

HB

541

HFIN

FILE

STATE OF ALASKA

1994 LEGISLATIVE SESSION

Revision Date: _____
 Title: Advisory Vote Regarding State Revenue

Department Affected: Office of the Governor
 BRU: Division of Elections
 Component: General and Primary Elections

Sponsor: Finance
 Requestor: _____

COMPONENT SERIAL NO. 22

EXPENDITURES/REVENUES:

OPERATING	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
PERSONAL	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	2.2*	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND &	0	0	0	0	0	0
GRANTS,	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL	2.2*	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE						
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FUNDING:

1002 Federal	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	2.2*	0	0	0	0	0
1005 GF/Program	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	2.2*	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY94) impact: 0

ANALYSIS: (Attach a separate page if necessary.)*This figure covers cost of inclusion of information about this issue in the Official Elections Pamphlet as required by AS 15.58, and programming for DataVote counting of votes cast on the measure. However, only 4 measures can be printed on a single ballot card. Should this measure require printing an additional ballot card, the fiscal impact would be 53.4.

Prepared by: Joseph L. Swanson, Director Phone: 465-4611
 Division: Division of Elections Date: 3/25/94

Approved by Commissioner: Lt. Governor John B. Coghill
 Agency: Office of the Lt. Governor Date: _____

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MEMORANDUM

April 20, 1994

SUBJECT: HCS CSSB 247 (Finance) (Work Order No. 8-LS1447M)

TO: Representative Ron Larson, Co-Chair
Representative Eileen MacLean, Co-Chair
House Finance Committee
ATTN: Louanne

FROM: Jack Chenoweth
Legislative Counsel



This draft incorporates only the committee-adopted amendment # 2 and incorporates it at a place different from where the committee's instructions specified. Since the exception made by amendment # 2 only applies to activity by the Board of Regents of the University of Alaska, I slipped it in to the bill's section 1.

The exception described in the amendment was not a model of clarity. For example, I have no idea what is involved in a "firm commitment." The suggested text of the amendment mentioned "grant or other commitment"--implying a different meaning for the word commitment--but the explanatory statement mentioned only "federal or other contracts"; since "contract" has a clearer meaning, I opted to substitute it. "University receipts" covers "recovery of indirect costs," so I used only the "university receipts" reference. Things paid for from university receipts would not seem to me to have a "firm commitment" period, so I had to make adjustments to take that into consideration. Someone who better understands where the University is going with this needs to review my language to determine whether or not I am on target.

On reflection, I am satisfied that **both amendments -- amendment # 1 terminating a prior approved project and this amendment -- require a bill title change.** The content of the new exception made by this amendment # 2 is not now covered by the current bill title. The title should incorporate, on page 1, line 3, after "and", the additional words ", with certain exceptions,". Amendment # 1 was included in an earlier draft of the bill with appropriate title language, but was removed early in the history of the measure's consideration. Per your instruction, I am holding on amendment # 1 and would also ask guidance on how to handle the title change necessitated by the addition of this amendment.

JBC:pl
94-326.plm

Enclosure

Selected NFIB/Alaska Ballot Results
1993

TAXES/FISCAL

Government Spending

5. Should spending levels of state government be reduced before increasing present taxes or imposing new taxes?

93% Yes 4% No 3% Undecided

5a. If you answered "Yes" to the question above, where should the cuts in state spending be made? (Select all of those that apply.)

29% a. Elementary and secondary education
37% b. Higher education
66% c. Health and welfare
89% d. State legislature
49% e. Judicial system
18% f. Public safety
37% g. Natural resources
36% h. Transportation
56% i. Municipal assistance and revenue sharing

6. If the legislature believes that it must raise additional tax revenue, which of the following possible taxes do you believe to be the most fair? (Select only one.)

43% a. A state sales tax
1% b. A state sales tax on services
2% c. A commercial property tax
22% d. A personal income tax
.4% e. A gross business receipts tax
0% f. A net business receipts tax
.4% g. A business inventory tax
9% h. A sales tax on new vehicles from out of state
9% i. An increase in the gasoline tax
.8% j. An increase in the corporate income tax
13% k. An increase in the tax on tobacco and liquor products

WFIB/ALASKA 1993

COMMENTS

TAXES/FISCAL

ANCHORAGE - Retail

There is tremendous waste in most state budgets. Employees must be made more responsible for their actions. Offices need to be located near the work to eliminate all the expense and waste in travel to and from Juneau.

ANCHORAGE - SERVICE

The main issue in state spending is not only control of programs but overall efficiency. Anyone who has ever dealt with any state agency realizes that they are poorly directed, and highly ineffective. The executive branch has never done a decent job of "running the government".

ANCHORAGE - Retail

The only cut in state spending per question 5 and 5a should be in the state legislature and other government (state) employees pay.

CANTWELL - Retail

No taxes should be instituted until spending has been brought under control.

FAIRBANKS - Insurance

RE: Question #6: YOU MISS THE POINT & are helping to foster an incorrect image. Alaska's governments have too many employees, they are paid too much & their benefits are far too generous. To solve the peoples problem, long term, these must all be reduced 25 to 50%. This can be done & still have many highly qualified people standing in line for the jobs. It's not a question of reducing services but rather one of reducing the cost of those services. This cost cutting has to be in all areas & need not grossly effect services. The goal must be to reduce the cost & effect of government at all levels & to leave as much money as possible in the private sector to build a real & lasting economy. Increasing revenue to the government is 100% wrong & should not be the focus of the debate.

FAIRBANKS - Retail

We need to get labor unions out of the business of representing public employees and get those employment costs back in line. Until we do that, we really do not have control over the budget process, the employees do.

FAIRBANKS - Service

Cut state spending as well as states "benefits" for state employees - including the Legislature!

FAIRBANKS - Retail

RE: Question #6: Increasing the cost of doing business for whatever reason takes money from the productive and transfers it to the non-productive. Mandated employee benefits, increased taxation, exposure to frivolous lawsuits and increased bureaucracy all fit into the same disincentive package.

FAIRBANKS - Service

RE: Question number 6: More taxes only gives all government more money to waste. I believe state and federal government have too much power already. Fewer rules, smaller work force, more efficient work force at government levels can help reduce all deficits. Employees that may lose jobs with this idea would be allowed tax credits to start their own business, putting our country back to the free enterprise democracy instead of the socialistic direction we are heading.

FAIRBANKS - Retail

Spending should be limited to 90% of projected revenue. More responsibility (and funding) should be at the local levels.

FAIRBANKS - Construction

Cut legislative budget by 75%. Cut Governor's budget (Administrative) by 50%. Cut all grants for studies. Cut all public radio & television money.

GUSTAVUS - Construction

- 1) No taxes without first cutting programs.
- 2) Install sunset clauses on existing subsidies.
- 3) No new subsidies.

JUNEAU - Retail

If budget cuts included education then I might say yes to a school tax. However, at times education appears to be above budget constraints and go on spending with little regard to available dollars. IE: it's motherhood & apple pie "it would be un-American to diddle with education !!"

JUNEAU - Service

Eliminate PFD.

JUNEAU - Service

Regarding your question # 6: NO STATE TAXES should be imposed until state spending is at the level it was the year state income tax was

repealed. Every state agency should be required to post a one paragraph statement of service performed and cost per person benefited.

JUNEAU - Retail

The proposed personal Income Tax should merely be a percentage of the tax on Federal Form 1040. The tax should be administered by the Dept. of Revenue by the same people who administer the Permanent Fund Dividend program, not by a new bureaucracy. The P.F.D. should be kept in tact.

JUNEAU - Construction

An overall reduction by % with adjustments for special needs or changes.

JUNEAU - Retail

I feel we should examine what services were offered prior to the influx of oil money and what we have now and make cuts in that area of new services that may be nice but not actually necessary.

JUNEAU - Consultant

Cut the fat out of state government, and start with the bureaucrats. Staff should be cut more than or at least commensurate with field or operational employees. At the same time, the objective of reducing government intrusion into the private sector should be quantified. Like a percentage reduction in regulations, etc.

KENAI -Service

With regards to your question #6: Taxes are out of control and heading toward another "Boston Tea Party" already - I suggest a private businessman take on a "manager" role in state finance.

KETCHIKAN - Retail

NO TO ALL OF THE POSSIBLE TAXES LISTED IN YOUR QUESTION #6: The more money for government spending the more they spend. Anything in the general fund is gone!! Government is no longer of the people but to the people.

NORTH POLE - Service

I think there needs to be across the board cuts in many areas. Many state jobs pay abundant salaries for the same job as being done in the private sector that is not getting near the same salary. It isn't the workers who needs the cuts its' some of the supervisors and administrators that don't need the exorbitant salaries. There are too many chiefs & not enough Indians!!!

PALMER - Retail

Question #6: This question should not have been included and helps foster a bad image. The more money you give the government the more they will spend and then come back again looking for more money. The focus of any debate should not be on increasing taxes/revenues to the government. Leave the money in the private sector which is one heck of a lot more efficient.

PALMER - Professional

Who thought up question #6? To quote your question:

"If the legislature believes that it must raise additional tax revenue. . ."

I would suggest that he or she walk a mile or so in their district to get their head on straight - if they want to get reelected.

SELDOVIA - Tourism

#6 There should have been a selection for stating that WE DO NOT NEED A TAX NO MATTER WHAT THE LEGISLATURE MAY THINK about needing more money. They will not reduce spending no matter what.

SITKA - Service

The state should self-insure itself for health - raise deductible for individuals.

Wasilla: Professional

Your question #6 is very unfair - you did not give us a choice of "none of the above." There are a lot of us out here trying to make a living while somebody is trying to regulate us out of business or tax us until we just throw up our hands and walk away from every thing we have tried to build. Don't let them do it to us! ! !

STATE BALLOT

TAXES/FISCAL

Government Spending

5. Should spending levels of state government be reduced before increasing present taxes or imposing new taxes?

- Yes No Undecided
 1 2 3 17

5a. If you answered "Yes" to the question above, where should the cuts in state spending be made? (Select all of those that apply.)

- 1. Elementary and secondary education
1
- 2. Higher education
2
- 3. Health and welfare
3
- 4. State legislature
4
- 5. Judicial system
5
- 6. Public safety
6
- 7. Natural resources
7
- 8. Transportation
8
- 9. Municipal assistance and revenue sharing
9 18-26

6. If the legislature believes that it must raise additional tax revenue, which of the following possible taxes do you believe to be the most fair? (Select only one.)

- a. A state sales tax
1
- b. A state sales tax on services
2
- c. A commercial property tax
3
- d. A personal income tax
4
- e. A gross business receipts tax
5
- f. A net business receipts tax
6
- g. A business inventory tax
7
- h. A sales tax on new vehicles from out of state
8
- i. An increase in the gasoline tax
9
- j. An increase in the corporate income tax
10
- k. An increase in the tax on tobacco and liquor products
11 17



Background: A large portion of the state general fund money comes from oil production. The production at Prudhoe Bay is on the decline. With petroleum revenues decreasing, some legislators are looking to new taxes in order to cover the expected shortfall in the state budget. During the last session, numerous proposals were put forth for new and increased taxes. It is anticipated that the 1993 legislative session will produce its share of taxing schemes.

Proponents of new taxes and increasing taxes say the state needs these monies in order to fund the many programs that the public has become accustomed to receiving. They also contend that it is time for the public to start paying for the services it receives from the state. These proponents further argue that if new sources of revenue do not come on-line, there will have to be drastic cuts in state programs.

Opponents argue that the lack of revenue is not the real issue — expenditures are the issue. They also believe that the state of Alaska is spending beyond its means. In addition, opponents contend that in order to balance the budget, government spending will need to be systematically and substantially reduced.

NEWS RELEASE

STATE OF ALASKA

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FOR RELEASE: November 17, 1992
No. 92-241

SHORT-TERM REVENUE OUTLOOK IMPROVES BUT LONG TERM STILL POSES PROBLEM

JUNEAU--Governor Walter J. Hickel said today that while the soon-to-be-released fall revenue forecast points to short-term relief for this year and next, the long term doesn't look so rosy. Printed copies of the report are expected to be released on Friday.

"While the report suggests that revenues are better than previously expected, they are still less than this year's appropriations," Hickel said. "We have to make plans for the long term because world oil prices can't be expected to continue to offset the decline of Prudhoe Bay production. This is the main message we will be dealing with at the economic summit in Anchorage at the end of the month."

Darrel Rexwinkel, Commissioner of Revenue, said the mid-case scenario projects revenues for FY93 at about \$331 million more than was thought at the time of the March revenue forecast. To date, the state has received about \$210 million more in royalties and severance taxes than forecast.

"We should, of course, bear in mind that there are different scenarios, both high and low, that could come about instead," Rexwinkel said. "Unknown factors on the world market will play a role. Will Iraq become a player? Will we have a harsh winter or a mild one? Will there be political disruption or global disaster? No one really knows what's going to happen that will impact the price of oil and consequently state revenues."

— Hickel said higher oil prices should allow the minimum necessary spending to take place for FY94 without requiring the Legislature to dip into savings and reserve accounts.

- more -

2-2-2-2

92-241

Nov. 17, 1992

Rexwinkel said the long-term outlook has not changed significantly from the spring forecast. "In real dollars adjusted for inflation, revenues are expected to be only \$1.458 billion in the year 2000, as compared to \$2.271 billion in 1993."

The Governor has invited about 120 Alaskans to meet with him on November 29, 30 and December 1 in an economic summit to discuss the state budget, revenues and solutions. The meetings are scheduled to take place at the Egan Center in Anchorage and are open to the public.

####

**Taxes - Alaska in Comparison to Other States
FY 93**

Chart 8

Tax Type	Alaska	Other States
Individual Income	None	43 States Rates and Structures vary
Sales/Use	None	45 States Rates from 3% to 7%
Corporation Income	9.4%	45 States Rates from 3% to 12.65%
Production	15%	25 States Rates from .3% to 13%
State Property	None	6 States Rates vary
Highway Motor Fuel	\$.08	All states Rates from \$.075 to \$.26 Average \$.18
Cigarette	\$.29	All States Rates from \$.025 to \$.43 Average \$.24
Liquor	\$5.60	All States Rates from \$1.50 to \$6.44 Average \$3.60
Wine	\$.85	All States Rates from \$.11 to \$2.25 Average \$.70
Beer	\$.35	All States Rates from \$.02 to \$.89 Average \$.23

Available Taxes Assumptions

Schedule 6

New Tax Types

Personal Income - Revenue estimates of \$250 - \$400 million are based on a fiscal note prepared by the department in 1987 (HB 154/SB148). Actual revenue increases would depend on the structure of the tax brackets and rates, and exemptions and credits allowed taxpayers. Personal income taxes are currently deductible for federal tax purposes.

Gross Receipts Tax - Each 1% would yield between \$100 - \$150 million based on total state receipts estimated in our fiscal note for HB 523 this year. Total gross receipts was estimated based on revenues reported to the department on corporation tax returns filed with the department. Actual revenue increases would depend on the structure of the tax brackets and rates, and what receipts would be exempted from taxation. Gross receipts tax would apply to sole proprietors, partnerships and corporations.

Sales Tax - Each 1% would yield \$50 to \$100 million, assuming that food purchases and other essential purchases would be exempt from sales tax to reduce the regressivity of this tax type. Sales taxes are currently not be deductible for federal tax purposes.

School Tax - Each \$1 of school tax will yield \$400,000 to \$500,000. Revenue estimates are based on Department of Labor (DOL) figures for total employees in the state, both permanent and seasonal. Total 1990 employees reported by DOL when preparing a fiscal note on school tax (HB 582) was 413,000.

Statewide Property - No additional revenue projection was made because property values statewide are not available.

