state income tax. He observed that the state had a serious problem with just paying for what it currently had. He urged members to look for opportunities to create new wealth.

[6:40:40 PM](#)

EVAN EADS, SELF, FAIRBANKS (via teleconference), was unsure if he approved of the entire bill, although he supported an income tax. He spoke to some of the history of a state income tax under Governor Hammond's administration. He did not approve of out-of-state workers not contributing to the state budget. He suggested implementing an income tax that was capped for residents of Alaska at the amount of the dividend. He thanked the committee members for their time.

Co-Chair Seaton reported having to go to a subcommittee finance meeting and thanked everyone who testified.

HB 115 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the following Monday.

#  
ADJOURNMENT

[6:46:04 PM](#)

The meeting was adjourned at 6:46 p.m.