

**ALASKA STATE LEGISLATURE**  
**SENATE LABOR AND COMMERCE STANDING COMMITTEE**

April 25, 2017

5:59 p.m.

**MEMBERS PRESENT**

Senator Mia Costello, Chair  
Senator Shelley Hughes, Vice Chair  
Senator Kevin Meyer  
Senator Gary Stevens  
Senator Berta Gardner

**MEMBERS ABSENT**

All members present

**OTHER LEGISLATORS PRESENT**

Senator Tom Begich  
Senator Peter Micciche

Representative Tammie Wilson  
Representative Cathy Tilton  
Representative Justin Parish  
Representative Chris Tuck  
Representative Lora Reinbold  
Representative Dan Ortiz  
Representative Dan Saddler

**COMMITTEE CALENDAR**

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 115(FIN) AM(EFD FLD)  
"An Act bearing the short title of the 'Education Funding Act'; relating to the taxation of income of individuals, partners, shareholders in S corporations, trusts, and estates; relating to a payment against the individual income tax from the permanent fund dividend disbursement; and repealing tax credits applied against the tax on individuals under the Alaska Net Income Tax Act."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 115

SHORT TITLE: INCOME TAX; PFD PAYMENT/CREDIT;

SPONSOR(s): FINANCE

02/10/17	(H)	READ THE FIRST TIME - REFERRALS
02/10/17	(H)	FIN
02/13/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/13/17	(H)	Heard & Held
02/13/17	(H)	MINUTE(FIN)
02/14/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/14/17	(H)	Heard & Held
02/14/17	(H)	MINUTE(FIN)
02/15/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/15/17	(H)	Heard & Held
02/15/17	(H)	MINUTE(FIN)
02/17/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/17/17	(H)	Heard & Held
02/17/17	(H)	MINUTE(FIN)
02/21/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/21/17	(H)	Heard & Held
02/21/17	(H)	MINUTE(FIN)
02/24/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
02/24/17	(H)	Heard & Held
02/24/17	(H)	MINUTE(FIN)
03/14/17	(H)	FIN AT 8:30 AM HOUSE FINANCE 519
03/14/17	(H)	Heard & Held
03/14/17	(H)	MINUTE(FIN)
03/15/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/15/17	(H)	Heard & Held
03/15/17	(H)	MINUTE(FIN)
03/17/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/17/17	(H)	Heard & Held
03/17/17	(H)	MINUTE(FIN)
03/20/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/20/17	(H)	Heard & Held
03/20/17	(H)	MINUTE(FIN)
03/23/17	(H)	FIN AT 9:00 AM HOUSE FINANCE 519
03/23/17	(H)	Heard & Held
03/23/17	(H)	MINUTE(FIN)
03/27/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/27/17	(H)	Heard & Held
03/27/17	(H)	MINUTE(FIN)
03/28/17	(H)	FIN AT 9:00 AM HOUSE FINANCE 519
03/28/17	(H)	Heard & Held
03/28/17	(H)	MINUTE(FIN)
03/28/17	(H)	FIN AT 1:30 PM HOUSE FINANCE 519
03/28/17	(H)	Heard & Held

03/28/17 (H) MINUTE(FIN)  
 03/29/17 (H) FIN AT 1:00 PM HOUSE FINANCE 519  
 03/29/17 (H) Heard & Held  
 03/29/17 (H) MINUTE(FIN)  
 03/29/17 (H) FIN AT 5:30 PM HOUSE FINANCE 519  
 03/29/17 (H) Heard & Held  
 03/29/17 (H) MINUTE(FIN)  
 03/30/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 03/30/17 (H) Heard & Held  
 03/30/17 (H) MINUTE(FIN)  
 04/03/17 (H) FIN AT 1:00 PM HOUSE FINANCE 519  
 04/03/17 (H) Heard & Held  
 04/03/17 (H) MINUTE(FIN)  
 04/04/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 04/04/17 (H) -- MEETING CANCELED --  
 04/07/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 04/07/17 (H) <Bill Hearing Canceled>  
 04/11/17 (H) FIN AT 1:30 PM HOUSE FINANCE 519  
 04/11/17 (H) Moved CSHB 115(FIN) Out of Committee  
 04/11/17 (H) MINUTE(FIN)  
 04/12/17 (H) FIN RPT CS(FIN) NT 4DP 4DNP 2NR 1AM  
 04/12/17 (H) DP: GUTTENBERG, GARA, SEATON, FOSTER  
 04/12/17 (H) DNP: TILTON, THOMPSON, PRUITT, WILSON  
 04/12/17 (H) NR: GRENN, ORTIZ  
 04/12/17 (H) AM: KAWASAKI  
 04/15/17 (H) BEFORE HOUSE IN SECOND READING  
 04/16/17 (H) TRANSMITTED TO (S)  
 04/16/17 (H) VERSION: CSHB 115(FIN) AM(EFD FLD)  
 04/17/17 (S) READ THE FIRST TIME - REFERRALS  
 04/17/17 (S) L&C, FIN  
 04/24/17 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 04/24/17 (S) -- MEETING CANCELED --  
 04/25/17 (S) L&C AT 9:00 AM BELTZ 105 (TSBldg)  
 04/25/17 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 04/25/17 (S) L&C AT 5:00 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

MIKE MILLER, Vice Chairman  
 Alaska National Federation of Independent Business (NFIB)  
 North Pole, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

DEVON THOMAS, President  
 Alaska Association of Realtors  
 Anchorage, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

TOMAS BOUTIN, representing self  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

MIKE MILLIGAN, representing self  
Kodiak, Alaska  
**POSITION STATEMENT:** Testified in support of HB 115.

MARY FORBES, representing self  
Kodiak, Alaska  
**POSITION STATEMENT:** Testified in support of HB 115.

STOSH ANDERSON, representing self  
Kodiak, Alaska  
**POSITION STATEMENT:** Testified in support of HB 115.

ADRIENNE WILBER, representing self  
Sitka, Alaska  
**POSITION STATEMENT:** Testified in support of HB 115.

ED GRAY, representing self  
Sitka, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

RICK CARLSON, representing self  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

CHRISTINE NIEMI, representing self  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in support of HB 115.

KEVIN SHIPLEY, representing self  
Kake, Alaska  
**POSITION STATEMENT:** Testified in support of HB 115.

BRIAN MCNEIL, representing self  
Fairbanks, Alaska  
**POSITION STATEMENT:** Proposed that a state income tax accommodate people who pay their own health insurance.

JIM CHEYDLEUR, representing self  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of HB 115.

JEAN JAMES, representing self

Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

MARK JOHNSON, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

WILLIAM HARRINGTON, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

SARAH DAVIES, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

JANET MCCABE, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

HELEN NIENHUESER, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

SARAH MCCABE, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

SHANNA ZUSPAN, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

CHRIS BECK, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

ANDY HOLLEMAN, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

GREGORY ANDERSON, representing self

Wasilla, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

HERMAN MORGAN, representing self

Aniak, Alaska

**POSITION STATEMENT:** Testified that an income tax would have been good, but cutting the permanent fund dividend (PFD) was the same as a flat tax making the timing of the income tax wrong.

DAVE PALMQUIST, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

GEORGE PIERCE, representing self  
Kasilof, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

SUSAN OPALKA, representing self  
Girdwood, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

JASON JONES, representing self  
Palmer, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

TRISH MCDUGALL, representing self  
Houston, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

RONALD ALLEN, representing self  
Skwentna, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

MIKE COONS, representing self  
Palmer, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

RICH YOUNG, representing self  
Eagle River, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

ROSELYNN CACY, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of a progressive tax with specific changes to HB 115.

BRINNA WOJTALEWICZ, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

ORIN SEYBERT, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

JANA PIERCE, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

MARYLEE GUTHRIE, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

BILL WARREN, representing self  
Nikiski, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

DAVID BRIGHTON, representing self  
Kenai, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

RACHEL NEUENDORF, representing self  
Soldotna, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

FRED STURMAN, representing self  
Kenai, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

MICHAEL ILLG, representing self  
Homer, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

KATE FINN, representing self  
Homer, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

DUANE CHRISTENSEN, representing self  
Anchor Point, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

DAN BOONE, representing self  
Homer, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

CLYDE BOYER JR., representing self  
Homer, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

AMY BOLLENBACH, representing self

Homer, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

GARVIN BUCERIA, representing self

Palmer, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

STEVE ST. CLAIR, representing self

Wasilla, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

ABBY ST. CLAIR, representing self

Wasilla, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

PETER MORGAN, representing self

Palmer, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

BETH RIVEST, representing self

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

PAUL KENDALL, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

KEVIN MCCABE, representing self

Big Lake, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

LAURA BONNER, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

DAVID NEES, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

ELLIE GOTTSTEIN, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

BEN MULLIGAN, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Called for a spending cap before he will support an income tax.

CURTIS THAYER, President  
Alaska Chamber of Commerce  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

DAVID LANDRY, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

MICHAEL CHAMBERS, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

JASON GUSTAFSON, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

DAVID BOYLE, Executive Director  
Alaska Policy Forum  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

MARNIE HARTILL, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

DARIO BORGHEGAN, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

DEENA MITCHELL, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

PATTY LINVILLE, representing self  
Seward, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

BRUCE JAFFA, representing self  
Seward, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

MATT STEELE, representing self  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

RYAN MCKEE

Americans For Prosperity  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

BETH FREAD, representing self  
Palmer, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

GARRETT ABBOTT, representing self  
Ketchikan, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

TERRI ROBBINS, representing self  
Ketchikan, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

BRENDA LOUGHMAN, Committee Member  
Tongass School of Arts and Sciences  
Ketchikan, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

WALT COULTER, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

DON GRAY, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

GERALD BROWN, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

TERRENCE COLE, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

JOAN FRANZ, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

PRINCESS LUCAJ, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

WOLFGANG FALKE, representing self

Fairbanks, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

DANIEL LYNCH, representing self

Soldotna, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

PENNY VADLA, representing self

Soldotna, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

TIM SCHRAGE, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

CHRIS NELSON, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

CYNTHIA HENRY, representing self

Fairbanks, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

BOB GRIFFIN, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

LUANN MCVEY, representing self

Douglas, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

JOAN O'KEEFE, Operations Chair

The Foraker Group

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

MARJORIE HAMBURGER, representing self

Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

CLAIRE HOLLAND LECLAIR, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

ROBIN SMITH, representing self

Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

TERRIE GOTTSTEIN, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

JEREMY PRICE, State Director  
Americans for Prosperity  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

JACKIE CASON, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

THEA AGNEW BEMBEN, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

JULIE NIELSEN, representing self  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

JOSEPH ROTH, representing self  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

KARLA HART, representing self  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

JEB STUART, representing self  
Wasilla, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

MARY KATASSE, representing self  
Juneau, Alaska

**POSITION STATEMENT:** Testified that she supports HB 115 only if there are no cuts to education and if the PFD is provided to those in need.

DARRELL SMITH, representing self  
Juneau, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

DAN DUNAWAY, representing self  
Dillingham, Alaska

**POSITION STATEMENT:** Testified in support of HB 115.

KURT SCHMIDT, representing self  
Delta Junction, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

CORINNE ROLLMAN, representing self  
Eagle River, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

MICHELE WHITE, representing self  
Palmer, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

CRYSTAL SCHOENROCK, representing self  
Kenai, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

PHILLIP GRAY, representing self  
Juneau, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

MIKE ALBERTSON, representing self  
Fairbanks, Alaska  
**POSITION STATEMENT:** Testified in support of HB 115.

WENDY BRINGHURST, representing self  
Eagle River, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

KRISTIN BELLONIO, representing self  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in support of HB 115.

CATHY MOSHER, representing self  
Willow, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

JESSICA PRICE, representing self  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

ALAINA CLARK, representing self  
Wasilla, Alaska  
**POSITION STATEMENT:** Testified in opposition to HB 115.

ED MARTIN, representing self  
Cooper Landing, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 115.

**ACTION NARRATIVE**

5:59:02 PM

**CHAIR MIA COSTELLO** called the Senate Labor and Commerce Standing Committee meeting to order at 5:59 p.m. Present at the call to order were Senators Stevens, Gardner, Hughes, and Chair Costello. Senator Meyer arrived shortly thereafter.

**HB 115-INCOME TAX; PFD PAYMENT/CREDIT;**

5:59:37 PM

CHAIR COSTELLO announced the consideration of HB 115. She stated that the committee will hear public testimony. She noted that 74 people are waiting online to testify in addition to others. She asked for comments to be limited to two minutes.

6:00:34 PM

MIKE MILLER, Vice Chairman, National Federation of Independent Business (NFIB), North Pole, said he is also representing himself as an owner of the Santa Claus House. There are many folks online, and having "once set in your chair," he understands when you have a lot of folks online and everyone has something to say. He said he understands that the committee would like to get everyone's testimony and not leave anyone out. He said he would make his testimony short and to the point. He then thanked the committee for "taking this up." Unlike large businesses, he said, small businesses look at every penny that is spent. He said there are many issues that "go into when we are spending for expansion." He gave the example that he is looking at expanding his store, so he factors a lot of things in. When it comes to government, there are two things to factor in: regulatory issues and taxation. He is in the tourism industry, so there are not many regulatory issues, but there are issues of taxes, and the more that is put on small businesses, such as taxes—income taxes—it has been his experience that they want to grow their businesses. What owners do is take their profits and put them back into business to hire more people and "do all the things that small business people do." It has been his experience that if those dollars go to the government, there are less dollars to hire more people. He said he is looking at hiring 20 more folks when he expands his business. Unlike large businesses, small businesses cannot hire "an army of accountants, or lawyers, or lobbyists." That is why they have the NFIB, and "we all throw a few bucks together and we get

Danny." Those are some things to think about. Also, this bill is projected to raise \$600 to \$700 million, and he said there was a PowerPoint presentation today that said it was \$680 [million], but the problem is, this is not new money coming into Alaska. This is money coming out of the back pockets of working men and women in the state. He added that it is not like Alaska is bringing this money from the Lower 48 states. It has been his experience that the consumer is the best multiplier of those dollars, and it has been his experience—having once set in those chairs—that the government is the worst at multiplying those dollars in the economy. He thanked the committee and said the committee has a lot of hard work ahead of them. Whatever decision it makes will be "a tough one." He said he is "glad it is you guys and not me anymore."

[6:04:34 PM](#)

DEVON THOMAS, President, Alaska Association of Realtors (AAR), Anchorage, said she is a realtor and a lifelong resident of the area. The AAR has over 1,700 members, and its mission is to be the voice of real estate for Alaska, and its vision is to advocate for private property rights and to create an environment that encourages real property ownership. She said that AAR members recognize that the state faces difficult decisions in solving the fiscal problems. Alaska realtors feel that taking money from Alaska realtors without cutting state spending will not solve long-term issues, and AAR strongly opposes HB 115 as currently passed by the House. Many experts believe that 2018 will bring higher interest rates, an increase in foreclosures, and an increase in housing inventory across the state. There is already uncertainty in homebuyers from the decline in the oil industry, she stated. Passing HB 115 would price many potential homebuyers out of the opportunity to own their own home. Housing is one of the leading economic indicators, and it supports many jobs outside the real estate sector, including retail and service sectors. The association strongly opposes anything that will jeopardize home ownership. The omission of the mortgage interest deduction and implementing an additional capital gains tax will discourage buyers and sellers, she said. An income tax will depress the housing economy, which is vital to full employment for Alaska. She urged the Senate to reject HB 115.

[6:07:10 PM](#)

TOMAS BOUTIN, Juneau, said there is no better way to destroy Alaska's society and its culture than to have an income tax concurrent with the PFD [permanent fund dividend]. Taxing Alaskans who strive, create jobs, and produce goods and services

that the world wants to buy and then handing out that same several hundred million dollars to everyone regardless of effort and initiative would deal an economic blow more severe than the long-expected decline in petroleum production. He said he wants a culture of work and one that includes self-worth. The sponsors of HB 115 must think we have too many people working and too few people depending on government checks, he opined. Alaska produces less of what it consumes than any other state. The extent of the recession will be due to the lack of productivity and overconsumption, not the lack of taxes. Taxing productive, working families will retard economic growth, and the timing couldn't be worse, he averred. Alaska has three quarters of a million consumers. Production must come back into balance, and the road will be tougher with an income tax, he added. Those living on government payments are held harmless. He said to "think about the adverse selection that an income tax implies." The bill attempts to Bernie Sanderize Alaska—a bitter pill to put on Alaskans.

MR. BOUTIN added that other government spending is consumption rather than production. Lost oil taxes cannot be made up by taking in one another's washing. No other state comes close to us, he stated, in per capita government handouts. Taxing the private sector for government solves none of the problems. "Would any elected official look a small business owner in the eye and tell her she needs to pay an income tax and withhold an income tax from her two employees while the state pays its new natural gas guy \$750,000 a year to have him jet between his offices in Anchorage and Houston and Tokyo?" The bill is "dishonest" and gives a seal of approval to writers and musicians but looks down its nose at commercial fishermen, welders, and truck drivers. "It's so typical." He noted that Bernie [Sanders] thinks he has Alaskans over a barrel. He said that Alaskans don't want government taking wages and then figuring out how much to give back, and that is what an income tax combined with a PFD does.

CHAIR COSTELLO noted that Commissioner Randy Hoffbeck joined the meeting, as well as Senator Micciche and Representatives Tilton and Wilson.

6:10:42 PM

MIKE MILLIGAN, Kodiak, said he supports HB 115. He said he would like to promote a culture of responsibility in Alaska. He was in the state when there was an income tax and when there was no PFD, he said. He remembers the debates over moving Alaska's capital and over the WPPSS project that went belly up, regarding

the GO [general obligation] bonds in Washington state. He said he remembers all of this, and what came about, especially in Kodiak, was a strict opposition to an income tax by everyone who has grown up with a PFD who think that they shouldn't have to pay for government. Government, like anything else, you have to pay for, like groceries and things that a person uses. "You have to pay for it. If you think you are going to enrich us by cutting education more, I think you're mistaken," he added. All these people who say they cannot afford an income tax, they are saying that they couldn't have made it back when we had an income tax. He said he would like to see an association with income tax and the PFD application. The only deduction should be for somebody making a property tax payment to a local Alaska government. That would encourage property ownership and participation in local government. Alaska would get money from everybody to help pay for government services. The one thing an income tax helps, he stated, that no other tax does is that it starts to tax some of the wealth and wages that are leaving the state daily. "I encourage you to support this bill."

[6:12:50 PM](#)

MARY FORBES, Kodiak, said she supports HB 115. She said she has written everybody in the Senate and has previously testified. She still feels very strongly and agrees with Mr. Milligan that there is too much of an entitlement mentality in Alaska. She noted that she has never lived anywhere where she did not pay a state income tax. If instituting an income tax causes Alaskans to move elsewhere, "well, more than likely they will be paying an income tax wherever they decide to move." She said she disagrees with Mr. Miller that a tax would not be a new revenue stream—it is new revenue to capture some of the money that people take and go live in other areas. She said she raised three children who got an excellent education, and she hates to think that future Alaska kids will not get a quality education. "I think this is the most progressive way to spread the burden and encourage responsible state residency."

[6:14:11 PM](#)

STOSH ANDERSON, Kodiak, expressed his support for HB 115. The legislature and the administration has done a very good job in making cuts to the budget in the last few years, but it is getting to the point of diminishing returns for the benefit of state citizens. He stated support for capping the PFD, even though that is a regressive tax, in balance with an income tax, which is progressive, and would share the burden between the different classes and user groups of Alaska. He told the committee that Alaska must address the subsidies to the oil

companies. Everyone needs to pitch in; we need to get our budget in order. It can only diminish our bond rating, which puts the state in a spiral for capital projects and the cost of government.

[6:15:23 PM](#)

ADRIENNE WILBER, Sitka, said she is a commercial fisherman and has lived in Alaska all her life. She said she is a beneficiary of state funded public education and Medicaid. She expressed her support for HB 115, and she would like a complete fiscal plan, which includes some use of permanent fund earnings, empathetic cuts to services, and repealing oil industry tax credits. "I am not thrilled about paying an income tax, but Alaska is my home, and closing the state budget deficit while continuing to fund essential services like public schools, health care, and fisheries management is worth it. She said the state financial distress is tough for legislators, but she encouraged doing what is right for Alaskans and pass HB 115.

[6:16:26 PM](#)

ED GRAY, Sitka, said he opposes this bill. There has not been a genuine effort to cut government, and lawmakers seem to view the public sector as a funding source for "this over-expensive state government that we have." He said he does not want to deal with a new enforcement branch to enforce a state tax. He said he has been a business person in Sitka for about 35 years. He noted that he has had several businesses, and recently he had some damage from mudslides. He is currently "shut down," but he has been looking to restart in other communities in Southeast. A state income tax is just a non-starter for him. "I'm just going to shut it down if it happens." He noted that he is currently shut down, and that he is heavily regulated. He is in fishing and he must deal with the Fish and Wildlife Service. He repeated that he is heavily regulated, and the income tax is just a non-starter. "I'm just going to take my business outside the state."

CHAIR COSTELLO noted the presence of Representative Reinbold.

[6:18:58 PM](#)

RICH CARLSON, Juneau, said he is a retired educator and is against HB 115. The bill has been sold as modest that will have little impact on the majority of Alaskans, but this is not a modest bill. It will place an enormous burden on many Alaskans. He said it will grow government, increase unemployment, hinder economic growth, crush small businesses, and would drive the state deeper into a recession. The sheer size of HB 115 shocks him, he said. It is three and a half times the size of last

year's proposal by the Walker administration, which would have raised approximately \$200 million, and this will raise about \$700 million. The proponents proudly claim that about 1 percent of Alaskans will pay about 27 percent of the taxes, he stated. "I find that attitude very disturbed." Middle and high-income earners will pay the vast majority of this tax, and that might be good short-term politics, but it will have a long-term adverse effect on the economy. Senator Hughes and Senator Stevens talked about people leaving Alaska, and it is a real possibility, he opined. He said HB 115 will crush small businesses due to the regulations that will undoubtedly come from this—just the idea of trying to collect payroll taxes and do reports. He noted the threat of an Alaska IRS hanging over people's heads—that's got to be "disconcerting," he said. The bill seems to ignore the values and spirit of Alaska. He came to Alaska because it was a place of opportunity that encouraged and promoted hard work and sacrifice. "That was and still is the spirit of Alaska," but HB 115 ignores or penalizes that spirit.

[6:21:50 PM](#)

SENATOR STEVENS asked about Mr. Carlson's remark regarding the taxes paid by 1 percent of Alaskans.

MR. CARLSON replied that 1 percent of Alaskans will pay 27 percent of the tax.

[6:22:25 PM](#)

CHRISTINE NIEMI, Juneau, said her comments represent herself, her husband, and her grown children, who believe that passing a comprehensive fiscal plan this session is the top priority, and HB 115 is comprehensive. Her family is okay with a permanent fund dividend that ranges between \$1,000 and \$1,250, as negotiated between the House and Senate. In 1983, she was happy to receive a dividend of \$386. Before that, Alaskans had no permanent fund, and it was still a pleasure to be here. Additionally, she favors a progressive income tax fair to people of different income levels that would capture money from out-of-state workers who benefit from Alaska jobs and would provide broad-based revenue. Alaskans contribute to for-profit companies by buying their products, and "we strongly oppose providing them with subsidies." Lastly, she said, she supports adequate funding for services such as public education, public transportation, roads and ferries, public safety, public health, and pioneer homes, just to name a few. Additional reductions to these services is not acceptable and is dangerous to the children and adults who depend on them. Please support HB 115, she said.

[6:24:23 PM](#)

KEVIN SHIPLEY, Kake, said he represents himself even though he is the superintendent of a school district. He said he mildly supports HB 115 as a vehicle to move forward with a broad-based plan. He has concerns about the bill, he said, and normally would oppose any form of income tax. In another state he lived in, he vehemently opposed income taxes; however, Alaska does not have a tax structure set up. In reading HB 115, it is not the simple plan that the governor put out that would be easy to regulate and monitor through the permanent fund committee, he stated. It will create a large government organization the way the bill is currently written. He added that he does not like the multiple-tiered system that targets and punishes people. Each Alaskan must pay their share; Alaska is the lowest taxed state in the nation. Government has been cut, and he said he knows it will never be cut enough for some people, but when you are the lowest tax group and your government is as small as ours is, we have to move forward. The amount this bill raises is more than the gap, he said, and he does not agree with the Senate's plan to reduce by 5 percent, because there have been cuts, and school districts will suffer dramatically, and the students will suffer. He suggested working on the bill in committee, "because we do need a broad-based tax." He suggested indexing the permanent fund on earnings, so people are not double-paying taxes. This bill might be the vehicle to start getting a broad-based tax.

SENATOR GARDNER asked where Mr. Shipley is superintendent.

MR. SHIPLEY answered Kake.

[6:26:47 PM](#)

BRIAN MCNEIL, Fairbanks, said Alaska already has a personal income tax. He urged that an accommodation be made for those who purchase their own health insurance. The proposed tax is based on one's federal adjusted gross income, line 37 of IRS form 1040. At the federal level, that has already been reduced by the cost of health insurance premiums, but only if a person is self-employed, he explained. He said he is referring to line 29 on form 1040, the self-employed health insurance deduction. Under federal law, retirees, those working for employers, and others cannot use the line 29 adjustment. At the state level, he suggests that the adjustment be available to anyone who buys their own insurance. This is important because of the high cost of Alaska health insurance, which is about two and a half times the average cost for all states. Using 2017 data for older Alaskans with incomes just above the subsidy cutoffs, he has the

following examples of households purchasing the cheapest available nonsmoker health insurance: A single 55-year-old would pay \$15,480 this year, or about 25 percent of the subsidy cutoff adjusted gross income. A two-person household, both aged 64, would pay a total of \$41,616 this year, or 51 percent of that subsidy cutoff income. He said that a state tax should expand the adjustment to include anyone who buys their own health insurance. If the bill goes through, then Alaska should have some accommodation for people who have to pay their own health insurance. For older people, it can be as high as 50 percent of their income, and as the bill is written, there is no accommodation for that unless the person is self-employed. The subsidy cutoff is about \$81,000 for two people, so even though they might have the same income, 50 percent of that is going to the very minimum health insurance plan, which is the cheapest policy available. There is a credit for the self-employed, because the cost of health insurance comes off prior to the adjusted gross income, and it doesn't for anybody else. So, an income tax should address that. "I know we have to pay for the cost of government somehow," he concluded.

[6:30:39 PM](#)

JIM CHEYDLEUR, Fairbanks, said he is a parent and a husband. His children have gone through public schools, where he has seen some degradation, and he is seeing lots of cuts at the University of Alaska in Fairbanks. He expressed his deep concern that Alaska develop a comprehensive plan that does not just address this year's problems. He said HB 115 is part of the plan. Although it may need some fine-tuning, he supports the bill. "We need to go back to recognizing that government does cost people money." People have differing abilities to pay for it, and an income tax is progressive and is one of the places to go. He supports some modifications in the permanent fund, while trying not to hit people for whom the dividend is significant. "I urge you to support this. Fine-tune it if need be, but this should not be taken off the table." He said it is part of the big picture, as well as adjustments to the credits being paid to the oil companies and modifications to the PFD.

[6:32:23 PM](#)

JEAN JAMES, Fairbanks, said she is retired and has many family members in Alaska. She supports HB 115 and absolutely agrees with the previous speaker. For the good of Alaska and its communities, she strongly supports broad-based taxes. She said a sales tax would be regressive. The chamber of commerce says that without an income tax, the state would still have \$15 billion in savings beyond what is in the permanent fund, but fiscal

prudence requires maintaining a savings account, cutting expenses, and increasing revenue. She noted that significant cuts have already been made to government, schools, and the university, which have reduced state spending but also reduced employment. "We have had enough cuts, except maybe some of the tax credits, legislative per diem, and travel expenses." The next step, she added, is to increase our revenue, and an income tax is easiest and fairest, and it addresses some of the concerns that have been talked about with people not having enough money to do things. Alaska had an income tax and a school tax before the pipeline, and there were excellent schools, the university, and music/arts programs, and "we need to do it now; we need to have an income tax." Unlike what Mr. Miller stated, the income tax would bring in about \$80 million from out-of-state workers. She said there are plenty of them. Alaska has, by far, the lowest taxes in the country, and adding an income tax would make it the second lowest. She noted that Alaska also has the largest state landmass with corresponding issues. She urged caution while comparing per capita costs with other states and not compare apples with oranges. "Pass a comprehensive tax this year and be statesmen and stateswomen and support HB 115," she concluded.

[6:34:47 PM](#)

MARK JOHNSON, Anchorage, said he is retired and is not representing any group. He said he has been in Alaska for 44 years and intends to stay. He has witnessed growth in the state, some of it good, but who can forget the Delta barley project, the Valdez grain terminal, the Pt. McKenzie dairy project, the fish plant, and others? They were all funded with oil money by the legislature under pressure from various lobbyist groups, and all failed to meet even minimum expectations. Including the half million dollars given to TransCanada, the legislature has spent well over a billion dollars on a gasline that has never materialized. Why not? Because, he said, it is not economically feasible. Oil revenues have declined, but this was predicted 40 years ago. Proposing an income tax is the result of a self-created crisis, he stated. Did legislators prepare for the decline in production that everyone knew would happen with just a modicum of restraint? he asked. No, they did not. In fact, over the past ten years, they increased the operation budget by over 100 percent in the full light of declining oil production. "We have the mechanisms to bridge this decline in revenue; we created that mechanism 40 years ago, and we called it the permanent fund," he said. The budget can be reduced while the state draws from the over \$13 billion in the constitutional budget reserve (CBR) and the permanent fund earnings reserve.

Reducing the budget will cause hardship, he said, but limiting state programs will help find new cost-effective ways to accomplish the required services. Hardship is the catalyst for innovation, and the state needs to focus on the future and not just the next election. "We need strong leadership—something that has been lacking for the last ten years." He said he does not agree with implementing an income tax; Alaska has the highest cost of living in the country, and a tax will add to that. He also questioned if the legislature is trustworthy with regard to future tax rates since they have adjusted tax rates on industry nearly every session. Taxes grow government, and they would harm our economy at a time when Alaska needs to work its way out of the recession, he opined. He said Alaskans will remember any heroic or any reckless attempts to solve these problems. He urged the rejection of any income tax.

[6:38:14 PM](#)

WILLIAM HARRINGTON, Anchorage, said he is retired from private employment, but he is on social security, which is the opposite of a public employee who volunteers to pay an income tax to stay employed. "All of this modeling is just speculation," he stated. The cards are marked and the deck is stacked against his group of wage earners. He said he was at his family's beach house when his dad grilled a "mean London broil." "The ladies" chatted over after-dinner drinks, and his aunt discussed the problems of health, investment, and unemployment of her brother and wondered what they could do. His grandmother crossed her arms and said, "He got the same as us." Through frugality, and downright cheapness, his aunts are well off, he said, but his uncle lives in a one-bedroom apartment next to a freeway in Seattle. As Mr. Harrington's mother said, "you made your bed, now lie in it." There's been 40 years of oil taxes and 40 years of uncontrolled spending. In Juneau, a \$250,000 playground [burned], and he questioned if that screams excessive privilege and spending. "And how about that grain silo in Delta?" He said he congratulates the Senate on its position, but both sides are waving a flag saying, "I want what's best for Alaska!"

[6:40:1b8 PM](#)

SARAH DAVIES, Anchorage, said she is representing herself and that she is a teacher. The ideas that nourish the expansion of the self are created in our homes and are explored in classrooms of diverse settings. She said that she has taught for seven years in Alaska and has watched a continued divestment from those classrooms and administrations that advocate for the teachers and students incubating inside them. Looking around today, she said, she cannot help but notice an education system

and its composite human parts in postures of poverty and fearful uncertainty, when we most desperately need postures of possibility, championship, and advancement. She stated that without investment, Alaska will stand witness to the continued malnourishment of the social, physical, mental, and economic health of its own communities. "We are on a growing edge today; it is normal to not know what to do or where to go," she said. It is normal to feel confused, frustrated, anxious, and tired, and these are the indicators (unclear) on the right side of this profoundly noble fight to promote an enriched education for students of all ages, she opined. Far too many of Alaskans have watched too many [students] walk out of this state seeking the education they know they are entitled to but can't find here. She urged taking action that prioritizes personal and commercial investment in education. "I am willing to offer my own tax dollars in support of this bill," she concluded.

[6:42:06 PM](#)

JANET MCCABE, Anchorage, said she supports a progressive income tax. It is essential to Alaska's future to both approve a draw from the permanent fund earnings reserve account and an income tax this session, as a package. To be realistic, once the state starts drawing funds for state operations from the earnings reserve, it will be even less inclined to impose an income tax to cover fiscal needs. The results, she added, would be increases in withdrawals from the earnings reserve in future years, and, upon exhausting the reserve, the PFD would be canceled, and eventually the corpus of the fund will be endangered. Alaska will be much poorer, and then an income tax will come back, she surmised. She urged the committee to consider the full scope of Governor Hammond's vision, which included a state income tax to provide enough funding in the future so that legislators are not tempted to balance the budget by increasing the draw. The cuts that have been proposed instead of an income tax would mean the loss of 700 teaching jobs. The ripple effects on the economy would be felt statewide, she offered. These cuts are the sort of actions that can tip the balance of throwing a recession into a major economic downturn. She said that there are plenty of people here to remind us of the benefits of quality schools and universities. Alaska needs a complete revenue package to assure Alaska's prosperity that was identified by Governor Hammond 40 years ago: using the permanent fund earnings for state services and a state income tax. "We need them both, this session, in one package," she stated.

[6:44:43 PM](#)

HELEN NIENHUESER, Anchorage, said she has been an Alaska resident since 1959 and strongly supports HB 115. It is essential for solving the deficit. She supports the income tax along with the House revision of SB 26. The bills are complimentary, she said, and the state needs both. The income tax won't solve the problem by itself, but it is an essential part of stabilizing Alaska's finances. She noted that it has been a great while since oil started flowing through the pipeline, and Alaska has done a lot of good things with the money—as well as some wasteful boondoggles—but it is not stable as demonstrated by Alaska's present deficit. She pointed out that everybody else in this country either pays an income tax or a statewide sales tax, "so don't believe this stuff about people having to leave the state." An income tax is better because it affects those most able to pay the most, she said, and it counters the effect of cutting the dividend, which is a necessary part of restructuring the permanent fund but impacts those at the bottom of the income scale the most. She and her husband are both retired from government jobs. "We are not wealthy but believe that a tax is the fairest way to supplement permanent fund earnings." She said they may travel less or wait longer to buy a new car, but they support the income tax, not only because it's fair but because they have three granddaughters who live in Alaska and love it. They are in college now and will soon be deciding what they will do and where they will live. They want to live here, but there must be jobs. She noted that there will not be jobs if the legislature doesn't solve the fiscal problems this year. "These young women and those like them are essential to the future of Alaska." She said education is also critical to the future of Alaska, and paying income tax to avoid cutting education is something that many, many Alaskans are willing to do. She added that she opposes proposed cuts as there have already been deep cuts, including cutting the job of one of her sons. "We should continue to look for smart cuts, but I fear for what Alaska life will be like if the legislature makes much deeper, broad, untargeted cuts."

CHAIR COSTELLO thanked Ms. Nienhueser and said that the state constitution does not allow for a dedicated fund, so HB 115 represents an income tax that will go to the general fund.

[6:47:58 PM](#)

SARAH MCCABE, Anchorage, stated that she is in favor of HB 115. From what she has heard about the budget deficit, a single strategy will not work to fund Alaska beyond the next few years. There needs to be several sources of revenue. The proposed

income tax is progressive and reasonable, and it would tax out-of-state workers who use services and facilities in Alaska, including roads, state troopers, parks, government services, and our carefully managed fishery. Some people say that the income tax will discourage people from moving to Alaska or staying here. She disagreed and said that several years ago she moved to Texas, another state without an income tax, and she was astonished how inexpensive housing and other necessities were, but still she chose to return to Alaska. She said many of her neighbors have decided to retire here, because there are many reasons to stay or leave besides the cost of living, like friends, career opportunities, climate, activities, and thriving communities. She said she supports the income tax because Alaskans must choose to pay for services that make Alaska a wonderful place to live and for the sake of one another. She requested passing HB 115 as part of a coordinated package of revenue, (unclear), and expense reduction.

6:50:15 PM

SHANNA ZUSPAN, Anchorage, said HB 115 is a critical part of enacting a fiscal plan to remove Alaska's economic uncertainty. She supports an income tax because of education, economics, and personal responsibility. She was born and raised in Alaska and is a product of the Anchorage school district, which prepared her for a successful career. Her and her husband live in Anchorage to give their children the same opportunity, she explained. "Our schools are our future," she added, and "I want competitive compensation for our teachers." Economically, Alaska can't keep going like this. As a part owner of a small business, she needs a stable economic foundation. Her business employs 15 professional staff. It exports its services to communities in the Lower 48 and reinvests its profits here in Anchorage. The business pays well, she noted, and it offers excellent benefits. Last year was a good year for her business, but she has not hired anyone new because of uncertainty on what to base its growth forecast on. A business association told the committee that small businesses do not support an income tax; that's not true for her. "We want to grow, but we need to know that a comprehensive fiscal solution is in the works," she stated. A tax is also about personal responsibility and personal commitment to a better Alaska. She said she spends her work days helping communities, and the work helps make Alaska a better place. She does not spend much time in direct political advocacy, she added, but she is here tonight because it is a pivotal moment for Alaska. "We have to accept our personal responsibility to each other and to Alaska," she added, and that is why she supports HB 115.

6:52:58 PM

CHRIS BECK, Anchorage, said he is a founding partner of a successful small business based in Anchorage, and it has grown from two to 25 people in the last 15 years. His business provides consulting services to other small businesses, Native organizations, local governments, and developers. He said he is on the front lines of where cuts to government are affecting people. Alaska must have a fair income tax, and HB 115 is a good place to start. He said he strongly believes that continuing cuts to government are directly harming Alaska's economic health. Examples include education and transportation. Another is the Alaska tourism industry. Tourism brings almost \$2 billion each year and supports one in eight Alaska jobs. The last three years the state tourism and marketing budget was chopped from around \$17 million to \$5 million, and, "now we're not only the 49th state to enter the union, we're the 49th state in tourism marketing." When other states outspend Alaska and get the customers, Alaska loses the possibility to sustain what we have or to grow. This proposed tax would bring in about \$80 million of new money from people who work here but live elsewhere, but adjustments in the permanent fund just move around money that starts in Alaska. He said he thinks Alaska has drifted away from its values and spirit—the things that we like to pride ourselves on. "So many of us talk about being self-sufficient, being self-reliant, paying for what we use, but we don't actually do that in Alaska." He said it is time to get back to those values and pay a reasonable share of the services that we enjoy.

6:55:35 PM

ANDY HOLLEMAN, Anchorage, said he is newly elected to the Anchorage school district board, but he is speaking on his own behalf and is in favor of HB 115. For years Alaskans have faced annual uncertainty about when the final budget will happen and what will be in it. It may be what we're used to, but it is very destructive and very expensive, he stated. A lot of effort is spent revising budgets, and the uncertainty makes retention of talented people very difficult. You need revenues that vary with population growth and with economic activity, which will bring some predictability and the ability to manage the state efficiently. The outflow of dollars in the form of federal taxes will be reduced, he stated. There are no economically successful states that don't provide good services to citizens, good schools, good public safety organization. "We have to grow value; we cannot hoard or cut our way to prosperity." He urged the committee to provide the state with a sustainable budget by implementing this income tax.

[6:56:45 PM](#)

GREGORY ANDERSON, Wasilla, said he is just representing himself and is against HB 115. The legislature has spent Alaska's wealth like a drunken sailor for many years, and as soon as there is a downturn, legislators try to seize the opportunity to institute new taxes. An income tax will penalize productive people and create a bureaucracy with new costs, he concluded.

[6:57:45 PM](#)

HERMAN MORGAN, Aniak, said he is from rural Alaska and would like to provide the rural perspective on the budget and how it is being handled. [An income tax] is not a good idea at this time, but any other time it would be the perfect solution. Cutting the permanent fund was like a flat tax, and an income tax would have been good. People look for righteousness and honesty in government, but it seems like it is wrong to cut the permanent fund. In Aniak, the cuts took away \$550,000. That money could have been spent locally, and the state could get some of it back in income tax. The governor, before he ran, said he wouldn't touch our permanent fund. People like Bob Herron in the legislature told people to be happy for what you get and that they didn't take it all. It is like telling us that "we have to spend your permanent fund money, so we can save it for you." This doesn't make sense. In the scripture it says, "He who oppresses the poor insult their maker, but he who honors him has mercy on the needy. Righteousness exalts a nation, but sin is a reproach to any people." People are poor in Alaska, and by taking away their permanent fund like that, it (unclear) buy things for your kids or store for the winter or things like that. He said he would support an income tax bill, but only after restoring the PFD. That would be a big boost to Alaska's economy. Be honest with the people you represent, because when this is all over, our maker will (unclear) somebody poor, destitute, or hungry. If you didn't help them (unclear), that's what the bible says. Don't put another burden on us with an income tax; restore the permanent fund first, and then do something to make the people who come here pay for their services, like the fire department and roads. A lot of people who couldn't afford to pay, they would not have to pay an income tax. Don't send Alaska further down this road of destruction.

[7:01:56 PM](#)

DAVE PALMQUIST, Anchorage, said he is a veteran and a third generation Alaskan. He stated that he is opposed to HB 115, because Alaska already has a high cost of living. Even if one of the end results was to grab some of the money from people who

work here and leave the state, the cost would outweigh the benefit. He knows people who own small businesses and sees their struggles every day. He added that the legislature has frivolously spent a lot of his money, and the bottom line is that there has to be deep cuts. "We need to stop this frivolous spending immediately," he said. Services cost money, and he works hard for his money, and he doesn't want to foot the bill for people being frivolous. If this tax is implemented, people will leave the state, but not as much as when people left when the pipeline was completed. It will further harm the economy.

[7:04:04 PM](#)

GEORGE PIERCE, Kasilof, Alaska, said he is representing himself and that it will be hard to beat William's testimony. The Senate does not want an income tax since Alaska is in a recession. "Well, we're in the same recession and you took the people's PFD, and that didn't bother you," he stated. An income tax would capture the last revenue of about 20 percent of nonresident employees who don't contribute to Alaska's income tax, and that's called lost revenue to the state, he explained. It's revenue Alaska needs to survive the so-called recession, not to mention it is in a deficit. He said the legislature should pass an income tax and then come back and capture all the lost revenue from the many exemptions we give to nonprofits, S corporations, and LLCs. A survey showed 64 percent of voters said to keep the PFD intact and collect income taxes or a sales tax to pay for government services. An income tax makes more sense, as it brings in more revenue to a badly needed budget. Every analyst and expert told the committee what to do to solve this problem, "but you never listen to this sound advice," he stated. Listen to the voters—not special interests—and vote yes on the income tax. Repeal these oil tax credits, he said, because that is a big problem. He reminded the committee that Alaska will owe the oil companies \$1 billion next year, "thanks to you." A previous caller said that 21 percent of Alaskans will feel the effect of the income tax, but he forgot to mention that was on a \$75,000 income, "so do your job, represent the Alaskans, and yes to an income tax."

[7:06:48 PM](#)

SUSAN OPALKA, Girdwood, said she strongly supports an income tax. Other have stated how she feels, she said, and the tax will capture money that goes out of the state from people who are not taxed. "I strongly support an income tax."

[7:07:25 PM](#)

JASON JONES, Palmer, thanked god for conservative Republicans for holding the ground on state spending and taxes. "Our biggest problem in Alaska is our tax-and-spend governor and House liberals." He said the schools can get all the money on the face of this earth, and they still would be crying for more. The kids would get a better education if the schools were privatized, he added. Most educators are liberals, so don't worry about their pathetic votes. No income tax, no fuel tax, fully restore our PFD, he said.

[7:08:18 PM](#)

TRISH MCDOUGALL, Houston, Alaska, said her family is in Alaska, and her daughter was born here and owns a small business. She told the committee that she has a combined knowledge of pretty much most of the issues that have been brought up, because her son-in-law works in the oil industry, her husband works in the auto industry, her sister works for a nonprofit, and she works in the health care industry. Because of the recession, she does not support HB 115. Personal responsibility "is not the justification here," she said. This is the responsibility of elected officials to manage over-spending. She told the committee to "look in your own house from the top down, and then come to us with an actual plan that is fiscally responsible across the board equal for all Alaskans." She stated that she does not support anything in the bill, whatsoever. It will break the backbone of working Alaskans regardless of how much goes out of the state. "I don't think that will offset what we are looking at as far as our deficit right now," she concluded.

[7:10:36 PM](#)

RONALD ALLEN, Skwentna, said he and his wife live in the wilderness and have a small farm and a very low income. He said he is a retired naval officer and a Viet Nam veteran. He said he is against the income tax in HB 115. From what he can figure, there are 735,000 residents and only about 135,000 are working. He gets social security, a pension, and a little bit of (unclear). President Franklin Roosevelt created a program for the baby boomers, and he said he wanted to provide social security, so people could have pride and dignity in their senior years. He said he went on social security in 2010 and sold everything he had and moved to Skwentna, because both he and his wife lost their jobs. "We've been struggling, but if you have to take my social security away as a Viet Nam veteran, it's disgraceful," he said, but he still has his pride and dignity. He stated that he farmed with his grandfather in Indiana, and that is what he and his wife are trying to do in Alaska. He built a 50-foot high tunnel, and they are growing vegetables and

raising a few animals. He doesn't see how an income tax is going to work. "I'm not sure what it is, but I have an idea, and you probably don't want to hear it." He asked everyone to think about the people who are struggling. He said he is trying to help people with his garden and his turkeys, but it is not easy.

[7:14:21 PM](#)

MIKE COONS, Palmer, said he is speaking for himself and said progress equals socialism and an income tax is socialism. He calculated what his tax would be. For him and his wife it would be \$954, but each might get \$1,250 from the PFD. If they both are not given a PFD, that will cost them \$3,454. They are on fixed incomes and will have to set aside \$79 per month to pay their tax. He would set aside \$90, and that is \$90 that Walmart, Lowes, and gas stations will not get. That is \$90 not going into businesses and will cause the loss of employees. That means no flights to go see his mom, which costs \$600, and at least another two years to save for a new ATV [all-terrain vehicle], which costs about \$20,000. Testimony today stated that 16 more state workers offset the 74 state workers that have been pink slipped. Regulations will be about 200 pages. The president and Congress are cutting taxes, he opined. Progressives want to add 200 pages of regulations to support government; hell no.

CHAIR COSTELLO noted that over 150 Alaskans are waiting to testify, and she urged witnesses to be brief.

[7:17:10 PM](#)

RICH YOUNG, Eagle River, suggested putting emotions aside and looking at facts and science. Science says any increase in taxes reduces growth. One percentage point cut in personal income tax raises the GDP [gross domestic product] by 1.4 percent. He noted a website that shows studies supporting that. There is a recession, and the testifier before him said that he will have to wait to buy a new SUV [sport utility vehicle] or an ATV or to spend \$100 at Lowes. He said that will affect the Anchorage economy immediately. "You want to take \$300 million of the permanent fund away from the economy, and then you're gonna take \$600 million, because I'm going to give you (unclear) of new money, and you want to take that out of the economy—\$900 million out of the economy of the state of Alaska per year, and you don't see that that's going to cause a recession?" Unemployment and people leaving the state to find work—he doesn't understand how that science is good for Alaska.

[7:18:43 PM](#)

ROSELYNN CACY, Anchorage, said that the permanent fund versus the income tax divides Alaskans by income. "If I make less than \$1,000 per pay period, the permanent fund dividend is important and significant to me," she noted, "especially if I have children." If her income was doubled or tripled or ten times that amount, the dividend becomes much less important and an income tax becomes more important. The progressive tax structure does the same. She suggested removing the section where some pay no tax. It is an illusion. This group already gave up more than this amount in the PFD reduction, she said. There are two natural places to increase a wage withholding. The first is a half percent increase when the state unemployment withholding ends, she stated, "currently 198.50 of tax somewhere under \$40,000." The second is a "6.2 percent that individuals stop paying in social security tax, about 118,000." If a 5 percent tax were withheld at this point, a lot of wage earners wouldn't even notice. On line 13, page 1, and lines 1-20 on page 2 of the bill, if taxable income is under \$40,000, the tax would be 2 percent of the amount. If the taxable income is between \$40,000 and \$120,000, the tax would be \$800 plus 2.5 percent of the amount over \$40,000, and if the taxable income is over \$120,000, the tax would be \$2,000 plus 5 percent of the amount over \$120,000. "Let's make it painless," she concluded.

[7:21:14 PM](#)

BRINNA WOJTALEWICZ, Anchorage, said she is a middle-school special education teacher and currently serving as the president of the Anchorage Education Association. She thanked the committee and noted that since 2014, Alaska's fiscal crisis and the uncertainty for school districts has had an adverse impact on students and their learning. For the last three years, students have been watching as their class size gets bigger and services reduced. "That's why I'm asking you to pass a comprehensive fiscal plan that includes a broad-based revenue measure like HB 115." No educators in Anchorage have received pink slips yet, she stated, but Anchorage has lost over 100 positions. She said she has fielded calls and emails in the past couple of weeks from those who are distressed from being displaced from their buildings, and this is what happens when positions are cut. Some of these staff members have been in the same building for years, she explained. It is detrimental and disruptive to a classroom, and it is happening now without the monumental cuts in the Senate proposal. "We cannot cut our way out of the state fiscal crisis," she stated. She urged passage of HB 115. She said she is gravely concerned about Alaska's children; they need a strong message that they are cared about and valued.

[7:23:13 PM](#)

ORIN SEYBERT, Anchorage, said he is speaking for himself, "but myself also includes my seven kids, 18 grandkids, and 30-some great grandchildren, and even a couple of great-greats. He urged support of HB 115. For those people who have a knee-jerk opposition to an income tax, he asked them to read the bill and see how much it has changed in the last month or two. It is easier and easier on the low-income people; the dividend is exempt; there's a \$4,000 exemption; and it derives the most money from the high-income people, of which a lot of his family are. He added that the tax will bring in revenue from people making our money and taking it back outside. Don't let the Senate hierarchy, particularly the finance committee, continue the draconian cuts, which are only making things worse. He said SB 26 is a good start and he supports it, but saying there will be future cuts, though they don't know where, and the balance can be made up with the CBR—that's our savings. To depend on the CBR to fill the gap is like homeowners burning their furniture to keep the house warm for another night. "Please support this bill," he concluded.

[7:25:35 PM](#)

JANA PEIRCE, Fairbanks, said she is speaking for herself and for her husband. Like many Alaskans, they support an income tax along with a disciplined use of permanent fund earnings and oil tax credit reform as a balanced approach for solving the fiscal crisis. "I don't understand why people think we shouldn't have to pay anything for the government services we use." She said she thinks it is irresponsible to encourage this thinking by continuing to spread the fairy tale that there is enough waste in government that after two years of deep cuts, Alaska can cut its way out of this without eating away at the quality of life in Alaska. There is not \$2.9 billion in waste; if there were, the Senate majority would not be proposing deep cuts to K-12 education, the university, and even pioneer homes with no plan for where those seniors would go. Even with those cuts, the Senate majority's plan doesn't close the fiscal gap, she explained. The income tax that has been proposed, she added, is modest and would be a very small price to pay for the privilege of living in this beautiful and culturally rich state. Several have warned that some people would leave the state because they don't want to pay for the government services they use. That would be their choice, she said, but she expressed more concern for the people who will be forced to leave if they lose their jobs to the economic impact of continued deep and reckless budget cuts.

[7:27:24 PM](#)

MARYLEE GUTHRIE, Fairbanks, said she has been in Alaska long enough to enjoy the full complement of dividends and to enjoy the even larger financial benefit to my family of the (unclear) provided by the petroleum industry, and she supports HB 115 or an improved version. After following state budgets and revenues closely for many years, she sees that the alternative, the Senate majority plan, is to downsize Alaska by downsizing its fiscal capital, human capital, and infrastructure, which is downsizing the future, she said. Public capital is a uniquely Alaskan legacy, and it is a uniquely Alaska need. "We're kind of like Lake Wobegon, where all the kids are above average." She noted that all the costs as a state are way above average, the tax base without petroleum is way below average, and the investment reserves are crucial to Alaska's future. The premise is that a lot of people are meeting this huge ambition in Alaska where surely government can be cut another 20 percent without serious harm; surely, we have enough savings that we can liquidate some of our capital, and surely the future will refill those coffers. "Those premises are unsound and fiscally reckless," she stated.

[7:29:21 PM](#)

BILL WARREN, Nikiski, said he is a 66-year resident and retired from the pipefitters local 357. Alaska has been very good to him, and he favors HB 115. The head tax on the PFD is a tax on babies through seniors, he added, and it is terrible. There is a \$3 billion budget crisis that needs to be fixed. Alaska needs a state income tax, because the two taxes would tax the low and high-income citizens and the state would receive \$85 million from nonresident workers. In other words, "you would tax the poor folks and the fat cats and the people in between—it would be fair." He added that without balancing the budget this year, the legislature will instill fear and uncertainty among Alaskans, resulting in very high anger.

[7:30:39 PM](#)

DAVID BRIGHTON, Kenai, said he is the father of three students and is a special education teacher and president of Kenai Peninsula Education Association. He thanked the committee and encouraged members to pass HB 115. It is controversial, and no one like taxes, but Alaska is the only state that has neither an income or a sales tax. "I enjoyed the days when oil revenue paid for services that we all enjoy," but it is now time to act. Some senators have said that they prefer the sales tax over an income tax, but there is no sales tax bill, and the legislature has

taken too long to address the budget deficit, he cautioned. He congratulated it for cutting the budget; the reductions were substantial and an important step. While sensible reductions and efficiencies should be sought, the big cost savings have been found, and Alaska needs to increase its revenue and diversify it. He said he supports the POMV [percent of market value] as a big step in the right direction, and he has enjoyed the years that he got a dividend, but "we can't afford them, and \$1,000 per year is enough." He said he does not want further reductions in services. A 5-percent cut in schools would affect his children's education, as the Kenai school district would be forced to cut 50 teachers—over 8 percent of current staff. It would force the board to consider cutting programs or drastically increasing class size, and that would harm the education of the children. "My youngest son will never have a second chance at second grade," he stated. Get it right the first time by fully funding the budget for K-12.

[7:32:50 PM](#)

RACHEL NEUENDORF, Soldotna, said she testified last year against an income tax and still opposes the burden of a tax on working people. She asked how much it will cost to implement a tax. It will create another inefficient bureaucracy and makes no sense, she stated. She has not heard how much it will cost, but adding more government is never the answer to a budget deficit. "If you really want to stifle the already struggling economy, then add this income tax," she opined. People would leave. Why stay in this state with a high cost of living, high unemployment, and an income tax? How can you ask people to live on less? She said to continue to make cuts. "Let me be very clear; they need to be dramatic," she said. It is crazy that Alaska is asking Alaskans to do with less but can't seem to make tough choices. She told the legislature to have the courage to cut all programs not guaranteed by the Alaska Constitution. The constitution guarantees public education, safety, and welfare, and this broad definition has allowed for Alaska to be a social welfare state, and the state cannot afford it. It is time to assess the need and funding of programs. "If you must take money, then continue to consider the PFD like you have." She said she is tired of hearing that Alaska has the lowest tax burden in the country, while it has the entitlement of the PFD. All Alaskans should have to shoulder the responsibility to fund the government. She told the committee to consider taxing nonresidents and tourists as a start, but don't ask for money from working Alaskans.

[7:34:49 PM](#)

FRED STURMAN, Kenai, said he is against this tax. Kenai city said that it was "\$500,000 short of sales tax," and that is approximately \$20 million that was not spent in the city limits this last year. He said he spoke with a business owner who cut his work force by 20 percent. He didn't lay anybody off but put them on four-day work weeks, a good policy to consider for government employees. He spoke with another man in Kenai who cut his force by 20 percent, and as soon as the summer is over, he would cut another 10 to 12 percent. He said he talked to someone who was packing up to leave as soon as school was out, and her husband has already left to find a job. They have seven kids and are going to be leaving. "And you talk about taxing the out-of-state people; we just lost 9,000 jobs on the North Slope," he said, and "half of them people lived outside, or more." He noted that 60 percent of the people on the Slope live outside, and they got laid off too. It wasn't just Alaskans that got laid off, he explained. He said to cut taxes, "and I don't think you should consider giving another 3.5 percent raise to the employees this year, and make them pay their own health care."

CHAIR COSTELLO noted that there are many who are waiting to speak, and some have already left. She said that people can provide written testimony.

[7:37:05 PM](#)

MICHAEL ILLG, Homer, said he supports HB 115, symbolically, the "education funding act." The tax is about the future of Alaska and putting kids first. "We need this income tax to pay for education," he said. He said Alaska cannot just focus on what is happening inside the classroom, but the roles of schools go beyond standardized tests. It is more about the relationships, the people they connect with, he stated, and the opportunity for betterment. To continue to kick the can down the road with less money for schools is going to be a hardship for many families. "We're talking hardship for children; we simply cannot afford not to implement this tax," he added. He encouraged the committee to look at public education from a different point of view, rise above party affiliation, and ask themselves what they believe is the best thing for the kids and the future of Alaska. "Look at public education as a public safety issue," he urged. The better kids are in the classroom, the better they will be as Alaskans, he concluded.

[7:39:30 PM](#)

KATE FINN, Anchor Point, said she agrees with the previous speaker to focus on education. There is no dedicated fund, but this is an education tax. She said she just returned from China

where there is a 95 percent literacy rate. The United States has 86 percent literacy, with 32 million people who cannot read, she reported. The Literacy Council of Alaska reports that 43 percent of the lowest literacy people live in total poverty, and 17 percent receive food stamps, and 70 percent have no jobs or only part-time jobs. There is nothing more critical than the education of Alaska's children, she opined. Russia has 99.9 percent literacy; Cuba has 99.8 percent literacy. "What are we doing when we don't focus our attention on education?" Education is not Socialism, it is just socially responsible, she added. She urged passing HB 115, capping the PFD at \$1,000 or \$1,200, and repealing gas tax credits—all in the name of balancing the budget, which must be done now.

[7:41:46 PM](#)

DUANE CHRISTENSEN, Anchor Point, noted that he is either in an alien universe or still in Anchor Point. He said he is opposed to HB 115, and he has heard the same arguments about education every year. He has lived in Anchor Point from the time when Alaska wasn't a state to the time it did not have an income tax. Last year, 9,100 jobs were lost, and the projection is 12,000 this year. The projected income from the tax at \$8 million is not going to balance the budget, "so you're going to have to look elsewhere anyway." He said he has not heard anything about cutting this stupid boondoggle gasline project, which is not going to go anywhere. It doesn't pencil out, he explained, and it has never penciled out. He received a letter from "one of you senators," and the context of the letter was ludicrous, claiming that this is sustainable, "and it is not." He has been trying to work his way to retirement for years, "and if this goes through, then that just shoots that in the foot." He encouraged senators to stand ground. Government doesn't create wealth. The senators are the thin line against tearing apart the future, he said.

[7:44:08 PM](#)

DAN BOONE, Homer, said Alaska needs to broaden its tax base so everyone has skin in the game. Everyone appreciates well-functioning and efficient government, good schools, public safety, and well-maintained roads. We just don't like paying for it. Not paying, he said, has worked for nearly 40 years, but now we must start bearing part of that burden. First, he said, Alaska needs to revise oil taxes so that there is a positive cash flow from every barrel of oil that flows down the pipeline. Second, there needs to be a cap on the PFD; \$1,200 is a little more than the historic average and is a nice \$100 per month. Third, Alaska should implement a statewide income tax, and the easiest means would be a small percentage of one's federal

income tax. That would capture money from those who earn an income in Alaska but choose to live outside and, consequently, don't spend much of their income here. He suggested a few small adjustments, such as increasing fuel taxes and changing senior exemptions, such as free auto and hunting licenses. He noted that he is a senior and would be impacted. None of this tax restructuring is particularly pleasant, he pointed out, but it is absolutely necessary for the long-term fiscal stability of the state. He urged the committee to pass HB 115.

[7:45:47 PM](#)

CLYDE BOYER JR., Homer, said he represents himself and his wife, Vivian. He is a retired certified public accountant and had a small business and saw no real problems suffered by small business clients during the time that Alaska had a state income tax. He said he is in favor of an Alaskan income tax to fund the important services provided by the state. "Our citizens need to step up and help," he added. Alaskans currently pay nothing to finance the state, and with the income tax, Alaska will still be close to the state with the lowest taxes on citizens. He said Alaska needs to continue to have excellent education and to not let its bond rating drop again. He supports adjusting the PFD as an interim measure and hopes that the tax credits offered to the oil industry will be reduced to help balance the budget. He reiterated his support of HB 115.

[7:47:15 PM](#)

AMY BOLLENBACH, Homer, said she agrees with Mr. Boyer's testimony and is very much in favor of HB 115, because it is fairer to low-income citizens and provides money for important services, like education. She opined that Kate Finn had great comments on Alaska's poor reading rates in comparison to some much poorer countries. "We can't hurt children because we're afraid to have an income tax," she added. She lived in Alaska many years when there was an income tax, and one year, 1964, she was living in a basement with her husband and "theoretically building a house." Part of the structure was damaged in the earthquake, and the well quit giving water, so they were in bad straights. "We were worried about doing our federal income tax, but we had so many deductions from my illnesses that it wasn't so bad, and then we suddenly thought, oh, we forgot the state income tax." Well, it was only about \$250. Almost all middle-income people and upper-income people can afford \$250, so let's not throw away our children's future for a few hundred dollars.

CHAIR COSTELLO said there are still over 100 people waiting in various locations across the state.

[7:49:24 PM](#)

GARVIN BUCERIA, Palmer, said he is opposed to HB 115 and top-down economics that involves government funding and excessive social programs. Governor Walker has irresponsibly cut the government-funded PFD program and rewarded state workers with salary increases when there have been reductions in the oil industry when the government failed to pay the incentives in SB 21, by promoting an untimely rail link with Canada, by promoting a gas pipeline and its offices and staff, and by perpetuating the funding of the Knik Arm crossing. "Obviously, I support the bottom-up economic view that supports private enterprise," he averred. He thanked the committee for not supporting "House bill majority legislation." He doesn't relish sharing his limited income with a growing workforce. The objective of the committee should be to maintain current Permanent Fund Corporation returns without changing its present structure. The folio was up 4.5 percent for the first half of FY17, and between April 21 and April 25, the permanent fund gained \$497.5 million, he stated. Passage of SB 21 increased production on the North Slope. He said to accelerate new discoveries where the government provides incentives to make them two to three years away from linking to the trans-Alaska pipeline. "Reduce this budget," he said. He urged the committee to use the constitutional budget reserve to fund a reduced budget. So far, it is not sustainable, but use it, and, yes, numerous special legislative slush funds to fund government. Don't cave to the House majority, he added.

[7:51:43 PM](#)

STEVE ST. CLAIR, Wasilla, said he opposes HB 115; it is dishonest to put education anywhere in the title, but it seems that everyone is talking about education. The intent of the bill is to generate new revenue to continue wasteful spending of government. "If you want to find revenue, there are many places in the budget to find them, such as \$300 million of funded and unfunded positions," funded positions that are not filled, and \$250 million of optional Medicaid services. He referred to a budget he produced a couple of years ago. He said he found 85 percent of the revenue that the committee says they need, and it took him less than a 90-day session. He said no teachers were fired. An income tax deters people from working. His family has decided that it is too expensive to work. A family of four with an income of \$50,000 will see its income reduced 8 percent, which includes the loss of the PFD and a \$210 state tax. He explained that he is willing to pay his fair share if the government cuts its budget less than 1 percent. These people who are saying deep cuts, not happening. Most people who support an

income tax work for the government or are suckling on the government udder, he stated. Looking at fiscal note number 2 on this bill, it shows that four employees will be hired this year and 37 employees in 2019 and 60 employees in 2020. "For all of you sitting there that wanted to reduce the size of government, if you support this bill, you're not reducing the size of government." He urged a no vote.

7:53:48 PM

ABBY ST. CLAIR, Wasilla, said she opposes HB 115. She said legislators have been elected to keep her best interests at heart, not to increase the government's bank account. "You should be paying the bills required by the state constitution, then prioritizing the additional bills," she stated. A way to cut costs would be to stop funding "those unfilled positions throughout the entire state," which is wasting \$300 million annually, which she learned about from a Mission Critical meeting. Another option to save money would be to eliminate some Medicaid services, she said. "We cannot afford the Cadillac plan." These cuts would provide the same money equal to an income tax. One out of every ten Alaskans are veterans and many, like herself, live on a fixed budget and would be required to pay additional taxes, even though she lives below the poverty line. She reminded the committee that many other states have tried this and lost revenue and lost a significant number of residents, because they can't or won't pay it. "Is this what you want for Alaska?" She said Alaska is suffering from the recession, and there are other options. She told the committee to listen to the experts like United for Liberty and Mission Critical.

7:55:28 PM

PETER MORGAN, Palmer, said he represents himself and his wife, who does not know that he is testifying. He said he does not want to pay three to four hundred dollars a month when he shouldn't have to. He said he doesn't want to pay when he is retired. He doesn't want to pay taxes on his social security. He doesn't want to pay taxes on his IRA, Roth, and 401K. He added that he doesn't want his children to be paying any taxes on the things that are left to them when he is gone. "It is totally unfair." The money is there now to take care of this. "Jay Hammond, everybody said, he's a great guy and he did a great thing, and he did." He said he has spent every dime of his PFD. He asked if anyone thought, at the time, that 20 to 30 percent of that PFD would be shoveled back to the federal government. What a waste! Federal money never did anything to help the state. The coolest thing about the PFD is everyone shared the

same amount, and things are different now, and we should all share the weight of the burden of government. Cutting needs to happen, but this should not be put back on people who have earned money in this state. There is plenty of money in the permanent fund. Although unpopular, why not direct that money, just like we would do if it were a PDF check, to taking care of these bills, he said, and we would stop wasting 20 to 30 percent, and the rest of us would be able to make it. He said he applauds his majority in the Senate for hanging on for dear life. The majority in the House is just acting like lemmings, he told the committee. They are not thinking about what is going down. He urged the committee to not pass HB 115. He said Governor Hammond did not think about the money Alaskans would be shoveling to the federal government out of the PFD.

[7:58:19 PM](#)

BETH RIVEST, Juneau, said she is a mother of three and worked for the Coastal Management Program, stayed home, started a business, and now works for a charter school. Long-term fiscal planning requires changes to Alaska's revenue and spending. She said she supports HB 115, with some work, as it will help all Alaskans. A family she knows is moving; one member of the family works at the mine and plans on working two weeks and flying south each time. That income earned in Alaska will not support the state. She said she believes in humanity, and there are people who need to be cared for. It is the most vulnerable: the youth who need education, the elderly, all sorts of folks need our support. She noted that she has two people staying at her house for the summer working in tourism. They are from North Carolina, and they actually pay North Carolina state taxes on the money earned in Alaska. "That just doesn't make sense." There needs to be a revenue source and it should include an income tax. She said she has kids in the public school, and some kids don't fit the school system and need more visual learning. The uncertainty of a stable fiscal plan is difficult for the most vulnerable kids.

[8:02:26 PM](#)

At ease.

[8:03:06 PM](#)

CHAIR COSTELLO called the committee back to order. She thanked everyone for their civility.

PAUL KENDALL, Anchorage, asked for his stolen permanent fund money with interest and damages, and he asked the committee to travel to Anchorage to deal with the public employee unions. "It

seems to me they keep bringing up services," he said. There is a thing called essential services and a thing called priorities. "If you think I'm going to pay a school teacher 40 grand a year to come up here, plus bennies, to hang out for nine months so that I can raise her kids while she's not a mommy, and they can teach my children other things that are of more value, you're dead wrong." He challenged the committee to a public discussion about services. Many economies are being sustained by the shared wealth of the state, he said, and there needs to be a discussion about whose money is a shared resource. "They've constructed economies due to the richness of the oil companies. They've constructed false economies, and the minute you pull one of the economies out, the whole thing tumbles," he explained. Right now, there are two things ready to fall, which are PERS and TRS. It has to stop now, he said. "You have to buy them out. You have to stop the public employees' union. That's communism. You have to reconstruct your public employee payroll. We do not pay you to retire; we pay you if you work, and then you purchase those other things." Public education is embarrassingly detrimental to our children, he noted. The state can no longer sustain the opportunists who are mobilizing the resources given to them. They are using their skills to go against the public, he added, and "we cannot sustain that." He thanked people for testifying, but he wants to get back to unhurried, engaging discussions instead of compressed pop-up government moments. He said he is disappointed because he thought Alaska would be different than the Lower 48 and the San Francisco boys.

[8:07:26 PM](#)

KEVIN MCCABE, Big Lake, said he is retired from the military and (unclear audio). If any income tax is imposed on him, especially the one in HB 115, he will (unclear) leaving the state, because over \$7,000 will be removed from the coffers by the tax. The PFD is money constitutionally provided to the people (unclear). This is redistribution of wealth on a rather large scale. He stated that HB 115 is not, by any definition, a broad-based tax. Alaska's problem, he opined, is that neither legislative body nor the governor proposed significant cuts. The state has enough money without removing the peoples' PFD or instituting a tax. The policy of many departments is to fund positions that are not filled, otherwise known as a slush fund, he explained, and other niceties such as the Knik Arm Bridge Toll Authority, the legislative chef, and the mail room, which are unnecessary. The departmental mission creep is huge and has not been addressed by any legislative body or the governor. "Consider the Anchorage school district where 44 percent of the budget apparently goes to the administration." He asked if the legislature had any

control over the use of state funds. There is a spending problem and not a revenue problem. House Bill 115 is not an education funding act, it is a progressive income tax by the rogue section of the legislature and a governor with a pipeline dream. The loudly proclaimed budget cuts are smoke and mirrors, he stated. The cuts are not enough; there needs to be another \$200 million in cuts this year alone, he stated. (Unclear.) He reminded the senators he voted to move the capital to Anchorage or closer to "the people." He wants the same access to the capital as lobbyists, he said.

8:10:49 PM

LAURA BONNER, Anchorage, said she is retired and plans to stay in Alaska and has never been employed by the state or any school. Economist Gunnar Knapp said Alaska will experience impacts of lower oil revenues, and not making significant progress toward closing the deficit will have significant negative consequences. Last year the legislature made progress with cuts only, she noted, cutting 40 percent since 2014. There are not many places left to cut, and the negative consequences are already occurring, she said, with the reduction of troopers, job losses, costs shifted to local governments, services cut for vulnerable Alaskans, less maintenance of the roads, and less funding for education. Cuts to public education will have impacts for generations, she added, including the quality of future employees, innovation, research, and more challenges for public safety personnel. Now is the time to consider revenues, including a progressive income tax. Restructuring the PFD, changing the tax code, prudent cuts in the budgets, and implementing an income tax will give Alaska fiscal stability for years to come. "We need all four parts," she added.

8:13:21 PM

DAVID NEES, Anchorage, said he is testifying for himself, his son, and his wife. In 2002 Tony Knowles introduced an income tax that was similar and was rejected by the Senate, 19-0, he said. A progressive income tax is the worst, because it seeks to distribute money from the rich to the poor. A flat tax, like in North Carolina, taxes every resident. A 1982 ISER report pointed out that Alaska's high income means that Alaskans pay more than its fair share of federal income tax. Earning so much means Alaskans pay 25 percent more, he stated. In 2015, the median family income in the state was the second highest in the nation, which leads to higher taxes, and this bill will add to that burden. The name of the act violates Article 9, Section 7, of the Alaska Constitution, which prohibits dedicated funds, he explained. "If they want a dedicated fund for education, they

can do it like we did with the PFD," he said, with an initiative. He said he is opposed to HB 115, "no matter what you call it, because it's lipstick on a pig."

8:15:54 PM

ELLIE GOTTSTEIN, Anchorage, said she is representing herself and is one of Senator Meyer's constituents. Alaska needs to find a way to fund what matters. For her, she said, education is a top priority, but the bottom line is that to sustain Alaska, there needs to be a long-term plan. That is why she supports HB 115. "We need to diversify state revenue to fund vital health, safety, and education needs, which is mandated by our constitution," she said. You get what you pay for, and it is time to step up and pay for it, she added. Income tax is the way to ensure continuous funding for the things that matter, and the Senate fiscal plan of using only the permanent fund earnings leaves a deficit of hundreds of millions of dollars and disproportionately hurts lower income and rural populations. An income tax will help balance the impacts of new revenues and will ensure that nonresidents contribute to the solution, she added. Without a diversified tax, the state cannot support future growth and expansion. As the economy grows, so does the population. Without a broad-based tax, the state will not be able to support the future we want. This is about the longevity of Alaska, she concluded.

8:17:44 PM

BEN MULLIGAN, Anchorage, said he feels that Alaska is not ready for a broad-based tax. He said he understands, probably more than the average person, that the legislature has cut the budget, but the government is inefficient. There are ways to become more efficient and free up money to do the things that are a priority, he stated. To have faith in government spending, he would like to see a spending cap. "Having that sort of control on government spending through the years would give me, I would say, a little more faith in knowing that money is being well-spent wisely, knowing that you couldn't just increase the budget exponentially given the sort of income that's coming in." He said, until he sees that, he will oppose HB 115.

8:19:00 PM

CURTIS THAYER, President, Alaska Chamber of Commerce, Anchorage, said his group is opposed to HB 115. The chamber was founded in 1952 and is the voice of small and large businesses. Alaska is blessed with the resources needed to fix its problems, and the financial reserves are under strain, and, he said, "we can't live off savings forever." The resources are considerable, and

by working together Alaska can close the fiscal gap by cutting the cost of government, living within its means, restructuring the permanent fund to protect the dividend, using the earnings, and establishing a statutory appropriation limit. Currently, the chamber feels that until those are done, it is premature to tax Alaskans, which will exacerbate the situation, he stated. A recent survey of 808 Alaskans shows most oppose an income tax. Alaskans overwhelmingly realize that taxes will have a negative impact on the state's economy. That opinion will not change, he added, until the governor and the legislature have a mechanism to control future spending. He quoted the Tax Foundation as saying this proposal will make Alaska one of the states with the highest taxes in the country, like California and New York.

[8:21:39 PM](#)

DAVID LANDRY, Anchorage, testified that he is a construction contractor and has had a business out of Anchorage since the 1980s. He fully supports HB 115. He said that he read the op-ed by the chamber of commerce, and he is wondering what world they are living in. He suspects that there are not a lot of business people running the chamber. There is no possibility that his business will be killed by this income tax—quite the contrary, he added. There is a real feeling of instability among customers right now, and he deals with people who have money. Most of them are informed enough to know there will be a broad-based tax, and they want to know what it will be and that there will be stability before they start spending money. As a business person, he explained, "you need to get this cleared up." It has been many years since the price of oil fell, and the state has not had stable income. He stated that a predictable state budget based on the permanent fund earnings and the income tax will be a blessing. The tax will be a very good thing for the state and will eliminate the ping pong budgeting based on oil revenue. "I strongly urge you to pass this," he concluded.

[8:23:46 PM](#)

MICHAEL CHAMBERS, Anchorage, said he is a Viet Nam veteran, former public schoolteacher, and starving artist. "I stand in direct opposition to HB 115." He asked why the legislature is restructuring the permanent fund and implementing an income tax. He said it is because the legislature refuses to lower the operating budget. "I could care less how many misrepresentations have been made." The truth is, the budget has not been cut. It is obvious, he said, that the legislature prioritizes the government worker over the private worker, because there is a higher probability that the government worker will vote to protect his or her own paycheck. These actions are about tending

your own beans for reelection, and nothing more, he explained. The governor has the distinction of being the only governor in America who taxes children 50 percent of their income, and now legislators wish to join him in this theft at 75 percent, he said. Incorporating the income tax will give Alaskans the distinction of having the highest cost-of-living index in America. "If this legislation is passed, this will be your legacy," he cautioned. He said he is a fan of legislation that calls for no income tax and no restructuring of the PFD, and he would like to see that plan advocated, because many legislators are saying it doesn't pencil out. "It does pencil out."

8:25:44 PM

JASON GUSTAFSON, Anchorage, said he represents himself and his wife and children. He said he is here today because of money, which the state doesn't have enough of. "So what next?" The easiest answer is to cut, but the state could cut every employee and still run a deficit, so it can't cut its way out of this. Some fellow Alaskans are talking about an income tax damaging the economy, but he does not hear how they will close the budget gap. "I hear them saying hell no to taxes, as if somehow the budget crisis will go away." One way or another, Alaskans are going to pay. Last year the governor vetoed a substantial portion of the PFD, and folks might argue that that's not income, but Alaskans see that it is income on their federal income tax. What people are really saying is that they will pay more for an income tax than what they lose from the dividend. Most Alaskans can't say that; most Alaskans stand to lose more from the loss of the dividend than from the income tax, which means that the damage to the economy will be exacerbated without the income tax—it's either/or and not nothing, he stated. A state income tax can be deducted from the federal tax, so it costs Alaskans less to raise the same revenue. It is just math. "It's that same math I learned in Anchorage public schools, the same public schools that are getting hit with budget cuts." His children attend those schools, and those schools trained his employees, and they are the single most important investment in Alaska's future. Don't eat your seed corn, he added. Education funding pays interest as the children grow up, get jobs, and become the economy of tomorrow. He urged going forward with the one option that raises more money than it costs.

8:28:06 PM

DAVID BOYLE, Anchorage, said he is the executive director of the Alaska Policy Forum and part of a mission critical team but is testifying as an individual. He said everyone would agree that the last thing to do during a recession is impose taxes. He

repeated himself. Taxes will drive the economy into a deeper recession, he opined. Before the state redistributes wealth either through an income tax or a PFD cut, he urged the legislature to reduce the budget, including K-12 education. It takes courage to resist, and for those who want to spend more for education without accountability, "guess what? Alaska spends more for students than all but two other states." He said that before his social security is taxed, and his mortgage interest is taxed, and before the active military is taxed, "I want you to cut the 3.5 percent merit pay for state government employees. I want you to tax your per diem at \$265 a day, which is not taxable under the federal code." He also would like the legislature to cut money for promoting a gasline. He does not want to pay for the gasline, he clarified. "Thank you for my two minutes of democracy." Kill this bill, he concluded.

8:30:19 PM

MARNIE HARTILL, Anchorage, said she is speaking as an individual in support of HB 115. She is a school teacher and the vice president of school programs. In 2009, she started teaching a multimedia class, but was not provided any computers. In 2011, there were cuts to the school social worker, and she was working with a student who did sleep on a bed and with students who were not living with parents, but the school still lost its social worker. In 2014, hundreds of teachers were pink slipped, and there were cuts to school business connections. In 2015, she witnessed increases in class sizes again, and programs benefiting students in career and college resources were reduced to a skeleton staff. "Are you using a 10-year-old computer every day to work or learn?" she asked. Each year, she witnesses more cuts to education, and two weeks ago her school did not have adequate staff to deliver the state assessment while water leaked through the ceilings. Education costs have climbed due to the rise in health care costs, she said, and she surmised that the committee was supportive of HB 123, which will help Alaskans get buying power to reduce health care costs with transparency. The high cost of health care and the lack of a defined benefit plan has teachers churning in and out of Alaska but not sticking around, she added. Opponents to HB 115 say that small business owners will leave the state, but where will they go? Washington has a broad-based sales tax and Oregon has an income tax. A June 6, 2016, article in Forbes magazine lists the states with the best and worst economies, and leading the top is Utah, Washington, and California. Utah has a great income tax and a great economy, she pointed out.

8:32:34 PM

DARIO BORGHESEAN, Anchorage, said he and his family support HB 115, but not because he wants to pay taxes, but because he wants good schools for his son, safe streets, and healthy communities. He noted that some people conclude that an income tax will make people leave Alaska. He said every other state has either an income tax or a sales tax, but the legislature should ask what happens if Alaska tries only to cut its way to a sustainable budget. Will cutting the university, cutting programs, and reducing professors keep Alaska youth from leaving the state for college? If they leave, will they come back without the knowledge economy and social network that they need to create businesses in the 21st Century? He questioned whether young families will want to come to Alaska when there are 33-35 students in K-12 classrooms. The reason there are legislators is the need for knowledgeable and thoughtful people to take the long-term view of what is healthy for our future and our state. Looking at places around the country that are prosperous, where people want to live, those aren't places that try to cut their way to prosperity; they are places that invest in their community. "The way to do that is for all of us to chip in and pay a little bit of income tax to support our schools and our community," he concluded.

[8:35:11 PM](#)

DEENA MITCHELL, Anchorage, said she strongly, strongly supports HB 115, and there has been wonderful testimony, so she doesn't want to be repetitive. She has an MBA in finance and a master's degree in economics, and having listened to testimony, there is no doubt that Alaska needs to solve this problem this year. The state needs fiscal certainty, she said, and after cutting \$700 million out of the operating budget over the last two years, government spending per capita on a real dollar basis is the lowest it's been in decades. Many businesses need certainty to make future investments, and she has heard that companies are doing work from out-of-state offices, because they lack enough confidence in Alaska's economy to hire locally. Alaska has a generous spirit that cares for neighbors and strangers, and that is what government services do for its most vulnerable, like the elderly and children. "That is why we pay taxes," she stated. The Alaska disconnect has been talked about a little this session in that as its population grows, revenues do not grow. Having a progressive income tax is a counter to the regressivity of the PFD cuts and ensures stability in funding, which schools desperately need. It also ensures that when there is growth in population, there will be growth in revenues to support the services those people need.

8:37:26 PM

PATTY LINVILLE, Seward, said she recalled sitting around the campfire in 1976 and discussing her future with other 20-somethings who had recently arrived in Alaska. Someone stated that he was going to stick around long enough to milk Alaska and then move on. "Little did he know that those of us who stayed would be able to milk the system for quite some time." Inevitably now, we must give back, and HB 115 is the way to do so. Universally, people with families put down roots where education is valued and supported; however, in today's world it is possible for breadwinners to travel to their jobs in Alaska and maintain a household outside for the sole purpose of good education for their children. She said she has friends who have done that, and she knows young families contemplating doing so. As her son says, "It's just a plane ride." House Bill 115, if implemented, will show all Alaskan families that we want them to settle in for the long haul. An income tax designated for education will show educators that we are serious about creating an environment where children will be challenged to be part of Alaskan's future. Paying a tax will also remind us to be a participant in the government we pay for. She encouraged the committee to pass HB 115.

8:39:05 PM

BRUCE JAFFA, Seward, said he is 70 and has been a welder for 50 years. He worked for a company that employed between 12 and 50 people, he added. He said he pays property tax in four boroughs and owns property in other boroughs, and he fully supports HB 115 as a fair and valuable way to solve Alaska's revenue crisis. People should be responsible and conservative with expenditures, individually and as a society. "We decide what things we need and what things we have to have and the means to acquire them." As a society, we determine that certain things in an advanced civilization are necessary and should be willing to pay for them. "It is our responsibility to pay for these," he added. It has been over 20 years since Alaskans have had the PFD, and everyone forgets that we have to support ourselves. Alaskans have forgotten that this is our obligation. An income tax, along with reduced expenditures, partial application of permanent fund revenue, and modification of resource extraction tax structures, would provide certainty and is the fairest way forward, he stated. An income tax would be offset by deductions from federal taxes and would force nonresident wage earners to contribute to the state economy. Nonresident wages are often from the extraction of state resources, and it is fair that there be a collection from these wages before they leave the state. Income

tax is partially balanced by the PFD program, he stated, which is fairly distributed to all legal residents.

8:41:40 PM

MATT STEELE, Wasilla, said he is a small business owner in the Mat-Su, and he has had to take some big income hits over the past couple of years. He added that \$18,644 is what the state of Alaska spends every year, including the federal portion, for every man, woman, and child. He opined that the budget is out of control. When his income declined, his family had to make budget cuts to his cable TV. He explained that he drives an 18-year-old car and maintains it himself. If the state took the same approach, it would not be "up against this wall." The income tax is going to be devastating to his business and to most small businesses that he knows. "It is insane!" He said he is a fan of Senator Hughes. He begged the committee to get the budget in control. "I beg you, beg you, to consider a plan, if we had to do anything, like Michael Dunleavy's plan." He said he thought that plan was sound and secure, and that plan would not affect his family. He said he wanted to tell testifiers still waiting to talk that this notion that people have to pay income tax as a civic responsibility is insane. Ten percent of his adjusted income goes to borough taxes in addition to a gas tax and everything else that he pays.

8:43:49 PM

RYAN MCKEE, Americans For Prosperity, Wasilla, said that cuts alone will not solve the problems, but hearing other testifiers, there seems to be agreement that the budget has been cut as much as it possibly can be. He said that is not the case, and a lot more needs to be cut. The legislature needs to prove to Alaskans that it can operate efficiently with the money it has before asking for more, he stated. The legislature has spent way more than it should have during times of high oil prices, and that can't happen again. He added that a lot of Alaskans are a little bit leery of giving more money when a lot of people in the legislature say that they have already cut to the bone. The House majority should follow the Senate majority and implement spending caps to control, or at least adjust, the one that currently exists to really control the growth of government, "especially in times like this when the price of oil is low and probably even more importantly when oil is high, so we don't have more wasteful spending like the past," he explained. It has been mentioned that the cost of living is high in Alaska, and he is opposed to implementing an additional cost of an income tax, especially on just a certain group of people. People say that everyone will pay their fair share, but the way that the tax is

set up, that is not the case, he stated. Once again, about 27 percent of Alaskans will pay the majority of this, and that is not a fair share, he said. He told the legislature to rein in the out-of-control spending instead of thinking of new ways to tax Alaskans to fix the bloated budget.

CHAIR COSTELLO said there are 54 people waiting to speak and asked that comments be brief.

[8:46:27 PM](#)

BETH FREAD, Palmer, said she is not excited about the fact that the legislature can't figure out how to cut the budget, except when it comes to the undesignated general funds, which is the money "that we most directly feel as long as they aren't (unclear) of programs, like education." Alaska has the highest costs of per capita education and the lowest result, she said, and she can't imagine why people think the schools need more money and not more streamlining. Thank goodness Senator Hughes is working on accomplishing those two goals, she added. "The silos for our seed corn, the school system, is letting mold and mildew form and run rampant throughout the silos." Alaska's children are still going out of state for college and jobs, so don't think that UAA or UAF are the nation's best. Education has to be improved and Alaska has proven that money doesn't fix it, she added. She stated that she can tell who the public employees are when they are testifying for HB 115, "as well as all the other money raids that are going on." She added, "You all know that a sustainable budget is one based upon revenues and sustainable by those dollars. You are not taking revenues, you are taking out of the pockets of Alaskans." The legislature, she said, is not following through on their jobs as supposed conservatives. She read a poll where 64 percent of Alaskans do not approve of an income tax, so she can only presume that the people in favor of coming into her home for money are people who are employed by government. She asked the committee to stand with their commitment to not pass HB 115.

[8:48:57 PM](#)

GARRETT ABBOTT, Ketchikan, said he was born in Ketchikan in 1986 and graduated from the University of Alaska, Ketchikan. He supports HB 115 and said that the budget cuts that the Senate majority has proposed will only deepen the recession, further the uncertainty, increase inequality, and lower the quality of life. The cuts amount to stealing from Alaska's future, he stated, in order to escape pain at the present. He said HB 115 will allow Alaska to pay for its present and preserve its future, and it is a fair, progressive income tax. Alaska has

many wealthy residents, and the state has been good to them. In this time of need, it is only right that high-income Alaskans pay their fair share to support infrastructure, education, healthcare, social safety nets, and the elderly. There is talk of substituting a sales tax for an income tax, but sales taxes are regressive since low and middle-income Alaskans would pay more in taxes as a percentage of their income. Smaller communities that depend on local sales taxes would suffer a disproportionate burden. Ordinary Alaskans have already borne the brunt of the fiscal crisis from the recession and cuts in state and local services and a reduction in the PFD. He said it is unconscionable that the Senate would contemplate closing the fiscal cap with a sales tax. Advocates of a sales tax like to paint it as a small alternative, but consumption taxes are greater facilitators of government growth than income taxes, because under a sales tax ordinary people experience the tax burden as less than it really is. Income taxes are open and honest, while sales taxes trick people by spreading their costs over a year's worth of purchases. For those who seek to avoid unnecessary increases in the size of government, the income tax is clearly superior. The income tax in HB 115 is the best possible means for resolving Alaska's fiscal crisis, he said.

[8:51:18 PM](#)

TERRI ROBBINS, Ketchikan, said she is in favor HB 115. She noted that she was born and raised in Alaska, and she has enjoyed paying no income taxes and she wished it could continue, but she would enjoy knowing that there is a future that involves an educated and competitive work force to sustain the lifestyle that is uniquely Alaska. Cuts to school funding, severe downsizing of government services, abandoning our elders, ignoring nonprofits, and neglecting our infrastructure threatens us all, she said. The financial and ethical costs of allowing this to happen would be catastrophic. She noted that Alaska is the only state that does not have either a state sales tax or a state income tax, and residents are taxed at a far lower level than any other state, and it is not sustainable. This very modest and equitable income tax will still keep Alaska's tax lower than almost any other state, but that is not what we need to focus on, she said. Our children and the consequences of failing in the responsibility to educate them should be Alaska's focus. To be competitive in this increasingly global and technical economy, Alaska needs to invest in youth, infrastructure, sustainable industries, and citizens. The days of relying on oil are over, she said. It is time for the people who live in this magnificent place to start, again, making it fiscally secure, she said, and she urged passage of HB 115.

[8:53:19 PM](#)

BRENDA LOUGHMAN, Board Member, Tongass School of Arts and Sciences, Ketchikan, said the costs of the charter school have increased, and it has had to cut and cut its budget. The members support HB 115 to help with education funding. She said she and her husband own a construction company, "and I can assure you we will not be leaving the state." She expressed concern about the state's fiscal uncertainty and whether customers will continue to hire them, so please pass HB 115 to help Alaska as a whole.

[8:54:21 PM](#)

WALT COULTER, Fairbanks, said he is not opposed to paying taxes for government services—a necessity of responsible citizenship. He said he is opposed to making only wage-earners pay. Expecting the so-called rich to pay more of their fair share should sicken any American, he stated. "Who is rich? "Somebody that makes more than you do, 'cuz you ain't rich." He spoke of the convoluted U.S. tax code that allows legislators and bureaucrats to line the pockets of lawmakers and lobbyists. They do favors for their preferred groups, he stated. He suggested taxing everybody through a sales tax. He is adamantly opposed to any socialist income tax that punishes productivity.

[8:55:35 PM](#)

DON GRAY, Fairbanks, Alaska, said he and his wife came to Alaska in 1970 when there was an income tax. They raised two daughters and now have two grandsons in Anchorage. He said the education in Anchorage and Fairbanks has been excellent, and he hopes that is true throughout the state. There have been about \$3 billion cut from the budget in the last three or four years, and there is still a \$2.7 billion deficit. He said a diversified approach is appreciated, including SB 26, which would use part of the earnings from the permanent fund for the deficit. This proposal for a modest income tax, where those making over \$60,000 will only pay \$500, those earning \$80,000 would pay about \$990, and those with an income of \$200,000 would pay \$5,200, is not a huge amount. It is not going to end businesses, he explained. It is important that Alaska maintains its bond ratings; we can't afford to diminish it. Most important is the vital connection with citizens and what is spent in the state, and a tax will keep their eyes on the ball.

[8:58:06 PM](#)

GERALD BROWN, Fairbanks, said he supports HB 115; it is high time Alaska has a balanced approach to funding government. The cuts in education, the university, and other programs dismay

him. He said HB 115 does not go far enough, and he would like to see a sales tax to help spread the burden over a great number of people. There are a lot of people living outside Alaska and work here but don't contribute to it, including those who work for fisheries, oil production, and others. They benefit from the infrastructure that the government provides. Through a sales tax, visitors will provide some income, and that could be tailored to alleviate costs on food and medicine, he said.

[8:59:59 PM](#)

TERRENCE COLE, Fairbanks, said he represents himself and good, logical thinking people everywhere. The vast amount of testimony has shown ignorance of Alaska history; Alaska would not be a state without the original income tax passed in 1949. Jay Hammond has said that his failure to veto the income tax repeal in 1980 was the single greatest failure of his political life. Governor Hammond told him that he didn't have the guts to do it, but that he would have slept better if he had. "Of course, we have to have an income tax," he said, "this is an open and shut case." He urged the committee not to listen to Senator Pete Kelly; he's just off his rocker, he added.

[9:01:19 PM](#)

JOAN FRANZ, Fairbanks, said she is a pediatric occupational therapist, a small business owner, and a long-term Alaskan. She supports a progressive income tax as presented in HB 115; we had an income tax in the past and it should be reinstated. She explained that an income tax is a much fairer tax on Alaska's residents than a sales tax. Nonresident workers should be taxed who have incomes from either Alaska's natural resources or other businesses. Commuters taking Alaskan jobs and leaving the state without any taxation is an unreasonable loss of revenue to the state. The revenue is needed for education, which is essential to building a better life for future generations, she added. She thanked the legislators who have the courage to support HB 115.

[9:02:41 PM](#)

PRINCESS LUCAJ, Fairbanks, thanked the committee and commended Representatives Seaton and Foster for having the political will to put forward HB 115. She is a lifelong Alaskan, an Alaskan Native, and this is her home, she said. She and her husband have three sons and make a modest combined income, and she absolutely supports HB 115. When she was 16 at Lathrop High School, Governor Cowper was in office, and an article in the New York Times reported that the oil was going to run out and Alaska needed to diversify its economy. She said Alaska should have implemented an income tax then. "We should have been preparing

for harder times," she added. She noted that she used an interactive spreadsheet provided by the legislature and found that "we've got to have this broad-based approach." She called for stability even though she is not excited about another tax, but there is no way around it. She told the committee that SB 21 was the worst thing that could have happened for the state. "I am tired of profits over people." She added that the only sales tax she would support would be a luxury sales tax.

[9:04:23 PM](#)

WOLFGANG FALKE, Fairbanks, said he is a natural citizen of Alaska and arrived in 1969. He urged the committee to defeat the bill. The people of Alaska decided not to have any income tax—progressive, flat, or otherwise. He said Alaskans don't want the bureaucracy associated with a tax. "We don't need an income tax to take care of the state's business," he stated. It would be rational to tweak permanent fund dividend contributions to individuals since federal income tax is paid twice—once by the state and then by the individual. It was the PFD program that put Alaska in this financial dilemma. He pointed to the federal courts requiring that beneficiaries reside only one year to qualify for the dividend, which attracted welfare recipients and criminal elements to Alaska to get free money. He stated that those people have overwhelmed Alaska's social services, education, and judicial system. "To solve this problem, you must cut state welfare and social services contribution to the point of the money provided for by the federal government," he said.

[9:06:34 PM](#)

DANIEL LYNCH, Soldotna, said he is opposed to a \$1,200 or \$1,500 tax on children who don't have jobs, senior citizens, and broken people who have worked their whole lives already. He said he is referring to a cap on the PFD. He stated that he is in favor of an income tax; 43 other states use an income tax to balance their budgets. He noted that much has been said about out-of-state workers from the North Slope, the oil and gas industry, the tourism industry who are mostly working for Princess Cruise lines, the fishing industry, and nonresident construction workers. Before he put down roots in Alaska, he was an out-of-state worker, working the construction season. As a "guest worker/bandit," he used state and municipal airports, marine ferries, highways, troopers, snowplows, libraries, gymnasiums, and parks—to name a few. "My only contribution was through tobacco, alcohol, and gas tax." He said his home state would ask him where his income tax was, but he had no wages and no taxes in his home state. "It was very profitable for me, but not for the people of Alaska or for the Alaska resident that didn't have

a job because I had theirs." Current out-of-state workers contribute nothing, and they occupy jobs that residents could use, he added. He urged "no" on dividend cuts that stem from the recession caused by the vote on SB 21 in August of 2014, and "yes" on income taxes. "I'll contribute more and not be a freeloader or welfare queen." Maybe your raffle will solve the problem, he concluded.

9:09:00 PM

PENNY VADLA, Soldotna, said she is a Kenai Peninsula school board member; however, she is testifying as a parent, community member, volunteer, taxpayer, and as a fiscally responsible citizen. She came to Alaska 40 years ago and payed an income tax and a school tax. Her husband is a contractor and he wants to pay an income tax, because he wants services. She said she is retired and on a fixed income. She supports both HB 115 and HB 111, the oil tax bill. She wants a sustainable fiscal plan that ensures a healthy future for all Alaskans. We cannot cut our way out, she stated. She urged Alaskans to not spend down their savings and delude themselves by relying only on rising oil prices. There have been many cuts, but a fair income tax and oil tax is needed for a sustainable budget. She said she is more than willing to pay her share. "Please listen to our many voices." She applauded members for this hearing and for the House majority plan.

9:11:41 PM

TIM SCHRAGE, Anchorage, said, as a small business owner, he graduated from the University of Alaska and got a great education from the Anchorage school district. "I can tell you that the way to grow the economy is not to institute taxes," he stated. He added that he is not opposed to the concept, but it is not yet the time for an income tax. When he looks at the health care costs for his employees compared to those of public employees, "it's absurd." He paid \$36,000 last year for a family of four, and the dollar-for-dollar wage and benefit packages that public employees are enjoying is disgusting. He and his employees are discouraged by that, he added. The state has to cut spending; it has to make government accountable for its services. He said everyone wants great services and there is no doubt about that, but he has seen a cut in the capital budget and not the operating budget, so Alaska is cutting its future operating budget, not the actual one. He urged the committee to table HB 115, cut more, use the POMV plan, and move Alaska forward. He noted that if his business had \$13 billion in savings, he would be laughed at if he went to the bank to borrow

more. He is not the bank. He is in the minority of Alaskans testifying, but he is in the majority with his peer group.

[9:14:03 PM](#)

CHRIS NELSON, Anchorage, said he is retired from the army and noted that HB 115 is going to impact people serving in the armed forces in Alaska. He said he only heard one comment on that issue, "and I really don't think the House or the Senate has fairly addressed this particular issue and the problem it will create, particularly for junior enlisted members of the army and the air force that are serving in my neighborhood." He said a member with three years of service makes \$25,509 base pay. There is nothing progressive about taxing these people, he stated. The out-of-state workers will be taxed, and every member of the armed forces in Alaska did not come voluntarily; they were assigned to Alaska. He did not regret being assigned to Alaska, and he stayed after he retired. They all receive a cost-of-living allowance in this state, and he asked if HB 115 will tax it. They also receive a housing allowance and a subsistence allowance. Pilots and paratroopers at Fort Richardson receive hazardous duty pay, and he asked if those benefits will be taxed. He noted that in the next few days, 2,000 will deploy to Afghanistan, and those people will receive pay for being in imminent danger. He asked if it is right to tax that pay. He doesn't think it is right. Unless the bill defines the burden on the military in Alaska, he asked that the bill be tabled. It is not enough to just say, "thank you for your service," he added. If members pass this bill, they should instead say, "Haha, we gotcha."

[9:17:30 PM](#)

CYNTHIA HENRY, Fairbanks, said she has been waiting over three hours to testify because she feels so strongly about this subject and is opposed to HB 115. Implementing an income tax would be a big mistake, and she has concerns about job losses and uncertainty about small businesses like hers. Every business owner she has talked to has had to lay off employees, so this is not the time for an income tax. She said Alaska cannot tax its way to prosperity, and it is not a crisis situation. Alaska has huge financial reserves to fill the budget gap for many years, she added, by using the earnings from the permanent fund and perhaps taking money from the CBR. This will fund the government and preserve the PFD program while not exacerbating the recession. She stated that many people are dismayed that the House passed HB 115. Taxing the hard-working people of Alaska would further cripple the economy, she added.

[9:19:10 PM](#)

BOB GRIFFIN, Anchorage, said he is a retired air force fighter pilot, a small business owner, and a commercial pilot. He said he is opposed to HB 115. "I don't mind paying income taxes at some point," he offered, but he wants to fix the oversized state government first. He advocates for education, but if there is information showing that bigger government produces better student outcomes, he would support HB 115. He noted the high literacy rates of China, Russia, and Cuba and said that Cuba spends about five times less on education than Alaska. According to the NEA estimates, Alaska spending is the highest in the US, 143 percent of the national average relative to median incomes. Alaska is expensive, but it is not 2.5 times more expensive than the Lower 48. In 1962, Alaska's spending was the sixth highest in the nation, 30 percent above the national average, and 29 percent below the first state, he reported. Since 1960, the GDP in Alaska increased 19-fold, but state spending per capita has increased 52-fold. He said his family has been in the state since 1899, and they receive excellent education and services with much smaller government. He supports a spending cap.

[9:21:59 PM](#)

LUANN MCVEY, Douglas, urged the committee to pass HB 115. She said she is a retired teacher and believes in reliable funding for Alaska schools that allow parents, administrators, and teachers to plan ahead to accommodate fluctuations in student populations. She said she is opposed to the Senate's proposed budget cuts. Every year, when cuts happen, teachers are yanked this way and that way, and some don't make it back. Classrooms are swelling with students, she reported, and higher student-to-teacher ratios render teachers far less effective. The House fiscal plan offers a multi-pronged avenue to support services that Alaskans need, including schools. It is not just for schools, she stated, but helping children develop their highest potential is the job of thoughtful and skilled teachers. It is the foundation for a sustainable democratic society. Using part of the permanent fund reserve earnings, eliminating the oil and gas tax credits, and reinstating an income tax will provide for a solid fiscal plan, she said. Schools are not an example of bloat or wasteful government spending, neither are health clinics that have been eliminated around the state, nor the university programs. No more budget cuts, she concluded.

[9:24:06 PM](#)

JOAN O'KEEFE, Chair, Operations Board, Foraker Group, Juneau, said the Foraker Group is Alaska's nonprofit association. The group has strongly stated that public policy priorities include

the passage of a comprehensive fiscal plan. It is essential, she said, and an income tax must be part of the package. She supports a plan that does not depend on a single sector, but is fair and equitable. Short-term budget cuts only create long-term challenges for Alaskans. The nonprofit sector is an important economic driver in the state and provides critical community services that are otherwise unavailable. "Our sector will only thrive when the state's fiscal challenges are met," she stated. Nonprofits help ensure vibrant and healthy communities across Alaska. The Foraker Group has heard loud and clear from the nonprofit sector that fiscal stability is critically important in delivering essential services across the state. As an individual, "I am prepared to share the tax burden." On behalf of the Foraker Group, she urged the legislature to pass an income tax that is part of a comprehensive plan that supports rural and urban communities and protects Alaska's most vulnerable.

[9:26:19 PM](#)

MARJORIE HAMBURGER, Juneau, said she supports the income tax in HB 115. She said she is speaking for her husband and herself and for her three children who are on the cusp of adulthood. They will be deciding if they can stay in Alaska and have jobs and education for their own families, she said. She cannot accept any further cuts to essential government services. "I am willing to be taxed," she added.

[9:27:36 PM](#)

CLAIRE HOLLAND LECLAIR, Anchorage, said she supports HB 115 as a comprehensive response to Alaska's budget shortfall. "I hope you're taking note of all the everyday working Alaskans—young, old, and in between—who are urging you to tax them." It is time to end the entitlement culture and pay for government services, not just education, she said. She has two young children in public schools, so she is worried about education funding, as well as transportation, public safety, and people who fall through the cracks and need help from all of us. "I am willing to pay for that," she stated. She pointed out that the Institute on Taxation and Economic Policy reported that HB 115 would translate into lower federal taxes for Alaskans. Collectively, Alaska would be spending about \$133 million less in federal taxes under this bill.

[9:29:01 PM](#)

ROBIN SMITH, Anchorage, noted that she and her husband own a small business, and she has never worked for the state. "I don't even have kids in the education system," she added. Her business

has been negatively impacted by the low prices of oil, but she is still in favor of an income tax. The legislature has already cut the operating budget by \$700 million, and Gunner Knapp, Alaskan economist, said Alaska is draining its savings by \$10 million per day. That should tell everyone that Alaska needs a long-range fiscal plan, she stated. We can no longer be dependent on the ups and downs of the energy market. Representative Seaton made three important points this morning: Closing the deficit just by cutting state jobs would cost the economy the most jobs, so we have to stop cutting. A progressive income tax will have a smaller impact on job losses, and it will be partly paid by nonresidents. Dividend cuts would have the greatest short-term impacts on income. Everyone is going to pay with HB 115, including herself who is in the highest tax bracket. Those of us who have had these great opportunities are lucky. We are fortunate to live in Alaska. When we cut the PFD, it is a tax, and it impacts the poorest individual the most. "Please, please pass HB 115; it's time for Alaskans to take responsibility."

[9:31:37 PM](#)

TERRIE GOTTSTEIN, Anchorage, said she supports HB 115 and instituting an income tax. It is not possible to cut Alaska's way out of the deficit. She said it comes down to what kind of communities we want to live in. She said she is clear about her priorities, which include education. There is a constitutional responsibility. "I have watched as you have cut and cut and cut public education to a point where there is really nothing left to cut without seriously impacting our kids." She added that it is time to look at the revenue side. It is not surprising to hear people whining like stuck pigs about having to pay their own way. Alaskans have become spoiled. What is remarkable to her, she noted, is that there are droves of people here tonight who are stepping up to ask you to tax them to help pay for the kind of communities that they want to live in. Education for kids boils down to hope—that's what education is. People are willing to pay for that, and she said she hopes that the committee has heard that. She heard a testifier talk about giving a tax credit to people who pay their own health insurance, and that makes sense. It seems simple to pay a state income tax based on federal income taxes; a person just figures out a percentage and then it's done, she explained. Lastly, she encouraged the committee to "grow a pair," and she is not discriminating against women, because the pair she is referring to is courage and a conscience.

[9:34:49 PM](#)

JEREMY PRICE, State Director, Americans for Prosperity, Anchorage, said he started at nine a.m. today reading to his daughter's kindergarten class. "I love Alaska's children," he said. He stated that he wants the best future for them, and the best future is no income tax. The best future is a balanced budget and a focus on children's outcomes, not funding of administrators and pensions for state workers. House Bill 115 is the mother of all tax increases! It will raise \$700 million while the state is in a recession. "Nine thousand jobs last year," and more will be lost this year, he stated. Alaska has the second highest unemployment rate, 6.4 percent. These are all terrible economic indicators, and the legislature wants to raise taxes on Alaskans. He asked Chair Costello to please save him from these rogue legislators who slept through their economics classes. The tax has been characterized as an income tax, but it is not. "It's the mother of all tax increases." It is progressive like taxes in California and New Jersey, he said. It taxes income from capital gains, corporations, pensions, and it taxes working Alaskans, he added. He suggested dealing with reality when talking about education. School funding has been jacked up for years, and arguing that this issue is about education misses the mark. "This is about Alaska's future." Most Alaskans want a spending cap, 66 percent. Over 60 percent don't want HB 115. He urged killing the bill.

[9:37:15 PM](#)

JACKIE CASON, Anchorage, thanked the committee and said, "I know that you and all Alaskans want a healthy economy with good schools that will prepare young people for jobs in the state." The committee understands that the university is a driver for economic growth, and she knows that because members have taken time to respond to her letters. The House majority's plan to institute an income tax to help pay for education and other services is part of a broad-based solution that will not spend down Alaska's savings, she added. The bill also draws on permanent fund investments, reforms oil taxes, and cuts spending. People earning higher incomes will pay more tax, but these earners have benefited most from state infrastructure. She said she is not discounting their hard work, but many sectors of Alaska's economy would not function as well without the state services that support labor and commerce. The Institute of Social and Economic Research (ISER) at the University of Alaska, Anchorage, concluded that cuts on the scale contemplated by the Senate would have twice the negative impact on jobs and the economy than a broad-based tax. She said she believes in Alaska's schools, and Anchorage schools are full of choices. Three of her sons attended Montessori school, and because of the

multi-aged classrooms, one teacher was a part of her family for ten years. "That's right. My children enjoyed the same teacher for ten years," she said. The teacher was truly part of their family. The school is in a diverse neighborhood and provides a positive learning space for all students, no matter the income or the ability to give extra time. She would like to see more optional schools located in diverse neighborhoods. Every time she attends school functions, she comes away with a greater appreciation for how teachers strive to help her children learn. "They know their students and they put a lot of time into creating lessons that will engage and challenge them," she added. In two years, she will no longer have children in school, but she wants the same opportunities for others and is willing to help pay with an income tax.

[9:40:40 PM](#)

THEA AGNEW BEMBEN, Anchorage, said she supports HB 115. Her family moved to Alaska in 1973, and she attended Anchorage schools. Her parents, brother, and she are self-employed, and they are not government employees as some people have claimed. She said she went to college and graduate school and came back and started a business. She employs 18 people in professional-level jobs. She is a small business owner, and she pointed out that the chamber does not represent her, nor do some others who testified claiming to represent small business owners. Her business is doing fine, but what has limited its investments over the last few years is the uncertainty of Alaska's economy. The uncertainty is due to the drop in oil prices and the lack of a clear plan to fund Alaska government. She said it is flat-out dishonest for Alaskans to think that they are not consuming government services every day. Every time you get in your car; every time you go to the airport; every time you pick up the phone; and every time you look outside and see people suffering on the street and feel glad that there are public safety officers willing to be there. She noted that today she saw officers peacefully resolve a dispute. Alaskans all use public services and all need to pay their share, she added. The amount being contemplated by HB 115 is modest and shared broadly. She urged the committee to support the bill as part of a fiscal plan. She noted that she is the president of an elementary school PTA, and a recent survey of the teachers and families asked what is needed most, and it was snacks and clothing to help with children's basic needs. Children need a strong school to give them a good start in life, she stated. She urged the committee to move forward with a broad-based approach.

[9:43:20 PM](#)

JULIE NIELSEN, Juneau, said she is a sole proprietor and she supports HB 115. She said she has been in Alaska long enough to witness crises caused by oil prices, which then evaporated when prices went up. A stable solution is needed, she stated. The income tax is the least regressive option. The proposed Senate cuts go too far and will cut to the point where government is not effective. She noted that she doesn't have children, but taxes would go to the children in her community. She does not have loved ones that are suffering with drug addiction or out on the street, "but I would gladly pay an income tax for a government that would support people having those troubles." The benefits from government are not always direct, but those benefits increase everyone's quality of life, she concluded.

[9:45:16 PM](#)

JOSEPH ROTH, Juneau, said he was born in Palmer 57 years ago and raised in Sitka. He said he has worked in Southcentral Alaska and in Juneau, where he is now a private business owner with about 40 employees. He stated that a state income tax is not going to make his job any more complicated than it already is. He has paid a state income tax in the past and is willing to pay it again if it will assure intact education funding. He urged the committee to support HB 115.

[9:46:37 PM](#)

KARLA HART, Juneau, said she is a lifelong Alaska resident and remembers paying a school tax on her first earnings as a teen. "I was proud to do it, and I felt like an adult paying for my education in a small way." She said she strongly supports HB 115. So many people have expressed support of the bill, and she is with them.

[9:47:38 PM](#)

JEB STUART, Wasilla, said there are many facets to the bill. His wife home-schools their four children. "It's been entertaining hearing the people spouting scripted talking points." This isn't necessarily an "educational bill." He said he has some ideas that are unlikely to be politically correct but would allow people to live within their means. He said throughout the world a boom always leads to a bust, "and we're following in the exact same footsteps." A Jay Hammond manuscript gives a play-by-play of what is happening in Alaska as the state continues to not want to hurt anyone's feelings and supports endeavors that have no economic basis for existence, he stated. He said Alaska continues to ignore the bloated cancer of big government with a welfare system run amuck, which is a recipe for disaster. It is stupid to look around at all the other states and countries that

have made the same choices by taking away the constitutional right to benefit from natural resources. "They destroyed our tax base by taxing businesses and the middle class until they leave." Alaska's responsibility is to its children, he added, and it needs to make hard choices to cut welfare "way back." For example, a person should not be helped if on drugs. "If you can't get your stuff together and take care of your kids, there's options." For those who live in a complex with other people, he added, and who buy their food at the rice and bean store, "you reattach a stigma to being on welfare and help people who truly need it." No welfare for people who make \$80,000 a year who know how to work the system, he said. There should be no people with new houses and new cars buying pieces of candy for their kids. If the community can't make it on its own, "we don't subsidize it," he stated. "Nobody we know supports using the dividend, which, as Jay Hammond said, is a discernable share, which is our portion of the natural resources that the legislature is to use for the maximum benefit of the Alaskan people or an income tax to support a bloated government." He said he supports the Dunleavy plan.

[9:51:28 PM](#)

MARY KATASSE, Juneau, said she is originally from Hoonah and moved to Juneau for work. She noted that she is part of a family of eight, including two employed parents, an elder, a caregiver, and three adopted special needs children. She questioned HB 115 and noted a comment by the chair saying that it is not earmarked for education. Her concern is that her kids' special needs money goes to the school, and it makes it hard to use those funds for what is needed. She said, "We make moderate money; we have supported local businesses and Alaska businesses in Petersburg and Juneau ... with homes, boats, and cars." The one thing that she is against is removing funds from education and the elderly. Her family has always believed that those who can help, should help. Alaska's situation took 40 years to make, she added. It cannot be fixed this session, and she appreciates the time and effort to correct an error that's been building for 40 years. "I don't mind paying my own, because we do pay our own," she said, in terms of federal and local taxes. She said her worry is about the people who can't pay. The PFD cuts affected many families who are in poverty, and the income tax would affect seniors on fixed incomes. She said she is neither completely in support or against HB 115. She said not to further cut education or the PFD for those in need, and then she can support of HB 115.

[9:55:47 PM](#)

DARRELL SMITH, Juneau, said he is a disabled, retired operating engineer union member, and in 2008 the legislature asked him to take a voluntary wage and benefit cut to help with this crisis. "We voted that in ourselves, without any pressure from anybody else." He said Click Bishop can verify that. He hears teachers whining and whining and whining, but he doesn't see the teachers' union offering any cuts to wages or benefits. There is a school administrator in Anchorage making a million dollars a year. He said he has a friend who just orders food "up there," and he makes \$150,000 a year from the school district. He said there needs to be a stop to stealing children's money. He stated that he is against HB 115, and he will do his part by not filing for the PFD. "That's my part," he said. His daughter has five children and just bought a house, and she is maxed out on her income. House Bill 115 will ruin her credit, make her lose her home, and his grandchildren will also lose their home, "so cut your bloated government some more, and if the public employees union don't want to give anything back, cancel their contract and send them to arbitration, and cut their wages anyway, and let them deal with it in the courts." He said that is what he would do if he was the governor.

[9:58:03 PM](#)

DAN DUNAWAY, Dillingham, said he supports HB 115 and urged the committee to pass it. There have been some good suggestions on how to improve it, including from a Juneau man and from Jason Gustafson, and he hopes the committee took note. He said he is totally opposed to the attitudes of Senators Dunleavy and Kelly. They are unrealistic and do not contribute to a solution. As a resident of Dillingham, he hears people from bigger communities asking for cuts to bloated government, but they can't see the impacts of the cuts out here in his rural community, which are very real and happening right now. Road maintenance has significantly declined, and the city is down to bare bones and turning the heat down. "We barely have a viable library; our schools are cutting back on projects," he explained. His community is seeing it daily. The boat harbor is struggling to stay functional, even though fees have been raised. Dillingham tried to tap some of the nonresident income by expanding its borders, but that effort was defeated. "We can't bootstrap ourselves," but an income tax would work. He sees thousands of workers in the area packing their money home without contributing, and some are very vigorous about avoiding spending any money in the state, from low-paid processor workers to some very, very wealthy commercial fishermen, he noted. Improvements can be made, he added, but he urged the committee to move the bill forward.

10:00:18 PM

KURT SCHMIDT, Delta Junction, said he is opposed to HB 115 at several levels. The legislature has failed to cut spending to match revenue, and members have been deceptive about applied cuts and obscure with the facts. "You disregard the (unclear) suspending the incoming revenues indicative that the facts that motivate your decision-making processes," he said, "and these aren't the same facts and realities that the voters must contend with in their homes." Citizens don't get bribes and kickbacks from lobby groups for fiscally irresponsible decision-making, he explained, and many legislators shamelessly do. To impose such a heavy tax on Alaskans will create a measurable hardship on families that reside here. The tax grossly favors the wealthy and punishes the poor and middleclass, he explained. The exponential disparity in the proposed tax is very discouraging, if not punitive, to the poor and middleclass. A person earning just under \$50,000 pays 2.5 percent of their income, or \$1,250. A person earning \$100,000 will only pay 2.9 percent, which is only 0.4 percent more, yet they earn twice as much money. He pointed out the disparity between disposable income versus the amount of tax. A person earning just under \$200,000 pays only 3.9 percent, which is only 1 percent higher than the last bracket, but as wealth increases, so does the amount of disposable income, so the poor will pay a great proportion of their disposable income. A wealthy taxpayer will pay a mere 1.9 percent higher tax while earning five times more money, and the loss to their disposable income will be negligible. Assuming an income of \$30,000 is the minimum for a comfortable living in Anchorage—enough to rent an apartment, pay utilities, and have mediocre health care and modest clothing—that would mean that a person who earns just under \$50,000, can consider 40 percent of their income as disposable; however, 70 percent of the income of a person making \$100,000 is disposable. A person who earns \$200,000 means that 80 percent of their income is disposable, so it is disproportionate. The tax impacts the poor unfairly, he concluded. He said a sales tax would be better, because there are no loopholes and corporations that buy supplies would be kicking in to the tax, instead of sheltering an income tax.

10:04:05 PM

CORINNE ROLLMAN, Eagle River, said she is a third-generation Alaskan. Her and her husband own multiple businesses, including a commercial fishing business, an accounting business, and multiple rental properties, with 18 employees. An income tax would be detrimental to her. Alaska has a Denali-sized budget and is above the national average on a per-capita basis. She

noted that 185,000 people are on Medicaid, and the state spends \$10 million on legal fees outside the state. Alaska has the highest education costs, but the legislature has not done its job to trim fat. She opposes an income tax, because she does not want to pay taxes on her retirement income and on her capital gains. She pays far more in property taxes, and they pay 10 to 11 percent in unemployment taxes, which is more than most people pay. She is opposed to being taxed, because she is a lifelong business owner. She said she will not be inspired to work harder and longer, and she does not want to subsidize the tax deficit and the budget on her shoulders any more. She noted that the constitution "says we should ensure the fruits of our labor and not be punished by our government." She asked her representative to vote no.

10:06:18 PM

MICHELLE WHITE, Palmer, said she is a single mom, a substitute teacher, and working on a second degree to pursue better employment, and she is against HB 115. She noted comments by Gabrielle LeDoux: "If the Senate thinks they are going to get out of (unclear)." She said she works for the people. (Unclear.) She asked the committee not to compromise with the spend-crazy House that refuses to make one single cut. "Do not succumb to the tantrums of our governor, who has not only one, but two (unclear)," and who wants to throw more money at schools. Schools that are among the worst in the nation and don't prepare students for college, she said. That is why she sends her children to private schools, she said, and one daughter went to college in the Lower 48, because the university in Anchorage can't compete. The governor has the audacity to push an income tax. "This debate is a farce in light of our bloated government and failing schools." She said fiscal responsibility begins with lawmakers, the governor, and school districts, but Alaska spends more per student than any other state and has pitiful results. She said to not cut the PFD or tax people to offset "your past overspending." Taxes do not produce growth, she opined. She suggested the committee members take a class by Dave Ramsey, a "financial guru." She said there will be a mass exodus from Alaska if legislators pass an income tax, an oil tax, or cut any part of the PFD. She moved to Alaska 11 years ago for a job, and she has sacrificed a lot to stay. Over that time, the government has ballooned, and the legislature has made the state unlivable in terms of the cost of living and job prospects. She has read about job losses, and six of her friends lost their jobs and left the state, because it is an expensive place to live. She, herself, will leave if the legislature taxes her or taxes oil companies or if she cannot get all her PFD. Her daughter has

known only Alaska as her home, and that breaks her heart. She told the committee that if it ran a household like it is running the state, "you would all be divorced and have runaway children." If the legislature passes HB 115, "Alaska will divorce you." Taxes will go up, and there will be fewer people to tax. "You work for us," she said, and "don't pass an income tax, or an oil tax, and keep your (unclear) hands off our PFD."

[10:10:51 PM](#)

CRYSTAL SCHOENROCK, Kenai, said she is against an income tax, because [legislators] decided that they would take a raise every two years, "and now we are paying for it, because the oil fields took a loss, and all of this, just so they could have a job." But now, she said, we are paying for it and they still get a raise. They make \$50,400 for three months, and she lives on \$12,000 per year. She is getting \$746 a month from social security, which "is like giving a squirrel nuts after it's lost its damn teeth," she added. "So, now I'm going to have to pay more?" She said she does not understand, and it bothers her that legislators are making more money, "and we have to pay. It's not right."

[10:12:59 PM](#)

PHILLIP GRAY, Juneau, said he and his wife are senior citizens, their taxes are high, and they oppose an income tax, because they are just able to get by. He noted that the Juneau Empire reported that oil companies made a profit of \$17 per barrel last year in Alaska, while in most countries they make only \$1 to \$5 on a barrel of oil. Had Alaska kept \$12 per barrel, it would have had \$2.2 billion more. Alaska needs to tax oil companies far more heavily. He noted another article that stated that benchmarking, or comparing Alaska with other states, was the answer. In previous years, Alaska spent 5.4 times the national average per capita on capital and operating costs. In 2014, Alaska spent 3 times the national average. The total agency operating budgets have been reduced by less than 1 percent. Alaska spends 5.3 times the national average on administration, 1.7 times the national average on public welfare, and 2 times the national average on education. It is clear, he said, that Alaska is spending too much and should cut the 1 percent for art. "When we spent \$40,000 of public money on the bent piece of green sheet metal in front of the Juneau museum, it was too much." He said Alaska should let artists get off the public welfare wagon. He said, cut the state budget, tax the oil companies a fair rate, and do not tax the public.

[10:15:22 PM](#)

MIKE ALBERTSON, Fairbanks, said he supports HB 115, but it is not the best. Overall, Alaska needs an income tax. "I don't think the oil industry can solve all of our issues," he added, and the industry is underpaying in Alaska. He refuted an earlier comment that service members would be taxed on their housing allowance, nor would they be taxed on imminent danger pay. The only service members who would pay an income tax would be those who declare residency in Alaska, he explained, and they should pay their taxes just like anybody else. He said he is heartened by the civil and positive comments of most witnesses, but he noted that some people referred to others as Communists or Socialists, and I don't take (unclear) from anybody, anywhere. The Senate has probably made up its mind, and sometimes these hearings don't go anywhere. He appreciates Alaskans who work in the state (unclear). He said he appreciates the hard work of Alaskans who have lived here for thousands of years and are taxed on their land. Indigenous people, he clarified. He finds it unfortunate that business people are talking about packing up and leaving because they aren't savvy enough to operate a business in a state with an income tax. Businesses in other states have no problem operating. It is disingenuous that business people who have done well in the state seem to holler the most when it comes to stepping up to the plate, he added. He said that if leaving the state because of an income tax is true, there would have been a mass exodus of low-income people who have lost half their dividends. The logic is not there, he stated. The person representing the chamber of commerce stated that Alaska would have the twelfth highest income tax in the nation, but we would have the fourth lowest. He said he has seen a lot of polls as well and heard one where most support an income tax. In 2014, there were 2.5 nonresidents hired by the oil and gas industry for every Alaskan hired, and for every nonresident laid off by the industry, there were three Alaskans let go. There are a lot of out-of-state workers that should be contributing. He questioned why legislator per diem is increasing, because the federal per diem rates for Anchorage for lodging and meals have dropped.

[10:20:49 PM](#)

WENDY BRINGHURST, Eagle River, said she, her husband, and her six children came to Alaska twelve years ago because of its "tax structure." Kill this bill, she stated. It is a lazy way to control spending. She tells her children to get another job if they want more money. The government takes money away from the citizens, she claimed, and she wants it to stop taking her hard-earned money for wasteful programs. Everyone who is for this tax, "go ahead and volunteer your own money if you're so

convinced that it will get us out of the hole the government has put us in, but don't volunteer my money. Spend your own."

10:22:26 PM

KRISTIN BELLONIO, Anchorage, said she supports HB 115. American author John Greene said public education does not exist for the benefit of students or their parents; it exists for the benefit of the social order. Everyone benefits every day from public education, she added. Alaskans have been fortunate to pay no income tax, but it is responsible to move forward with HB 115 to fund education. Schools don't make money, so its value isn't monetary, but it creates citizens with knowledge and skills to become contributors to Alaska's economy. That is priceless, she opined. She asked the committee to prioritize education and pass HB 115.

10:24:13 PM

CATHY MOSHER, Willow, said the bill should be a no vote. Steve St. Clair and Michael Dunleavy had a good proposal. Michael Chambers has, Brad Keetly has. "You have heard a lot of good suggestions tonight on how to fix the budget, and I hope that you will listen to them and do it."

10:24:53 PM

JESSICA PRICE, Anchorage, said she works every night to pay for groceries for her husband and three children. The passing of the bill would cut into her disposable income. She said she is a property owner, and more tax on her family would create more devastation for her family, and she wouldn't be able to pay for clothes and food, and she would end up depending on the government. An increase in government decreases the money she can spend. She asked the committee to kill HB 115.

10:26:06 PM

ALAINA CLARK, Wasilla, asked the committee to stand firm against HB 115. She is a single mom with two children and no child support. "I work full time and often struggle to balance my own budget," she stated. She has two choices: painful cuts or additional sources of income, and she starts by cutting all nonessential spending by not getting a haircut or not watching a movie. "It might even mean that I make less expensive grocery choices, cut driving down to necessary trips only." If she still needs more money, she said she looks for a second job. The last thing she would do is raid her children's piggy banks. A surplus for her is incredibly rare, and it goes to the next month, she explained. The state needs to cut pork and not see hard-working Alaskans, even very rich ones, as cash cows to be milked.

Wealthy Alaskans often supply jobs for other Alaskans who will just get by. "If we must have a tax, let it be a sales tax that everyone pays." Not everyone works, but everyone shops, she said. Then everyone will have skin in the game. House Bill 115 would foist a tax only on working Alaskans. The rule of use-it-or-lose-it has led to wasteful spending by public schools, including unnecessary sound system upgrades just to use up extra money, she stated. The Mat-Su school district is currently gunning for charter schools, and they do a lot more with a lot less. She suggested eliminating the use-it-or-lose-it policy and allow schools to save for a rainy day. An income tax would make it harder for everybody who works, she concluded.

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ED MARTIN, Cooper Landing, said he is watching via the internet from Hawaii, "but I care about my state." The revenue problem exists because of out-of-control state spending. He said he has been listening to single mothers and small businesses, "and you folks have an obligation to these people to do what is right," which would be to sell some of Alaska's land to create new wealth by private individuals. The country was founded on protection of property rights, and the constitution says basically the same thing: maximum benefit to the people. He said his dad gave up mineral rights when homesteading so other people could have homes, and then he sold it. He passed on land that was swindled out of him for his mineral rights, he explained. He filed for his homestead land before statehood, and he voted for statehood. In the end he was swindled out of his mineral rights. "You folks don't understand this, apparently." The economic experts at ISER never use selling Alaska as a matrix for solving some of its problems. "We need fast cash," he said. He said it was terrible that the legislature robbed the permanent fund. "The offer that I made you that gives you all political cover for the wrongful deeds you've done in taking the PFD away, you can give back to the people simply in a land voucher." He said that is what Alaska needs, an expanded tax base and a way to create wealth. Do not pass HB 115, he stated.

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CHAIR COSTELLO closed public testimony on HB 115 and held the bill in committee.

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There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Committee at 10:33 p.m.