

SB

112

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

APR 20 2005

SENATE FINANCE
COMMITTEE

DATE: 3/18/05

FURTHER:

DATE TURNED IN TO OFFICE: 20 April 2005

Finance Committee considered

SENATE BILL NO. 112

SB 112 TAX ON REAA RESIDENTS

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

and recommends:

- be replaced with _____ CS SB 112 (FIN)
- adopt previous _____ CS CS forthcoming (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

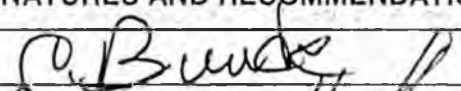

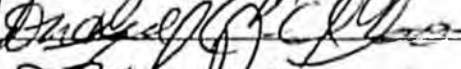
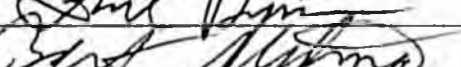
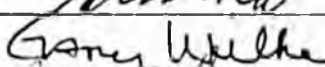
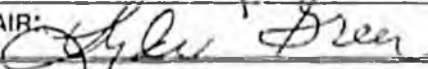
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
Revenue		REAA <u>REAA</u>			per Traci
		<u>forthcoming</u>			

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
	<input checked="" type="checkbox"/>			
		<input checked="" type="checkbox"/>		
	<input checked="" type="checkbox"/>			
			<input checked="" type="checkbox"/>	
COCHAIR: 	<input checked="" type="checkbox"/>			
COCHAIR: 	<input checked="" type="checkbox"/>			

APR 20 2005

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 112 (L)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
Title Tax on REAA Residents RDU Treasury and Tax
Component Tax Division
Sponsor Senators Bunde and Wilken
Requester Senate FIN Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	377.8	725.6	782.4	782.4	782.4	782.4
Travel	6.0	8.0	8.0	8.0	8.0	8.0
Contractual	80.9	129.8	126.1	126.1	126.1	126.1
Supplies	7.0	11.0	11.0	11.0	11.0	11.0
Equipment	56.0	32.0				
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	527.7	906.4	927.5	927.5	927.5	927.5
CAPITAL EXPENDITURES	167.0	75.0				
CHANGE IN REVENUES ()	9,215.7	10,187.4	10,187.4	10,187.4	10,187.4	10,187.4

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	527.7	906.4	927.5	927.5	927.5	927.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	527.7	906.4	927.5	927.5	927.5	927.5

Estimate of any current year (FY2005) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	7	11	11	11	11	11
Part-time						
Temporary		5	5	5	5	5

ANALYSIS: (Attach a separate page if necessary)
(see attached)

Prepared by: Chuck Harlamert & Brett Fried Phone 465-2320
Division Tax Division Date/Time 4/18/05 8:11 AM
Approved by: Tom Boutin Date 4/18/2005
Agency Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSSB 112 (L)

Cost Discussion

We project filing volumes under the bill at approximately 16,000 returns, reports, and refund claims annually. This volume represents more than a 50% increase over our current levels although, on average, REAA tax returns would be less complex than the average return we process at this time. The administrative challenges of this tax are the need to enforce a tax based on place of residence and subject to exclusions, and the need to validate refund claims against withholding and issue the refunds timely. Fully implemented program staffing represents:

Permanent Positions	Range	Function
Revenue Audit Supervisor	22	Program Manager
Revenue Auditor IV	20	Audit & Compliance
Revenue Auditor III	18	Audit & Compliance
Tax Technician IV	16	Examination & Customer Service
Tax Technician III	14	Examination & Customer Service
Tax Technician III	14	Examination & Customer Service
Tax Technician II	12	Examination & Customer Service
Tax Technician II	12	Examination & Customer Service
Accounting Technician II	14	Accounting & Collections
Accounting Clerk	12	Cash Processing & Billing
Admin Clerk II	8	Mail/File Maintenance/Data Entry

In addition we will require five temporary Admin Clerk positions for mail processing and data entry during January – April.

Capital costs represent the cost of incorporating the program into existing systems and facilitation of electronic filing. These estimates assume completion of planned system enhancements supporting this type of return. We would require an additional \$92,000 of capital expenditure if this assumption is not correct.

Revenue

For the revenue estimate we used the total local required contribution for boroughs in FY 2005 of \$161,743,619 divided by the 2004 organized-borough population for ages 21-64 of 345,612 for CY 2004. The result is an estimated per-organized-borough-adult contribution of \$467.99. This bill imposes a tax "on each individual who is 21 years of age but not more than 64 years of age [...] who resides in a regional educational attendance area." However, eighteen first-class and home-rule cities fall within the regional educational attendance areas and are subject to the same school contribution requirement as the organized boroughs (AS 14.17.410(b)(2)). Excluding residents of first-class and home-rule cities, the total REAA population for ages 21-64 is 27,070. The figure for the total local required contribution comes from the Alaska Department of Education and Early Development, and the population estimates comes from the Department of Labor and Workforce Development.

In addition to the exemption for seniors age 65 and over, the bill includes three other exemptions: (1) individuals who are members of families at or below federal poverty guidelines, (2) veterans with 50% or greater service-related disability, and (3) individuals who own property and pay property tax in a municipality. We estimate that 5,213 individuals will qualify for the poverty exemption, and that an additional 88 individuals will qualify for the disabled veteran exemption. Due to the lack of data and the small number of disabled veterans, we made no adjustment for disabled veterans who are also in poverty. Also, due to the lack of data, we did not adjust for the exemption for REAA residents who own property in other municipalities. After adjusting for exemptions, we estimate there will be 21,768 taxpayers who will be required to pay the tax. Our poverty exemption estimate is based on 2000 poverty estimates by place from the U.S. Census Bureau for ages 18-64. We first adjusted the poverty data to ages 21-64 using the ratio of 18-64 population to 21-64 population for each locale based on 2000 estimates from the Department of Labor. We then adjusted this to a 2004 estimate using 2000 and 2004 estimates for the 21-64 population from each locale from the Department of Labor.

The bill has an effective date of January 1, 2006. Taxpayers have until "January 15 of the calendar year following the year for which it is imposed" to file their taxes. In the first fiscal year (FY 2006) we assume we will receive the employer withholding. Here we are assuming that all employers withhold the entire required amount for all employees that reside within the unorganized borough but outside of first-class or home-rule cities and remit this amount to the Department within the first five months of 2006. We used a 2003 Alaska Department of Labor estimate of workers over 21 years of age (19,692) that reside within the unorganized borough but outside of first-class or home-rule cities to derive the FY 2006 revenue estimate of \$9.2 million. Our FY 2006 estimate includes revenue from all workers including those who qualify for exemptions because although we will refund withholding for these workers in FY 2007, we will again receive withholding from them in FY 2007 and coming years. Also, our FY 2007 of \$10.2 million assumes that we will receive returns from all adults who are subject to the tax as calculated above but have not had their taxes paid by an employer. We have not adjusted our estimates for potential noncompliance with the tax or changes in behavior due to the tax. We also have not included any potential fees, penalties, interest or unclaimed refunds in our estimates.

Because "resides" is not defined in the Bill, it is difficult to address the issue of how many nonresidents would be subject to the tax. Consequently we did not include them in our estimates on the front of this fiscal note. In addition, there may be Alaska residents who reside in organized boroughs but do not pay property taxes (renters) who "reside" for some of the year in REAAs as defined in this bill. The Alaska Department of Labor does not break out nonresident workers by place, identify them by age, income or military status. However, using the ratio of estimated resident taxpayers to 21-64 year-old-unorganized-borough residents multiplied by the total nonresident workers within the unorganized borough, we obtained a rough estimate that about 4,000 nonresidents could be subject to the tax. This would raise about \$1.9 million in revenue currently not reflected in the fiscal note.

SENATE FINANCE
COMMITTEE
Amendment Number: #1
Bill Number: SB 112
Sponsor: Bunde Date: 4/19/05
Logged In By: Robin

Adopted
4/20/05

24-LS0505X.2
Kurtz
4/19/05

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR BUNDE

TO: CSSB 112(), Draft Version "X"

1 Page 2, lines 17 - 18:

2 Delete "at any time"

3

4 Page 2, line 18, following "tax year":

5 Insert "for 10 consecutive working days or a normal pay period, whichever is less, or

6 for more than 20 cumulative working days"

Con -

So, a conceptual amendment...

Put amendment in definitions...
for purposes of "employed" in
the body of the bill.

SENATE FINANCE COMMITTEE
4 Feb 2005 COMMITTEE ACTION

Bill Number	SB 112		
Amendment	#1		
Motion	Jobpt		
<u>Motion by</u>	Bunde		
<u>Objection by</u> Removed	Green ✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson			
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Adopted		

SENATE FINANCE COMMITTEE
4 / 19 / 2005 COMMITTEE ACTION

Bill Number	58 112		
Amendment	#1		
Motion	to adopt		
<u>Motion by</u>	Bunde		
<u>Objection by</u>	Hoffman		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Stedman			
Senator Bunde			
Senator Dyson			
Senator Hoffman			
Senator Olson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	H E L D		

CS FOR SENATE BILL NO. 112(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:

Referred:

Sponsor(s): SENATORS BUNDE, Wilken, Wagoner

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a tax on residents of and individuals employed in regional
2 educational attendance areas and to permanent fund dividend applications; and
3 providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 LEGISLATIVE INTENT. It is the intent of the legislature that the proceeds of the tax
8 imposed in sec. 4 of this Act provide an additional source of revenue that can be used by the
9 legislature to provide additional funding for regional educational attendance areas beyond
10 existing state and federal contributions.

11 * Sec. 2. AS 43.05.240 is amended by adding a new subsection to read:

12 (c) An individual requesting an informal conference under (a) of this section
13 regarding the regional educational attendance area tax under AS 43.45 shall pay a \$50
14 fee. The department shall refund the fee to the individual if the individual prevails

1 upon a final determination of the case.

2 * Sec. 3. AS 43.23.015(b) is amended to read:

3 (b) The department shall prescribe and furnish an application form for
4 claiming a permanent fund dividend. The application must include notice of the
5 penalties provided for under AS 43.23.035 and contain a statement of eligibility and a
6 certification of residency. The department shall require applicants to supply a
7 physical address as well as a mailing address.

8 * Sec. 4. AS 43 is amended by adding a new chapter to read:

9 Chapter 45. Regional Educational Attendance Area Tax.

10 Sec. 43.45.011. Tax imposed. (a) There is imposed a tax each year on each
11 individual

12 (1) who is at least 21 years of age but not more than 64 years of age on
13 January 1 of the tax year; and

14 (2) who

15 (A) resides in a regional educational attendance area on
16 January 1 of the tax year; or

17 (B) is employed during the tax year in a regional educational
18 attendance area for 10 consecutive working days or a normal pay period,
19 whichever is less, or for more than 20 cumulative working days.

20 (b) The commissioner shall determine the amount of tax due each year from
21 each individual subject to the tax imposed under (a) of this section by dividing the
22 amount of the total local contributions to schools required of organized boroughs
23 under AS 14.17.410(b)(2) by the estimated population of individuals 21 years of age
24 and older but not more than 64 years of age in the organized boroughs.

25 (c) The following are exempt from the tax imposed under (a) of this section:

26 (1) an individual who is a member of a family with an income during
27 the tax year equal to or less than the federal poverty guidelines for the tax year for
28 Alaska set by the United States Department of Health and Human Services;

29 (2) a disabled veteran, as the term is defined in AS 29.45.030(i);

30 (3) the owner of real property located in a municipality that levies a
31 property tax, if the taxes on the property were not delinquent at any time during the tax

Amend.
=#1

1 year.

2 **Sec. 43.45.021. Collection of tax.** (a) The tax imposed under AS 43.45.011
3 shall be paid before April 1 of the calendar year following the year for which it is
4 imposed. An individual who is subject to the tax and has not had the tax withheld
5 during the tax year by an employer from the individual's salary or other compensation
6 shall file a return and pay the tax on a form and in a manner prescribed by the
7 department.

8 (b) Each employer of an individual subject to tax under this chapter shall
9 deduct and withhold the lesser of one-half of the tax for the year or 10 percent of the
10 employee's gross compensation from the employee's first regular payroll during the
11 tax year and each subsequent regular payroll until the full tax due has been collected.
12 The employer shall hold the tax withheld in trust and remit it to the department with a
13 return prescribed by the department not later than the 15th day of the month following
14 the end of each calendar quarter or any month during which the cumulative unpaid
15 withholding by the employer exceeds \$500, whichever is earlier. These withheld
16 taxes are not subject to garnishment or attachment and, in the event of lien, judgment,
17 or bankruptcy proceedings, are not considered assets of the employer. An employer
18 who fails to make the deductions from the compensation of employees or to remit the
19 tax to the department by the date required under this section is liable to the department
20 for the tax.

21 (c) An employer is not required to withhold the tax from the salary or other
22 compensation of an individual if the employer reasonably believes, based on the
23 attestation of the individual, that the individual

24 (1) owns real property located in a municipality that levies a property
25 tax;

26 (2) was 20 years of age or younger or 65 years of age or older on
27 January 1 of the tax year; or

28 (3) has had the full tax due under AS 43.45.011 for that tax year
29 withheld by another employer.

30 (d) If the tax is not deducted under (b) of this section from the salary or other
31 compensation of an individual subject to the tax, and the individual has not filed a

1 return and paid the tax under (a) of this section, notwithstanding AS 09.35, the
2 department may make a return under AS 43.05.050.

3 (e) An employer required to withhold tax under (b) of this section shall file a
4 report not later than January 31 following each tax year showing the total withholding
5 for each employee during the tax year. The report shall be filed in a form and manner
6 prescribed by the department. An employer who fails to file a report under this
7 section is subject to a penalty of \$50 a day not to exceed \$2,500.

8 (f) If the full amount required under (b) of this section has been deducted and
9 withheld from each payroll of an employee employed in a regional educational
10 attendance area but not residing in a regional educational attendance area on January 1
11 of the tax year, the department shall consider the employee's tax obligation satisfied,
12 and the employee is not required to file a return under (a) of this section, even if the
13 total amount deducted and withheld was less than the full amount of the tax calculated
14 under AS 43.45.011(b).

15 **Sec. 43.45.031. Record of withholding.** An employer who withholds tax
16 under AS 43.45.021 shall furnish to the employee upon request a record of the amount
17 of tax withheld from the employee. The department shall provide a form for that
18 purpose.

19 **Sec. 43.45.041. Refunds.** An individual who has paid more than the amount
20 of tax due under this chapter for a calendar year may claim a refund under
21 AS 43.05.275. A claim for a refund under this section may only be filed during the
22 calendar year following the tax year for which the refund is claimed and on a form and
23 in the manner prescribed by the department. The department is not required to issue a
24 refund to an employer.

25 **Sec. 43.45.051. Disposition of tax proceeds.** (a) The tax collected under
26 AS 43.45.021 shall be deposited into the general fund and accounted for separately.

27 (b) The legislature may appropriate the estimated amounts to be collected and
28 separately accounted for under (a) of this section for education.

29 (c) The deposit required and appropriation authorized by this section are not
30 intended to create a dedication in violation of art. IX, sec. 7, Constitution of the State
31 of Alaska.

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Sec. 43.45.099. Definitions. In this chapter,

(1) "family" means persons who are related by blood, marriage, or adoption and who live in the same household on a permanent basis;

(2) "regional educational attendance area" means those portions of a regional educational attendance area, as that term is defined in AS 14.60.010, that are outside of a home rule or first class city;

(3) "tax year" means the calendar year for which the tax levied in AS 43.45.011 is imposed.

* Sec. 5. This Act takes effect January 1, 2006.

upon a final determination of the case.

* Sec. 3. AS 43.23.015(b) is amended to read:

(b) The department shall prescribe and furnish an application form for claiming a permanent fund dividend. The application must include notice of the penalties provided for under AS 43.23.035 and contain a statement of eligibility and a certification of residency. The department shall require applicants to supply a physical address as well as a mailing address.

* Sec. 4. AS 43 is amended by adding a new chapter to read:

Chapter 45. Regional Educational Attendance Area Tax.

Sec. 43.45.011. Tax imposed. (a) There is imposed a tax each year on each individual

(1) who is at least 21 years of age but not more than 64 years of age on January 1 of the tax year; and

(2) who

(A) resides in a regional educational attendance area on January 1 of the tax year; or

(B) is an employee during the tax year in a regional educational attendance area for 10 consecutive working days or a normal pay period, whichever is less, or for more than 20 cumulative working days.

(b) The commissioner shall determine the amount of tax due each year from each individual subject to the tax imposed under (a) of this section by dividing the amount of the total local contributions to schools required of organized boroughs under AS 14.17.410(b)(2) by the estimated population of individuals 21 years of age and older but not more than 64 years of age in the organized boroughs.

(c) The following are exempt from the tax imposed under (a) of this section:

(1) an individual who is a member of a family with an income during the tax year equal to or less than the federal poverty guidelines for the tax year for Alaska set by the United States Department of Health and Human Services;

(2) a disabled veteran, as the term is defined in AS 29.45.030(i);

(3) the owner of real property located in a municipality that levies a property tax, if the taxes on the property were not delinquent at any time during the tax

Requested
by Larin
(Sen. Bunde)
Amendment
#1

not a technical change - not Committee's action
denied per Traci



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 20 April 2005 TIME: 9:50 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please

CS SB 112 (FIN) 24-LS0505 \ X

Kurtz 4/14/05

plus 1 amendment: X.2

Thanks!

Mindy

SENATE FINANCE COMMITTEE
4/20/2005 COMMITTEE ACTION

Bill Number	SB 112		
Amendment	CS "X" as amended		
Motion	report from Committee		
<u>Motion by</u>	Bunde		
<u>Objection by</u>	Hoffman		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Dyson	✓		
Senator Hoffman			✓
Senator Olson			✓
Senator Stedman	✓		
Senator Bunde	✓		
Co-Chair Wilken	✓		
Co-Chair Green	✓		
<u>Tally</u>			
Yea	5		
Nay	2		
Absent	-		
<u>MOTION</u>	Pass		

ADOPTED 4/21/05
20

WORK DRAFT

WORK DRAFT

WORK DRAFT

24-LS05051X
Kurtz
4/14/05

CS FOR SENATE BILL NO. 112()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS BUNDE, Wilken, Wagoner

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a tax on residents of and individuals employed in regional
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3 providing for an effective date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
6 to read:

7 LEGISLATIVE INTENT. It is the intent of the legislature that the proceeds of the tax
8 imposed in sec. 4 of this Act provide an additional source of revenue that can be used by the
9 legislature to provide additional funding for regional educational attendance areas beyond
10 existing state and federal contributions.

11 * Sec. 2. AS 43.05.240 is amended by adding a new subsection to read:

12 (c) An individual requesting an informal conference under (a) of this section
13 regarding the regional educational attendance area tax under AS 43.45 shall pay a \$50
14 fee. The department shall refund the fee to the individual if the individual prevails

1 upon a final determination of the case.

2 * Sec. 3. AS 43.23.015(b) is amended to read:

3 (b) The department shall prescribe and furnish an application form for
4 claiming a permanent fund dividend. The application must include notice of the
5 penalties provided for under AS 43.23.035 and contain a statement of eligibility and a
6 certification of residency. The department shall require applicants to supply a
7 physical address as well as a mailing address.

8 * Sec. 4. AS 43 is amended by adding a new chapter to read:

9 **Chapter 45. Regional Educational Attendance Area Tax.**

10 **Sec. 43.45.011. Tax imposed.** (a) There is imposed a tax each year on each
11 individual

12 (1) who is at least 21 years of age but not more than 64 years of age on
13 January 1 of the tax year; and

14 (2) who

15 (A) resides in a regional educational attendance area on
16 January 1 of the tax year; or

17 (B) is employed in a regional educational attendance area at
18 any time during the tax year.

19 (b) The commissioner shall determine the amount of tax due each year from
20 each individual subject to the tax imposed under (a) of this section by dividing the
21 amount of the total local contributions to schools required of organized boroughs
22 under AS 14.17.410(b)(2) by the estimated population of individuals 21 years of age
23 and older but not more than 64 years of age in the organized boroughs.

24 (c) The following are exempt from the tax imposed under (a) of this section:

25 (1) an individual who is a member of a family with an income during
26 the tax year equal to or less than the federal poverty guidelines for the tax year for
27 Alaska set by the United States Department of Health and Human Services;

28 (2) a disabled veteran, as the term is defined in AS 29.45.030(i);

29 (3) the owner of real property located in a municipality that levies a
30 property tax, if the taxes on the property were not delinquent at any time during the tax
31 year.

1 **Sec. 43.45.021. Collection of tax.** (a) The tax imposed under AS 43.45.011
2 shall be paid before April 1 of the calendar year following the year for which it is
3 imposed. An individual who is subject to the tax and has not had the tax withheld
4 during the tax year by an employer from the individual's salary or other compensation
5 shall file a return and pay the tax on a form and in a manner prescribed by the
6 department.

7 (b) Each employer of an individual subject to tax under this chapter shall
8 deduct and withhold the lesser of one-half of the tax for the year or 10 percent of the
9 employee's gross compensation from the employee's first regular payroll during the
10 tax year and each subsequent regular payroll until the full tax due has been collected.
11 The employer shall hold the tax withheld in trust and remit it to the department with a
12 return prescribed by the department not later than the 15th day of the month following
13 the end of each calendar quarter or any month during which the cumulative unpaid
14 withholding by the employer exceeds \$500, whichever is earlier. These withheld
15 taxes are not subject to garnishment or attachment and, in the event of lien, judgment,
16 or bankruptcy proceedings, are not considered assets of the employer. An employer
17 who fails to make the deductions from the compensation of employees or to remit the
18 tax to the department by the date required under this section is liable to the department
19 for the tax.

20 (c) An employer is not required to withhold the tax from the salary or other
21 compensation of an individual if the employer reasonably believes, based on the
22 attestation of the individual, that the individual

23 (1) owns real property located in a municipality that levies a property
24 tax;

25 (2) was 20 years of age or younger or 65 years of age or older on
26 January 1 of the tax year; or

27 (3) has had the full tax due under AS 43.45.011 for that tax year
28 withheld by another employer.

29 (d) If the tax is not deducted under (b) of this section from the salary or other
30 compensation of an individual subject to the tax, and the individual has not filed a
31 return and paid the tax under (a) of this section, notwithstanding AS 09.35, the

1 department may make a return under AS 43.05.050.

2 (e) An employer required to withhold tax under (b) of this section shall file a
3 report not later than January 31 following each tax year showing the total withholding
4 for each employee during the tax year. The report shall be filed in a form and manner
5 prescribed by the department. An employer who fails to file a report under this
6 section is subject to a penalty of \$50 a day not to exceed \$2,500.

7 (f) If the full amount required under (b) of this section has been deducted and
8 withheld from each payroll of an employee employed in a regional educational
9 attendance area but not residing in a regional educational attendance area on January 1
10 of the tax year, the department shall consider the employee's tax obligation satisfied,
11 and the employee is not required to file a return under (a) of this section, even if the
12 total amount deducted and withheld was less than the full amount of the tax calculated
13 under AS 43.45.011(b).

14 **Sec. 43.45.031. Record of withholding.** An employer who withholds tax
15 under AS 43.45.021 shall furnish to the employee upon request a record of the amount
16 of tax withheld from the employee. The department shall provide a form for that
17 purpose.

18 **Sec. 43.45.041. Refunds.** An individual who has paid more than the amount
19 of tax due under this chapter for a calendar year may claim a refund under
20 AS 43.05.275. A claim for a refund under this section may only be filed during the
21 calendar year following the tax year for which the refund is claimed and on a form and
22 in the manner prescribed by the department. The department is not required to issue a
23 refund to an employer.

← Appeals Section Removed →
24 **Sec. 43.45.051. Disposition of tax proceeds.** (a) The tax collected under
25 AS 43.45.021 shall be deposited into the general fund and accounted for separately.

26 (b) The legislature may appropriate the estimated amounts to be collected and
27 separately accounted for under (a) of this section for education.

28 (c) The deposit required and appropriation authorized by this section are not
29 intended to create a dedication in violation of art. IX, sec. 7, Constitution of the State
30 of Alaska.

31 **Sec. 43.45.099. Definitions.** In this chapter,

1 (1) "family" means persons who are related by blood, marriage, or
2 adoption and who live in the same household on a permanent basis;

3 (2) "regional educational attendance area" means those portions of a
4 regional educational attendance area, as that term is defined in AS 14.60.010, that are
5 outside of a home rule or first class city;

6 (3) "tax year" means the calendar year for which the tax levied in
7 AS 43.45.011 is imposed.

8 * Sec. 5. This Act takes effect January 1, 2006.

SENATE FINANCE COMMITTEE
 / / 2005 COMMITTEE ACTION

Bill Number	SB 112		
Amendment			
Motion	to adopt C.S. "X"		
<u>Motion by</u>	Bunde		
<u>Objection by</u>	Green		
<u>Removed</u>	✓		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Hoffman			
Senator Olson			
Senator Stedman			
Senator Bunde			
Senator Dyson			
Co-Chair Wilken			
Co-Chair Green			
<u>Tally</u>			
Yea			
Nay			
Absent			
MOTION	Adopted		

SENATE FINANCE
COMMITTEE
Amendment Number: #2
Bill Number: SB 112
Sponsor: Olson Date: 4/19/05
Logged In By: Robin

failed

24-LS0505V.2
Kurtz
4/6/05

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR OLSON

TO: CSSB 112(), Draft Version "L"



1 Page 1, lines 1 - 2:

2 Delete all material.

3 Insert ""An Act imposing ^{an education} tax on employees; and providing for an effective
4 date.""

6 Page 1, line 4, through page 7, line 19:

7 Delete all material.

8 Insert new bill sections to read:

9 "* Section 1. AS 43 is amended by adding a new chapter to read:

10 **Chapter 45. Education Tax.**

11 **Sec. 43.45.011. Tax imposed.** There is imposed a tax of \$100 a year on each
12 individual 19 years of age or older who does not own real property in the state subject
13 to tax by a municipality and who, during the entire tax year, receives compensation
14 greater than \$5,000 in the state.

15 (b) For purposes of this section, "compensation" includes wages, salaries,
16 commissions, tips, and any other form of remuneration paid for personal services.

17 (c) The tax imposed under this section does not apply to compensation exempt
18 from the tax under federal law.

19 **Sec. 43.45.021. Collection of tax.** (a) An employer shall deduct and
20 withhold \$50 of the tax from the employee's salary or other compensation on each of
21 the first two regular payrolls after the employee's total compensation paid by the
22 employer during the tax year has exceeded \$5,000. An employer shall file a return on
23 a form prescribed by the department and send the tax withheld to the department on or

1 before the fifteenth day of the month following the month in which the tax was
2 withheld from the employee.

3 (b) A deduction of the tax may not be made in the salary or other
4 compensation of an individual who provides proof to the employer that

5 (1) the tax imposed under AS 43.45.011 for that tax year has already
6 been withheld by another employer;

7 (2) the individual was not 19 years of age or older for the entire tax
8 year; or

9 (3) the individual owns real property in the state subject to tax by a
10 municipality.

11 (c) An individual who has not had the full tax withheld by an employer must
12 file a return on a form prescribed by the department and remit the tax due under this
13 section, if any, by June 30 of the tax year.

14 **Sec. 43.45.031. Liability of employer.** An employer who pays compensation
15 is liable for the tax required to be withheld from an employee under this section unless
16 the employer can demonstrate that the employer relied on proof provided by the
17 employee that

18 (1) the tax imposed under AS 43.45.011 had already been withheld by
19 another employer;

20 (2) the individual was not 19 years of age or older for the entire tax
21 year; or

22 (3) the individual owns real property in the state subject to tax by a
23 municipality.

24 **Sec. 43.45.041. Disposition of tax proceeds.** (a) The tax collected by the
25 department under AS 43.45.021 shall be deposited into the general fund and accounted
26 for separately.

27 (b) The legislature may appropriate the estimated amounts to be collected and
28 separately accounted for under (a) of this section for education.

29 (c) The deposit required and appropriation authorized by this section are not
30 intended to create a dedication in violation of art. IX, sec. 7, Constitution of the State
31 of Alaska.

1 **Sec. 43.45.051. Definition.** In this chapter, "tax year" means the period
2 beginning on July 1 and ending on June 30 of the following calendar year.
3 * **Sec. 2.** This Act takes effect July 1, 2005."

SENATE FINANCE COMMITTEE
4 Ro/2005 COMMITTEE ACTION

Bill Number	BB 112.		
Amendment	#2		
Motion	Subpt		
<u>Motion by</u>	Olson		
<u>Objection by</u>	Bunde		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Stedman			✓
Senator Bunde			✓
Senator Dyson			✓
Senator Hoffman	✓		
Senator Olson	✓		
Co-Chair Wilken			✓
Co-Chair Green			✓
<u>Tally</u>			
Yea	2		
Nay	5		
Absent	-		
MOTION	fail		

Adopted 4/4/05

WORK DRAFT

WORK DRAFT

WORK DRAFT

24-LS0505VL
Kurtz
4/1/05

CS FOR SENATE BILL NO. 112()

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATORS BUNDE, Wilken, Wagoner

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a tax on residents of regional educational attendance areas and to
2 permanent fund dividend applications; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 43.23.015(b) is amended to read:

5 (b) The department shall prescribe and furnish an application form for
6 claiming a permanent fund dividend. The application must include notice of the
7 penalties provided for under AS 43.23.035 and contain a statement of eligibility and a
8 certification of residency. The department shall require applicants to supply a
9 physical address as well as a mailing address.

10 * Sec. 2. AS 43 is amended by adding a new chapter to read:

11 Chapter 45. Regional Educational Attendance Area Tax.

12 Sec. 43.45.011. Tax imposed. (a) There is imposed a tax each year on each
13 individual who is 21 years of age but not more than 64 years of age on January 1 of
14 the tax year and who resides in a regional educational attendance area at any time

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during the tax year.

(b) The commissioner shall determine the amount of tax due each year from each individual subject to the tax imposed under (a) of this section by dividing the amount of the total local contributions to schools required of organized boroughs under AS 14.17.410(b)(2) by the estimated population of individuals 21 years of age and older but not more than 64 years of age in the organized boroughs.

(c) The following are exempt from the tax imposed under (a) of this section:

(1) an individual who is a member of a family with an income equal to or less than the federal poverty guidelines for Alaska set by the United States Department of Health and Human Services;

(2) a disabled veteran, as the term is defined in AS 29.45.030(i);

(3) the owner of real property located in a municipality that levies a property tax, if the owner has paid the property tax due.

Sec. 43.45.021. Collection of tax. (a) The tax imposed under AS 43.45.011 shall be paid before January 15 of the calendar year following the year for which it is imposed. An individual who is subject to the tax and has not had the tax withheld during the tax year by an employer from the individual's salary or other compensation shall file a return and pay the tax on a form and in a manner prescribed by the department.

(b) Each employer of an individual subject to tax under this chapter shall deduct and withhold the lesser of one-half of the tax for the year or 10 percent of the employee's gross compensation from the employee's first regular payroll during the tax year and each subsequent regular payroll until the full tax due has been collected. The employer shall hold the tax withheld in trust and remit it to the department with a return prescribed by the department not later than the 15th day of the month following the end of each calendar quarter or any month during which the cumulative unpaid withholding by the employer exceeds \$500, whichever is earlier. These withheld taxes are not subject to garnishment or attachment and, in the event of lien, judgment, or bankruptcy proceedings, are not considered assets of the employer. An employer who fails to make the deductions from the compensation of employees or to remit the tax to the department by the date required under this section is liable to the department

1 for the tax.

2 (c) An employer may not withhold the tax from the salary or other
3 compensation of an individual if the employer reasonably believes, based on
4 information provided by the individual, that the individual

5 (1) resides in a borough or city school district;

6 (2) was 20 years of age or younger or 65 years of age or older on
7 January 1 of the tax year; or

8 (3) has had the full tax due under AS 43.45.011 for that tax year
9 withheld by another employer.

10 (d) If the tax is not deducted under (b) of this section from the salary or other
11 compensation of an individual subject to the tax, and the individual has not filed a
12 return and paid the tax under (a) of this section, notwithstanding AS 09.35, the
13 department may make a return under AS 43.05.050. The department shall notify the
14 individual and may withhold the tax, penalty, and interest due from the individual's
15 permanent fund dividend. The department shall notify the individual of the amount
16 withheld.

17 (e) An employer required to withhold tax under (b) of this section shall file a
18 report not later than January 31 following each tax year showing the total withholding
19 for each employee during the tax year. The report shall be filed in a form and manner
20 prescribed by the department. An employer who fails to file a report under this
21 section is subject to a penalty of \$50 a day not to exceed \$2,500.

22 **Sec. 43.45.031. Record of withholding.** An employer who withholds tax
23 under AS 43.45.021 shall furnish to the employee upon request a record of the amount
24 of tax withheld from the employee. The department shall provide a form for that
25 purpose.

26 **Sec. 43.45.041. Refunds.** An individual who has paid more than the amount
27 of tax due under this chapter for a calendar year may claim a refund under
28 AS 43.05.275. A claim for a refund under this section may only be filed during the
29 calendar year following the tax year for which the refund is claimed and on a form and
30 in the manner prescribed by the department. The department is not required to issue a
31 refund to an employer.

1 **Sec. 43.45.051. Appeals.** If an individual is aggrieved by a decision of the
2 department relating to the regional educational attendance area tax, the individual
3 may, upon payment of a \$50 appeal fee, request the department to review its decision.
4 Within 12 months after the administrative appeal is filed, the department shall provide
5 the individual with a final written decision. If the individual is aggrieved by the
6 decision of the department after all administrative proceedings, the individual may
7 appeal that decision to the superior court in accordance with AS 44.62.560. An appeal
8 to the court under this section does not entitle the aggrieved individual to a trial de
9 novo. The appeal shall be based on the record of the administrative proceeding from
10 which appeal is taken, and the scope of appeal is limited to matters contained in the
11 record of the administrative proceeding. If, as a result of an administrative proceeding
12 or a court appeal, the individual prevails, the \$50 appeal fee shall be returned to the
13 individual by the department.

14 **Sec. 43.45.061. Disposition of tax proceeds.** (a) The tax collected under
15 AS 43.45.021 shall be deposited into the general fund and accounted for separately.

16 (b) The legislature may appropriate the estimated amounts to be collected and
17 separately accounted for under (a) of this section for education.

18 (c) The deposit required and appropriation authorized by this section are not
19 intended to create a dedication in violation of art. IX, sec. 7, Constitution of the State
20 of Alaska.

21 * **Sec. 3.** AS 44.64.030(a) is amended to read:

22 (a) The office shall conduct all adjudicative administrative hearings required
23 under the following statutes or under regulations adopted to implement the statutes:

- 24 (1) AS 04.11.510(b)(1) and (c) (alcoholic beverages license);
25 (2) AS 05.15 (charitable gaming);
26 (3) AS 05.20 (recreational devices);
27 (4) AS 05.90.001 (special racing events);
28 (5) AS 06 (banks and financial institutions);
29 (6) AS 08 (occupational licensing), other than AS 08.08 and
30 AS 08.62.046;
31 (7) AS 10.06 (Alaska Corporations Code);

- 1 (8) AS 10.13 (Alaska BIDCO Act);
- 2 (9) AS 10.25.375 (Electric and Telephone Cooperative Act);
- 3 (10) AS 10.50.408 (limited liability companies);
- 4 (11) AS 14.11.016 (education-related facility grants);
- 5 (12) AS 14.18 (discrimination in public education);
- 6 (13) AS 14.48 (postsecondary educational institutions);
- 7 (14) AS 17.20 (Alaska Food, Drug, and Cosmetic Act), other than
- 8 AS 17.20.060 and 17.20.360;
- 9 (15) AS 18.18.030 (hospice licenses);
- 10 (16) AS 18.20 (hospitals and nursing facilities), other than
- 11 AS 18.20.180;
- 12 (17) AS 18.35.040 (tourist accommodations);
- 13 (18) AS 21.09, AS 21.22.190, AS 21.27, AS 21.34, AS 21.36,
- 14 AS 21.69, AS 21.86.200, AS 21.87, and AS 21.89 (insurance);
- 15 (19) AS 25.27 (child support services);
- 16 (20) AS 32.06 (Uniform Partnership Act);
- 17 (21) AS 34.45 (unclaimed property);
- 18 (22) AS 34.55.024 and 34.55.026 (Uniform Land Sales Practices Act);
- 19 (23) AS 36.30 (State Procurement Code), other than
- 20 AS 36.30.627(a)(2);
- 21 (24) AS 38.05.065 (contracts for sale of state land);
- 22 (25) AS 39.52 (Alaska Executive Branch Ethics Act);
- 23 (26) AS 43.23 (permanent fund dividends);
- 24 (27) AS 43.45 (regional educational attendance area tax);
- 25 (28) AS 43.70 (Alaska Business License Act);
- 26 (29) [(28)] AS 44.50 (notaries public);
- 27 (30) [(29)] AS 44.77 (claims against the state);
- 28 (31) [(30)] AS 45.30.040 (mobile homes);
- 29 (32) [(31)] AS 45.55 (Alaska Securities Act);
- 30 (33) [(32)] AS 45.57 (Takeover Bid Disclosure Act);
- 31 (34) [(33)] AS 47.33 (assisted living homes);

1 (35) [(34)] AS 47.35 (child care);

2 (36) [(35)] AS 47.45 (longevity bonuses).

3 * Sec. 4. Section 82, ch. 163, SLA 2004, is repealed and reenacted to read:

4 Sec. 82. AS 44.64.030(a) is amended to read:

5 (a) The office shall conduct all adjudicative administrative hearings required
6 under the following statutes or under regulations adopted to implement the statutes:

7 (1) AS 04.11.510(b)(1) and (c) (alcoholic beverages license);

8 (2) AS 05.15 (charitable gaming);

9 (3) AS 05.20 (recreational devices);

10 (4) AS 05.90.001 (special racing events);

11 (5) AS 06 (banks and financial institutions);

12 (6) AS 08 (occupational licensing), other than AS 08.08 and
13 AS 08.62.046;

14 (7) AS 10.06 (Alaska Corporations Code);

15 (8) AS 10.13 (Alaska BIDCO Act);

16 (9) AS 10.25.375 (Electric and Telephone Cooperative Act);

17 (10) AS 10.50.408 (limited liability companies);

18 (11) AS 14.11.016 (education-related facility grants);

19 (12) AS 14.18 (discrimination in public education);

20 (13) AS 14.48 (postsecondary educational institutions);

21 (14) AS 17.20 (Alaska Food, Drug, and Cosmetic Act), other than
22 AS 17.20.060 and 17.20.360;

23 (15) AS 18.18.030 (hospice licenses);

24 (16) AS 18.20 (hospitals and nursing facilities), other than
25 AS 18.20.180;

26 (17) AS 18.35.040 (tourist accommodations);

27 (18) AS 21.09, AS 21.22.190, AS 21.27, AS 21.34, AS 21.36,
28 AS 21.69, AS 21.86.200, AS 21.87, and AS 21.89 (insurance);

29 (19) AS 25.27 (child support services);

30 (20) AS 32.06 (Uniform Partnership Act);

31 (21) AS 34.45 (unclaimed property);

- 1 (22) AS 34.55.024 and 34.55.026 (Uniform Land Sales Practices Act);
2 (23) AS 36.30 (State Procurement Code), other than
3 AS 36.30.627(a)(2);
4 (24) AS 38.05.065 (contracts for sale of state land);
5 (25) AS 39.52 (Alaska Executive Branch Ethics Act);
6 (26) AS 43.23 (permanent fund dividends);
7 (27) AS 43.45 (regional educational attendance area tax);
8 (28) AS 43.70 (Alaska Business License Act);
9 (29) AS 44.50 (notaries public);
10 (30) AS 44.77 (claims against the state);
11 (31) AS 45.30.040 (mobile homes);
12 (32) AS 45.55 (Alaska Securities Act);
13 (33) AS 45.57 (Takeover Bid Disclosure Act);
14 (34) AS 46 (water, air, energy, and environmental conservation),
15 other than AS 46.03.820, 46.03.850, AS 46.39, and AS 46.40;
16 (35) AS 47.33 (assisted living homes);
17 (36) [(35)] AS 47.35 (child care);
18 (37) [(36)] AS 47.45 (longevity bonuses).

19 * Sec. 5. This Act takes effect January 1, 2006.

4/20/2005

During yesterday's hearing on SB 112, a motion was made to adopt a committee substitute as a working document. Co-Chair Green objected for an explanation.

Senator Bunde, during his explanation of the committee substitute, offered a motion to adopt an amendment to that committee substitute. Senator Hoffman objected to the adoption of that amendment for an explanation.

Co-Chair Green removed her objection to the adoption of the committee substitute, but made no announcement that the committee substitute was adopted.

Senator Hoffman requested an explanation of the committee substitute.

Discussion ensued about the committee substitute.

Co-Chair Green indicated the amendment would be addressed at the next hearing.

While I'm unsure that the motion to adopt an amendment to a committee substitute while a motion to adopt that committee substitute as a working document is on the table is out of order, the Committee's common practice is to adopt a committee substitute as a working document before offering amendments to that committee substitute.

I would recommend that Co-Chair Green make a statement to express the Committee's intent that the committee substitute was adopted at the previous hearing. Senator Bunde's motion to adopt the amendment could be restated for clarification.

OR

The motion to adopt the committee substitute be reoffered and formally adopted as a working document. (This would depend on whether the Chair wishes to acknowledge Senator Hoffman's request for an explanation of the committee substitute as a possible objection). The motion to adopt the amendment should then be reoffered as well.



Alaska State Legislature

Senator Con Bunde
Senate District P

Vice Chair: Senate Finance Committee
Chair: Senate Labor & Commerce Committee

Sponsor Statement

Senate Bill 112

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

Currently, residents who live in organized, home-rule and first class cities all contribute some amount of local revenue for the operations and capital projects of their schools. This local contribution is an important aspect of education funding, both by expressing a real desire to contribute to the quality of education for Alaskan students and by aiding in the ever-increasing cost of providing an adequate education.

SB 112 provides an equal opportunity to all residents of Alaska to support education. Currently, there are 19 Regional Education Attendance Areas (REAs) in Alaska that do not have local taxes to provide funding for local schools. SB 112 imposes an annual tax on residents living in REAs that have no local tax authority to help support their schools. The Alaska Department of Revenue estimates residents living in unorganized boroughs earned an income of \$505 million dollars in fiscal year 2004. This bill allows schools and Alaska's children to benefit from this earned income.

SB 112 provides that the annual tax will be calculated by using the average dollar amount residents of organized boroughs contribute to local schools. This number will be used as a base for the contribution of residents 21 years and older who live in REAs.

SB 112 advances the State of Alaska twofold. First, the proposed tax would generate nearly 13 million dollars in the first year alone that would directly benefit Alaska's schools. Secondly, it would bring Alaska more in line with the ideals that the Constitution of the State is founded on. Article 1, Section 1, reads, in part "...that all persons are equal and entitled to equal rights, opportunities, and protection under the law; and that all persons have corresponding obligations to the people and the State".

I urge your support and passage of SB 112.

Conceptual Outline
Education Head Tax on Individuals 21+ Years of Age Residing in the
Unorganized Borough Outside Home-Rule and First-Class Cities

Annual Determination of the Amount of the Tax.

Conceptually, it has been proposed that the amount of the education head tax would be determined annually by dividing the total local contributions required of borough school districts under AS 14.17.410(b)(2) by the total estimated population of individuals 21 years of age and older residing within organized boroughs.

Of course, the particular terms of the components of the tax formula would have to be carefully defined in the law. For example, the law might require the State Demographer to annually estimate the population of individuals 21 years of age and older residing within organized boroughs. That formal estimate might then be used in the calculation of the amount of tax to be levied annually.

Ballpark Estimate of the Amount of the Head Tax Based on Most Current Data Available.

For FY 2005, AS 14.17.410(b)(2) required a total of \$161,827,356 in local contributions from organized boroughs.

The Demographics Unit of the Alaska Department of Labor and Workforce Development, Research & Analysis, estimates that there were 574,377 individuals residing within the 16 organized boroughs in 2004. Further, the Demographics Unit also provided data that indicate, on average, approximately 66.0 percent of the population in those 16 organized boroughs was 21 years of age or older at the time of the 2000 census. Applying that percentage to the estimated 2004 population results in an estimate that 379,136 individuals 21 years of age and older resided within the 16 organized boroughs in 2004.

Using the foregoing figures, the FY 2005 local contributions in support of schools required of boroughs under AS 14.17.410(b)(2) was equivalent to \$426.83 for each of the estimated 379,136 individuals 21 years of age and older residing within the 16 organized boroughs in 2004.

Ballpark Estimate of the Amount of Revenue That Would be Generated by the Education Head Tax.

The aforementioned Demographics Unit estimates that 81,058 individuals resided within the unorganized borough in 2004. The Demographics Unit also provided data that indicate, on average, approximately 61.6 percent of the population in the unorganized borough was 21 years of age or older at the time of the 2000 census. Applying that percentage to the estimated 2004 population results in an estimate that 49,963 individuals 21 years of age and older resided within the unorganized borough in 2004.

There are 18 home-rule and first-class cities in the unorganized borough. Each of those cities is required to operate a city school district. Moreover, each city school district is subject to the same requirement as a borough school district for a local contribution under AS 14.17.410(b)(2). Thus, if the policy objectives of a head tax are strictly to (1) provide taxpayer equity statewide and (2) remove a major disincentive for borough incorporation among residents of the unorganized borough outside home-rule and first-class cities, then residents of those 18 home-rule and first-class cities should be exempt from the tax.

The Demographics Unit estimates that 28,510 individuals resided within the 18 home-rule and first-class cities in the unorganized borough in 2004. The Demographics Unit also provided data that indicate, on average, about 69.1 percent of the population within the 18 home-rule and first-class cities in the unorganized borough was 21 years of age or older at the time of the 2000 census. Applying that percentage to the estimated 2004 population, results in an estimate that 19,700 individuals 21 years of age and older resided within the 18 home-rule and first-class cities in the unorganized borough in 2004. If that figure is subtracted from the 49,963 individuals noted above, it is projected that 30,263 individuals 21 years of age and older resided within the unorganized borough outside of home-rule and first-class cities in 2004.

If each of those 30,263 individuals paid a head tax of \$426.83, it would generate \$12,917,156.

FY04 WAGES AND AVERAGE EMPLOYMENT (IN THE UNORGANIZED BOROUGH)

Categorized by REAA School Districts - Sorted Alphabetically

REAA	WAGES PAID & TYPE			AVE. MONTHLY EMPLOYMENT		
	GOVT	PRIVATE	TOTAL	GOVT	PRIVATE	TOTAL
AK GATEWAY	11,149,649	7,605,042	18,754,691	357	372	729
ALEUTIAN REGION	411,766	610,113	1,021,879	28	29	57
ANNETTE ISLAND	10,827,783	3,049,529	13,877,312	361	147	508
BERING STRAIT	23,127,869	8,175,351	31,303,220	1,178	508	1,686
CHATHAM ¹	3,777,492	3,212,375	6,989,867	133	132	265
CHUGACH	2,268,841	6,276,205	8,545,046	74	216	290
COPPER RIVER	11,719,424	26,730,801	38,450,225	339	762	1,101
DELTA-GREELEY	17,931,104	36,408,916	54,340,020	346	823	1,169
IDITAROD	7,108,491	2,581,482	9,689,973	263	125	388
KASHUNAMIUT ²	9,484,622	5,353,044	14,837,666	516	257	773
KUSPUK	6,247,799	4,843,116	11,090,915	257	170	427
LOWER KUSKOKWIM ³	38,532,460	56,915,181	95,447,641	1,457	1,806	3,263
LOWER YUKON ²	9,484,622	5,353,044	14,837,666	516	257	773
PRIBILOF ISLAND	5,711,875	3,379,367	9,091,242	173	100	273
SE REGION ⁴	4,580,996	7,294,999	11,875,995	164	282	446
SW REGION ⁵	14,046,279	23,881,544	37,927,823	467	747	1,214
YUKON FLATS	7,414,689	11,066,275	18,480,964	335	204	539
YUKON-KOYUKUK	4,933,709	4,327,555	9,261,264	240	118	358
YUPIIT ³	38,532,460	56,915,181	95,447,641	1,457	1,806	3,263
TOTALS:	\$ 227,291,930	\$ 273,979,120	\$ 501,271,050	8,661	8,861	17,522

1. Amounts reflect 1/3 of the Chatham/Hoonah/Pelican census sub-area

2. Amounts reflect 1/3 of the Lower Yukon/Kashunamiut/St. Mary's census sub-area

3. Amounts reflect 1/2 of the Lower Kuskokwim/Yupit census sub-area

4. Amounts reflect 1/3 of the Southeast Island/Craig City/Klawock City census sub-area

5. Amounts reflect 1/2 of the Southwest Region/Dillingham City School census sub-area

Selected 2000 Census Characteristics & 2004 Estimates for Boroughs/Census Areas

Organized Boroughs	April 1, 2000 Census				
	Total Population	Age 18+	% of Pop	Age 21+	% of Pop
Aleutians East	2,697	2,243	83.2	2,136	79.2
Anchorage	260,283	184,212	70.9	173,564	66.7
Bristol Bay	1,258	864	68.7	825	65.6
Denali	1,893	1,443	76.2	1,398	73.9
Fairbanks North Star	82,840	57,921	69.9	53,732	64.9
Haines	2,392	1,779	74.4	1,719	71.9
Juneau	30,711	22,294	72.6	21,153	68.9
Kenai Peninsula	49,691	34,832	70.1	33,091	66.6
Ketchikan Gateway	14,070	10,106	71.8	9,594	68.2
Kodiak Island	13,913	9,399	67.6	8,901	64.0
Lake & Peninsula	1,823	1,134	62.2	1,043	57.2
Mat-Su	59,322	40,212	67.8	37,938	64.0
North Slope	7,385	4,566	61.8	4,229	57.3
Northwest Arctic	7,208	4,218	58.5	3,881	53.8
Sitka	8,835	6,436	72.8	6,063	68.6
Yakutat	808	581	71.9	560	69.3

Unorganized Borough	April 1, 2000 Census				
	Total Population	Age 18+	% of Pop	Age 21+	% of Pop
Aleutians West	5465	4526	82.8	4374	80
Bethel	16006	9629	60.2	8909	55.7
Dillingham	4922	3045	61.9	2871	58.3
Nome	9196	5780	62.9	5405	58.8
Prince of Wales-Outer Ketchikan	6146	4243	69	4024	65.5
Skagway-Hoonah-Angoon	3436	2516	73.2	2397	69.8
Southeast Fairbanks	6174	4150	67.2	3925	63.6
Valdez-Cordova	10195	7176	70.4	6824	66.9
Wade Hampton	7028	3754	53.4	3416	48.6
Wrangell-Petersburg	6684	4699	70.3	4530	67.8
Yukon-Koyukuk	6551	4257	65	3972	60.6

Source: 2000 Census of Population & Housing, Demographic Profiles & Dept. of Labor & Workforce Development, Research & Analysis, Demographics Units

Selected 2000 Census Characteristics & 2004 Estimates for Home Rule & First Class Cities with less than

Home Rule & First Class Cities	April 1, 2000 Census				
	Total Population	Age 18+	% of Pop	Age 21+	% of Pop
Total					
Pelican	163	123	75.5	120	73.6

Tanana	308	201	65.3	185	60.1
Hydaburg	308	201	65.3	185	60.1
Skagway	862	685	79.5	671	77.8
St. Mary's	862	685	79.5	671	77.8
Klawock	854	597	69.9	562	65.8
Take	710	470	66.2	452	63.7
Hoonah	860	609	70.8	562	65.3
Nenana	402	291	72.4	279	69.4
Galena	675	422	62.5	392	58.1

Selected 2000 Census Characteristics & 2004 Estimates for Home Rule & First Class Cities with more th

Home Rule & First Class Cities	April 1, 2000 Census				
	Total Population	Age 18+	% of Pop	Age 21+	% of Pop
Craig	1,397	952	68.1	907	64.9
Wrangell	2,308	1,630	70.6	1,574	68.2
Unalaska	4,283	3,659	85.4	3,549	82.9
Cordova	2,454	1,768	72.0	1,677	68.3
Dillingham	2,466	1,612	65.4	1,538	62.4
Petersburg	3,224	2,263	70.2	2,177	67.5
Nome	3,505	2,387	68.1	2,268	64.7
Valdez	4,036	2,838	70.3	2,702	66.3

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DOLWD 2004
Population Estimate

2,629
277,498
1,096
1,842
84,979
2,245
30,966
50,980
13,030
13,466
1,603
70,148
7,104
7,306
8,805
680

574,377



DOLWD 2004
Population Estimate

5,239
16,853
4,845
9,403
5,548
3,101
6,192
9,959
7,394
6,247
6,277

81,055



Number of 250 Resident Students Enrolled
DOLWD 2004
Population Estimate

118



304
304
870
870
848
663
841
394
717
5,928



an 250 Resident Students Enrolled

DOLWD 2004
Population Estimate

1,127
2,023
4,366
2,298
2,422
3,123
3,473
3,749
22,588



Appendix B

Synopsis of *Matanuska-Susitna Borough School District v. State*, 931 P.2d 391 (Alaska 1997)

In 1997, the Alaska Supreme Court ruled on an appeal over whether the divergent funding scheme violated the equal-protection clause under Alaska's Constitution. *Matanuska-Susitna Borough School District v. State*, 931 P.2d 391 (Alaska 1997).

The ruling, written by Justice Compton, followed a number of prior cases by employing "a sliding scale approach to determine the level of scrutiny that is required in reviewing a challenged statute." *Id.*, 396. That approach involved three steps.

The initial step was to determine "what weight should be afforded the constitutional interest impaired by the challenged enactment." *Id.* The Court noted that this first step was "the most important variable in fixing the appropriate level of review." *Id.*

In undertaking that first step, the Court followed its 1985 ruling on the constitutionality of the State oil and gas corporation income tax in *Atlantic Richfield Co. v. State*, 705 P.2d 418, 437 (Alaska 1985), holding that "[t]he interest involved here, freedom from disparate taxation, lies at the low end of the continuum of interests protected by the equal protection clause."¹ *Matanuska-Susitna*, 398.

The second step in determining the level of scrutiny to be given by the Court was an examination "of the purposes served by a challenged statute." *Id.*, 396.

¹ This holding that "[t]he interest involved here, freedom from disparate taxation, lies at the low end of the continuum of interests protected by the equal protection clause." was from *Atlantic Richfield* in which the statement was followed by footnote 55. That footnote stated, "See *Regan v. Taxation with Representation of Washington*, 461 U.S. 540, 547, 103 S.Ct. 1997, 2002, 76 L.Ed.2d 129, 138 (1983). See generally P. Hartman, *supra* note 8, § 3.1, at 131-38."

In applying the second step in *Atlantic Richfield*, the Court addressed the purpose of the statute in terms of why oil companies were treated differently than other corporations with respect to taxation.

Regarding the statute's purpose, the oil companies claim that greed and other improper motives led the Alaska legislature to enact the Oil Tax. The state, however, has adequately established that a primary purpose of the Oil Tax was to rectify a perceived underestimation of oil production and pipeline transportation income that occurred with the application of an apportionment formula. The goal was to insure that the tax rate assessed to the oil companies on this income was commensurate with the rate applicable to the income of other corporations in the state. Ch. 110, § 1, SLA 1978. Taxing the oil companies differently to rectify a perceived inequity was the legislature's attempt to prevent disparate treatment; thus, the validity of this purpose in light of the companies' interest is established.

Atlantic Richfield, 437.

In terms of the second step undertaken with respect to the disparate taxation issue in *Matanuska-Susitna*, the Court held that:

Because the individual plaintiffs' interests affected lie "at the low end of the continuum," we need only examine whether the state's objectives were legitimate. . . . The stated purpose of the public school foundation program that provides for operating cost aid is "to assure an equitable level of educational opportunities for those in attendance in the public schools of the state." AS 14.17.220. This purpose easily meets the required standard of legitimacy.

Matanuska-Susitna, at 399.

The LBC perceives a critical distinction between the two cases in terms of the second step. In *Atlantic Richfield*, the Court clearly established that the purpose of the challenged statute had a direct bearing on the different tax treatment accorded oil companies as compared to other corporations. The Court noted that the "primary purpose" of the statute "was to rectify a perceived underestimation of oil production and pipeline transportation income." Moreover, the Court observed that the goal of the statute "was to insure that the tax rate assessed to the oil companies on this income was commensurate with the

rate applicable to the income of other corporations in the state." Indeed, the Court even stated that "[t]axing the oil companies differently to rectify a perceived inequity was the legislature's attempt to prevent disparate treatment."

However, the second step taken in *Matanuska-Susitna*, offers no explanation as to how the imposition of a tax burden on one group of Alaskans (i.e., citizens of boroughs and city school districts) but not on others (i.e., citizens of REAAs and FTREAs) serves the purpose of the statute (i.e., "to assure an equitable level of educational opportunities for those in attendance in the public schools of the state." ²). Instead, the Court simply declared that the statement of purpose covering the entire chapter in AS 14.17 "easily meets the required standard of legitimacy." Again, the stated purpose of AS 14.17 was "to assure an equitable level of educational opportunities for those in attendance in the public schools of the state." The LBC does not perceive how disparate treatment of Alaskans with respect to taxation promotes "an equitable level of educational opportunities."

It is particularly puzzling when juxtaposed with the *Regan* case cited in *Atlantic Richfield* (see n. 6 above) on which the Court relied in its analysis. In *Regan* the U.S. Supreme Court stated:

The broad discretion as to classification possessed by a legislature in the field of taxation has long been recognized.... The passage of time has only served to underscore the wisdom of that recognition of the large area of discretion which is needed by a legislature in formulating sound tax policies. Traditionally classification has been a device for fitting tax programs to local needs and usages in order to achieve an equitable distribution of the tax burden. It has, because of this, been pointed out that in taxation, even more than in other fields, legislatures possess the greatest freedom in classification. Since the members of a legislature necessarily enjoy a familiarity with local conditions which this Court cannot have, the

²It should be noted that in 1998, AS 14.17.010 - 14.17.250, including this "purpose" statement, were repealed. New provisions were enacted and are codified as AS 14.17.300 - 14.17.490. The statement of the legislative purpose of the new provisions is substantially similar to the one examined by the Court. The new statement is set out in sec. 1, ch. 83 Temporary and Special Acts.

presumption of constitutionality can be overcome only by the most explicit demonstration that a classification is a hostile and oppressive discrimination against particular persons and classes. The burden is on the one attacking the legislative arrangement to negate every conceivable basis which might support it." *Madden v. Kentucky*, 309 U.S. 83, 87-88, 60 S.Ct. 406, 407-408, 84 L.Ed. 590 (1940) (footnotes omitted).

Regan, at 547 (emphasis added).

It is certainly arguable that requiring a local contribution for education only by boroughs and home-rule and first-class cities in the unorganized borough and none by REAAs and FTREAs is a type of classification. Given the increasing burden that the "local contribution" requirement (i.e., tax) has placed on boroughs and cities that operate schools – more than \$800 million over the past five years alone – it is further arguable that it has become an oppressive discrimination that should be remedied.

In terms of the final step in *Matanuska-Susitna*, the Court again followed rulings in several previous cases. The Court stated:

Because the individual interests affected lie "at the low end of the sliding scale," we need only find a "fair and substantial relationship" between means and ends. . . .

. . . REAAs are constitutionally unable to tax. Alaska Const. Art. X, § 2. The State argues that "[t]he statutory treatment of municipal districts and REAAs is warranted based on the constitutional differences between these two entities." The individual plaintiffs argue that the State itself could tax REAAs for REAA school expenses, since "[t]he legislature . . . may exercise any power or function in an unorganized borough which the assembly may exercise in an organized borough." Alaska Const. Art. X, § 6. They argue that the availability of this option of directly taxing REAAs for REAA school purposes undermines the State's justification for the disparate treatment inherent in the means chosen.

The plaintiffs demand more of the State than equal protection requires, however.

Id., at 399.

The same conclusions regarding the *Regan* analysis applies equally here.

While the Court determined in *Matanuska-Susitna* that concerns over perceived inequities regarding taxation did not violate the equal-protection clause under Alaska's Constitution, concerns over the issue remain. As noted by Justices Matthews and Rabinowitz in their concurring statements in *Matanuska-Susitna*, the proper venue for resolution of the issue is the Alaska Legislature. Justices Matthews and Rabinowitz noted that "any available remedy must be pursued through majoritarian processes rather than through the courts." *Id.*, at 406.

It is noteworthy that no fewer than nine proposals were introduced in the Alaska Legislature over the past decade to address the issue of equity. For example Senate Bill No. 30 in the 20th Legislature included a finding that "the rights, opportunities, and obligations of borough residents are not equal to those of residents in the unorganized borough, particularly in respect to education, taxation, and land use regulation, and that this is not in keeping with art. I, sec. 1, of the Constitution of the State of Alaska, that states in part, ' . . . that all persons are equal and entitled to equal rights, opportunities, and protection under the law; and that all persons have corresponding obligations to the people and to the State.'" SB 30 provided for the levy of a six-mill property tax levy within each of several unorganized boroughs (excluding the territory within home-rule and first-class cities) established along the model boundaries identified by the LBC.³

While not addressed by the Court in *Matanuska-Susitna*, adding to the concerns over inequity is the fact that the overwhelming majority of those subject to the local contribution requirement live in districts that were incorporated by a 1963 legislative mandate to incorporate eight specific areas of Alaska. More than 95 percent of borough residents live in boroughs that were mandated to incorporate under the 1963 Mandatory Borough Act. The Legislature has made no similar enactment subsequent to 1963 to ensure that residents of other areas of the unorganized borough that possess the fiscal and administrative capacity to operate boroughs incorporate boroughs.

³Other bills addressing the issue of equity include HB 470 in the 23rd Legislature; HB 2, in the 22nd Legislature; SB 142, SB 146, SB 337, and HB 205 in the 20th Legislature; and SB 180 and HB 250 in the 19th Legislature.

troubled state of affairs regarding incorporation of boroughs is viewed by some as the product of deferring difficult decisions over challenging issues. If progress is going to be made in that regard, those challenging issues must be addressed.

Senator Sturgulewski remarked in that



regard to the LBC at its January 5, 2005, meeting that ". . . about the controversy, it's never easy, but you're also in a position as members of this constitutionally-

mandated commission to take the overview and to really identify those areas that need to be taken care of."

1. Tax the Unorganized Borough.

The previously cited Task Force of Governmental Roles established by the 1991 Legislature took the position that, "All citizens should bear a fair portion of the cost of basic health, education and public protection services." *Task Force Final Report*, p. 2. Moreover, the Final Report of the Task Force stated:

Task Force members stopped short of endorsing mandatory borough formation legislation but agreed that continued formation of additional borough governments should be a primary state policy goal.

Experience has shown establishment of boroughs to be primarily a function of the economic self-interest of residents. While local control is an incentive, it is generally outweighed by residents' aversion to paying local taxes for services (e.g., education in [regional educational attendance areas]) that are currently provided by the state at no cost.

The Task Force position is that the inequity in tax burden between residents of municipalities and residents of the unorganized borough is better addressed via state fiscal policies (taxes, shared revenue programs, education foundation funding and municipal grants) than by imposing areawide government on people who do not want it.

Id., at 15, emphasis added.

An example of such aversion is readily apparent in a bulletin furnished to LBC staff in 2004 and set out on page 117. It is noteworthy that the bulletin opposes borough formation but at the same time acknowledges that the economy of the area (Delta/Greely) is prosperous. A sound economy is one

"All citizens should bear a fair portion of the cost of basic health, education and public protection services."

1991 Task Force on Governmental Roles

of the key reasons supporting borough formation. This issue is well-covered in *Borough Government in Alaska*:

It was decided that, although voluntary incorporation would be preferable, organized boroughs could be created without the approval of the people within the area. The rationale behind this position of unilateral state actions was that the borough:

... is more than just a unit of local government. It is also a unit for carrying out what otherwise got carried out as state functions; and **when a certain area reaches a position where it can support certain services and act in its own behalf, it should take on the burden of its own government.**

Id., at 61, emphasis added, footnotes omitted.

A 1984 study by the University of Alaska concluded that the prospect of taxes was one of the foremost disincentives to borough formation. See *Alaska's Urban and Rural Governments*, p. 43.

The State could eliminate that fundamental deterrent to borough formation by imposing an appropriate tax burden on the unorganized borough. Four options are explored below.

(a) Property Taxes.

Among the various tax options, the LBC anticipates that residents of the unorganized borough might least prefer property taxes, because all residents would not uniformly share the burden of such. That concern, however, exists with respect to property taxes levied by any municipal government in Alaska. (See AS 29.45.030 for mandatory exemptions from municipal property taxes.) Thus, the anticipated concern is not unique to the unorganized borough.

Notwithstanding its anticipated unpopularity, imposition of a property tax on the unorganized borough would aid the Legislature and executive branch in planning. (See AS 14.17.510(a)). Moreover, establishment of property tax rolls for the unorganized borough would facilitate transition of areas to



**WILL YOU SURRENDER YOUR FREEDOM?
or STAND FAST in your LIBERTY?**
*Is there freedom in a society where one is
held hostage by PROPERTY TAX?*

Anyone could have hardship and loose their property. It could be you!
Mandatory boroughs result in property taxation which makes you a permanent renter.

Откажитесь ли Вы от Вашей Свободы? Или Постоите за Свою Свободу?
Есть ли свобода в обществе где каждый является заложником таксы на землю?
Любого могут постичь финансовые проблемы и потерять свою землю. Это может случится с Тобой!
Большенство областей (boroughs) пожимают земляную таксу и делают Тебя вечным квартирантом

HISTORY SPEAKS FOR ITSELF.
Government always grows and reaches deeper into your pockets. Do not believe otherwise. Have you ever seen property taxes decrease? A resource tax could hinder business growth. You now have a prosperous economy without oppressive government interference. Keep it!

DID YOU KNOW THE ALASKA CONSTITUTION PROVIDES FOR THE UNORGANIZED BOROUGH TO CONTINUE INDEFINITELY?

Any mandatory borough legislation would be ruled as unconstitutional. This is the opinion shared by many great Alaskans including one of the writers of the Constitution, former Lt. Governor, Jack Coghlan. He said "nobody, not the Legislature, not the Governor, not the Local Boundary Commission... nobody can force local government on people without their consent. It's all in our Constitution, Article X, Sec. 2, Source of Government."

Will you abandon apathy and join the effort to educate Delta and strengthen the statewide WOLF PAC (Watching Over the Last Frontier Preserving Alaska's Constitution) movement? For more information call 895-4647, 895-5076 or 895-5011. www.watchingoverthelastfrontier.org

2004 WOLF PAC bulletin opposing borough formation

organized status, since local contributions required of boroughs under AS 14.17.410(b)(2) are based on the taxable value of property.

Given the general lack of property tax rolls for the unorganized borough, the LBC recognizes that an *ad valorem* property tax on the unorganized bor-

ough would require an inaugural investment.⁵¹ To pay the cost of establishing the tax, the State could use what would be a relatively small portion of its windfall from recent higher oil prices. Any cost could be recovered through future tax levies on the unorganized borough.

The LBC notes that a property tax on territory, including that which today is the entire unorganized borough, has a precedent. The Territory of Alaska established a territory-wide property tax fifty-six years ago. As noted below, that tax was specifically intended to address the very issue of tax inequity:

⁵¹The office of the State Assessor, currently staffed by two individuals, has spent considerable time since August 2004 estimating the value of taxable property in the Upper Tanana Basin portion of the unorganized borough (Delta Greely REAA and Alaska Gateway REAA). The effort is designed to give local residents (including those developing a petition for borough incorporation) and State policy makers an up-to-date estimate of the region's tax base. The project does not, however, involve the development of formal tax rolls. The State Assessor projects that the field work will be completed by the end of January 2005 and that the property value estimates will be prepared by mid-February. To undertake similar efforts throughout the remainder of the unorganized borough would require additional resources for the office of the State Assessor.



The 1949 Territorial Legislature eliminated inequities in taxes for schools through a Territory-wide property tax.

Under Territorial law, those who lived in a city or school district were required in all instances to provide a substantial portion of the cost of education. . . .

The Territorial Legislature of 1949, which was controlled by the Democratic Party and operated under the influence of a strong Democratic governor, Ernest Gruening (now United States Senator), made an initial attempt to provide some relief from these inequities by enacting a Territory-wide general property tax. The proceeds were refunded to the local entity if collected in an incorporated city, school district, or public utility district. If the area was not incorporated, the proceeds went into the treasury of the Territory. The merits of a property tax are not germane to this chapter. What is pertinent

is that the measure was an attempt to equalize the tax burden by requiring those in the unincorporated areas to contribute something to the cost of the services received. This reform, however, was short-lived.

The matter of a Territorial tax became a partisan political issue. The election of a Republican President of the United States and the appointment of a Republican governor for the Territory of Alaska resulted in the repeal of the property tax act by the 1953 Republican-controlled Territorial Legislature. There were substantial mining and fishing interests which were greatly opposed to the tax; as were the homesteaders, trappers, Indians, and Eskimos. This combination firmly re-established the tax inequity

favoring those who were getting free services from the Territory by refusing and failing to incorporate. It appeared that to equalize taxes in Alaska one would need – and perhaps must create – a vested interest to protect the tax reform and combat the interests which benefited financially from the inequity.

Metropolitan Experiment, pp. 87 - 88.

State Legislators have introduced a number of proposals to impose property taxes on the unorganized borough in the past. None, however, has passed. A recent example of such a proposal is House Bill No. 2 introduced in the 22nd Legislature, which proposed a 10-mill property tax on the unorganized borough outside home-rule and first-class cities.

The provision in House Bill No. 2 exempting home-rule and first-class cities in the unorganized borough presumably stemmed from the fact that those cities have most of the same duties as organized boroughs (education, platting, planning, and land use regulation). While justified if the policy debate is limited strictly to the issue of equity, such an exemption eliminates the incentive for residents of those cities to become part of a borough government.



House Bill No. 2, 22nd
Legislature

If the Legislature considers a property tax levy on the unorganized borough in the future, the LBC urges prudent consideration of alternatives to an across-the-board exemption for home-rule and first-class cities in the unorganized borough. If inclined to recognize the local responsibilities of home-rule and first-class cities in the unorganized borough but retain some degree of incentive, the Legislature could provide for a *partial* rebate of taxes to home-rule and first-class cities. Given the public policy set long ago by the Legislature in AS 14.12.025 to promote new school districts with at least 250 students, the Legislature might consider limiting any partial rebate to just those home-rule or first-class cities with at least 250 resident students.⁵²

⁵²Ten of the eighteen home-rule and first-class cities in the unorganized borough have fewer than 250 resident students.

local revenue source. Imposition of a State sales tax would jeopardize local economics and cause a reduction in municipal sales tax.

Alaska Municipal League, *2005 Policy Statement*, Part I-A-1-e.

The Alaska Municipal League might oppose a sales tax on the unorganized borough as well. The LBC notes, however, that such a tax would be the equivalent of a sales tax imposed by a borough assembly, since it would be enacted by the Legislature under its authority to act as the assembly of the unorganized borough.

The preceding comments by the LBC regarding the prospect of exempting home-rule and first-class cities in the unorganized borough from a property tax apply here as well. In the Commission's view, there is yet another significant reason for not exempting home-rule and first-class cities from a sales tax on the unorganized borough. Unorganized borough residents who live in areas adjoining home-rule and first-class cities in the unorganized borough, but shop in those cities, would effectively receive the exemption. For example, an estimated 162 individuals reside in the unincorporated area adjoining the boundaries of the home-rule City of Petersburg. See: *Petition for Annexation to the City of Petersburg*, October 2004, p. 8.

(c) Employment Tax.

As is the case with property taxes, legislators have previously introduced measures to levy employment taxes on the unorganized borough. For example, Senate Bill No. 146, introduced in the 20th Legislature, proposed to levy an employment tax upon each employee who receives compensation for services performed in the unorganized borough outside of a home-rule or first-class city. Earnings from business activities of self-employed individuals conducted in the unorganized borough outside of a home-rule or first-class city would also have been subject to the tax.

The Commission's views regarding the prospect of exempting home-rule and first-class cities in the unorganized borough from a property tax or sales tax apply here as well. Residents of the unorganized borough who live in unincorporated areas adjoining home-rule and first-class cities in the unorganized borough but are employed in those cities would have, effectively, received the exemption. As noted above, for example, an estimated 162 individuals reside in the unincorporated area adjoining the boundaries of the home-rule City of Petersburg.

A head tax on the unorganized borough is equivalent to the school tax paid by residents of organized boroughs would generate between \$15 million and \$23 million annually, depending on policy decisions regarding applicability of the tax.

(d) Head Tax.

Imposition of a uniform tax on residents of the unorganized borough is another option. One of the obvious advantages of such a tax is its simplicity.

As was previously discussed with regard to other prospective taxes on the unorganized borough, a policy determination would be necessary to decide who would be subject to the tax. If the purpose of the tax were limited to equity and fiscal considerations, the tax might apply only to those residents of the unorganized borough outside of home-rule and first-class cities. If, in addition to equity and fiscal considerations, the tax policy were aimed at promoting consolidation of small school districts (those with fewer than 250 resident students per AS 14.12.025), the tax might also apply to residents of the ten home-rule and first-class cities that serve fewer than 250 resident students. If the tax

policy were also intended to promote borough incorporation, the tax might apply to all residents of the unorganized borough.

In FY 2005, organized boroughs were compelled by AS 14.17.410(b)(2)

to pay \$161,827,356 in "local contributions" for schools. That is equivalent to \$285.24 for each of the 567,343 residents of organized boroughs. An equivalent tax on each of the 52,618 individuals residing in the unorganized borough outside of home-rule and first-class cities would generate \$15,008,758. If the 5,869 residents of city school districts with fewer than 250 resident students were also subject to the tax, it would increase the annual revenue by \$1,674,074. If the tax were applied to all residents of the unorganized borough, it would generate an additional \$6,557,097. Thus, a head tax on the unorganized borough that is equivalent to the school tax paid by residents of organized boroughs would generate between \$15 million and \$23 million annually, depending on policy decisions regarding applicability of the tax.

(b) Motor vehicles subject to the motor vehicle registration tax under AS 28.10.431 shall be treated as taxable property under this section.

3. Concerns Over the Required Local Contribution Provision.

Concerns have long been expressed by some that the "required local contribution" (i.e., the "State tax" selectively levied on organized boroughs and cities that operate school districts) is problematic in two fundamental respects. The first is that it is inequitable - perhaps even unconstitutional. The second is that it amounts to a breach of promise on the part of the State of Alaska.

(a) Concerns Over Inequity.

The concerns over inequity stem from the fact that the provision for the required local contribution applies only to a particular class of Alaskans (i.e., residents of boroughs and residents of home-rule and first-class cities in the unorganized borough) and that no rational basis exists (e.g., fiscal capacity to support schools) to distinguish that class from the remainder of Alaskans (i.e., residents of REAAs and FTREAAs).

In 1997, the Alaska Supreme Court ruled on an appeal over whether the divergent funding scheme violated the equal-protection clause under Alaska's Constitution. *Matanuska-Susitna Borough School District v. State*, 931 P.2d 391 (Alaska 1997). In large part because the Court held that "freedom from disparate taxation, lies at the low end of the continuum of interests protected by the equal protection clause," the Court concluded that there was no violation of the equal protection clause. A synopsis of the *Matanuska-Susitna* case is provided in this report as Appendix B. Readers are encouraged to review the synopsis when considering the issue of equity.

The Court ruling has certainly not curtailed concerns over the issue. The conclusion by the 1991 Task Force on Governmental Roles that such inequity "is a perennial area of conflict in Alaska politics" is as true today as it was then.

In their concurring statements in *Matanuska-Susitna*, Justices Matthews and Rabinowitz indicated that the proper venue for resolution of the issue is the Alaska Legislature. Justices Matthews and Rabinowitz noted that "any available remedy must be pursued through majoritarian processes rather than through the courts." *Id.*, at 406.

It is noteworthy that no fewer than nine proposals were introduced in the Alaska Legislature over the past decade to address the issue of equity. For example, Senate Bill No. 30 in the 20th Legislature included a finding that:

[T]he rights, opportunities, and obligations of borough residents are not equal to those of residents in the unorganized borough, particularly in respect to education, taxation, and land use regulation, and that this is not in keeping with art. I, sec. 1, of the Constitution of the State of Alaska, that states in part, ' . . . that all persons are equal and entitled to equal rights, opportunities, and protection under the law; and that all persons have corresponding obligations to the people and to the State'.

SB 30 provided for the levy of a six-mill property tax levy within each of several unorganized boroughs (excluding the territory within home-rule and first-class cities) established along the model borough boundaries identified by the LBC.⁶⁹



Members of the 1963 Legislature.

While not addressed by the Court in *Matanuska-Susitna*, adding to the concerns over inequity is the fact that the overwhelming majority of those subject to the local contribution requirement live in districts that were incorporated by the 1963 legislative mandate to incorporate eight specific areas of Alaska. More than 95 percent of borough residents live in boroughs that were mandated to incorporate under the 1963 Mandatory Borough Act. The Legislature has made no similar enactment subsequent to 1963 to ensure that residents of other areas of the unorganized borough that possess the fiscal and administrative capacity to operate boroughs incorporate boroughs.

⁶⁹Other bills addressing the issue of equity include HB 470 in the 23rd Legislature; HB 2, in the 22nd Legislature; SB 142, SB 146, SB 337, and HB 205 in the 20th Legislature; and SB 280 and HB 250 in the 19th Legislature.

Fairbanks Daily News-Miner

Wilken backs down from borough formation to support head tax

By DANIEL RICE

Friday, March 18, 2005 - News-Miner Juneau Bureau

JUNEAU--State Sen. Gary Wilken, the Legislature's most vocal advocate for mandatory borough formation in recent years, said he is backing off on those efforts for now and instead lending his support to a colleague's proposal to charge residents in unorganized areas a head tax.

Wilken, R-Fairbanks, said Thursday that he has no immediate plans for introducing another proposal to force areas into forming new borough governments, an idea he has pushed in the past with the argument that unorganized areas should form a government structure that allows them to contribute money to their schools.

Instead, Wilken said he is backing a bill by Sen. Con Bunde, R-Anchorage, to charge a head tax on all residents 21 or older who don't live in a borough.

A head tax could accomplish the same goal of providing residents in unorganized areas with a mechanism of contributing money to education, said Wilken, who has signed on as a co-sponsor to Bunde's bill.

"I've heard all along that, 'We want to pay for our education, we just don't want any new government,'" Wilken said of arguments from residents in unorganized areas. "This is a way to do that."

Bunde's proposal, Senate Bill 112, has so far been well received in places like Tok and Delta Junction, where most of the residents who testified on the bill have said that they would rather pay a head tax than be forced into a new borough.

But on Wednesday, members of the Senate Community and Regional Affairs Committee questioned Bunde on whether his head tax proposal offers any guarantees against forced borough incorporation.

"It sounded like they wanted us to make them a deal," said Senate Minority Leader Johnny Ellis, D-Anchorage.

Bunde responded that his bill does not provide that deal. There's no guarantee that a head tax will eliminate borough formation efforts, he said, though the tax will play a factor in the debate.

"This might be a factor of discussion, but I don't think it's the final discussion," Bunde said.

Despite Ellis' objection, the Senate Community and Regional Affairs Committee approved Bunde's measure Wednesday. However, the committee was only the first panel in the Legislature to hear the idea. To clear the Legislature, the bill would still have to pass at least two other Senate committees, the full Senate, plus committees in the House of Representatives and the full House.

Wilken predicted that Bunde's bill has a good chance of passing the Senate, but could be a tougher sell in the House.

The proposal calls for all residents 21 or older in an unorganized area to pay the tax, regardless of whether they have a job. The amount of the tax would be calculated based on the average amount that residents of organized boroughs contribute to schools.

That would currently amount to an annual tax of about \$400 for every person required to pay. Bunde estimates that the measure would bring in about \$15 million for the state. Residents who have a job would see the tax deducted from the paycheck, while others would be required to pay the money directly to the state.

While the Legislature can't dedicate the money to education in law, it can put a "moral fence" around the new funding to ensure that it reaches schools, Bunde said.

He said any additional funding collected should be an addition to, rather than a replacement for, the amount of state funding that now goes to education.

Both Wilken and Bunde said that providing a mechanism for unorganized areas to contribute money to schools makes sense both from a fiscal and a social standpoint.

People who pay for a service tend to take more ownership interest in it, Bunde said.

Although he supports Bunde's proposal, Wilken said he still considers a borough a good governmental structure that gives local citizens more control over their community.

A head tax "doesn't satisfy the commitment that the best government is local government," Wilken said. "But that's a project for another day."

Alaska's unorganized areas are currently grouped together in state law as one "unorganized borough," with the Legislature considered its assembly.

Within the unorganized borough, there are 19 regional educational attendance areas that serve as boundaries for school services.

Last session, Wilken crafted a bill that would have forced the creation of up to four new boroughs. His proposal passed the Senate 11-9 but failed to gain traction in the House.

He said he considers Bunde's bill a sort of compromise to mandatory boroughs.

"Probably half a loaf is better than none," Wilken said.

Reporter Daniel Rice can be reached at drice@newsminer.com or (907)463-4893.



HAINES BOROUGH SCHOOLS

P.O. Box 1289

Haines, Alaska 99827-1289

To: Senators Bunde and Wilken ✓
Fr: *WJW* Woody Wilson, HBSD Superintendent
Date: March 23, 2005
Re: Support for SB 112 Taxes in The REAAs
C: HBSD School Board

My board has not specifically discussed this bill so I cannot speak for them. As a school administrator, however, I feel most people agree that it is fair to expect every adult citizen to support education in our state.

The passage of your bill would set aside the debate about REAAs paying their fair share. I believe if your legislation passed the result would be favorable for all students in Alaska. It would generate additional revenue and legislators would be much more inclined to support additional education funding.

Thank you for your work in this area.

Suzanne Mullen

From: Vern Aiton [vern@wildak.net]
Sent: Thursday, March 10, 2005 2:09 PM
To: Sen. Con Bunde
Subject: Head Tax Proposal

Please see the attached Head Tax Proposal.

Thank You

Vern Aiton
Delta Junction

3/10/2005

Vern Aiton
PO Box 902
Delta Jct., AK 99737
907-895-5166
vern@wildak.net

Senator Con Bunde
716 W 4th
Anchorage, AK 99501

Dear Sir,

Re; HEAD TAX

I agree with the proposal for a head tax for the unorganized borough areas of Alaska but would like to suggest a means of collection and administration.

The Alaska Legislature could provide a means for elected entities of Unorganized Boroughs to receive a portion of each Permanent Fund Dividend destined for that elected entity's area. In my area, the City of Delta, Delta School District, Delta Library, Deltana Fire Department etc. have elected boards that should receive funding from each PFD for that service area. Local citizens would work with the local boards to determine the revenues needed and the state PFD office would withhold that amount from each PFD for that board's service area.

The advantages of this revenue collection method are numerous;

- A. The administrative cost is minimal.
- B. The legislature would not be viewed as robbing the permanent fund as affected citizens would deal directly with local elected boards.
- C. All citizens would be treated equally as they give-up a portion of their [windfall] PFD.
- D. Loopholes would be very minimal compared to all other tax methods. No exceptions for age, religion or income.
- E. Citizens would be encouraged to participate in local politics in order to minimize PFD withholding.

Regards

Vern Aiton



SB 112 REC'D
MAR 11 2005

IDITAROD AREA SCHOOL DISTRICT

P.O. BOX 90
McGRATH, ALASKA 99627
Making Trails to Knowledge

(907) 524-3033

FAX (907) 524-3217

March 10, 2005

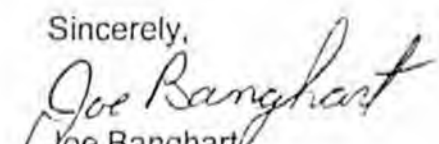
Senator Albert Kookesh
State Capitol, Room 7
Juneau, AK 99801

Dear Senator Kookesh,

I am enclosing a copy of SB 211 testimony from March 9. I want to thank you for the opportunity to hear of the difficulties as well as the successes within our district. My ideas are outlined within the testimony so if you have any questions, please contact me at 907-524-3033, ex. 221 or e-mail jbanghart@iditarodsd.org.

Together we can make a difference for the future of education in each of our children's lives.

Sincerely,


Joe Banghart
Superintendent

Public Testimony
Senate Bill No. 112
March 9, 2005

For the record, my name is Joe Banghart, Superintendent of the Iditarod Area School District with headquarters in McGrath, Alaska. I come to you today as a superintendent and as a concerned Alaskan. My job, as you know, is to run the school district, which involves tending to important details like trying to balance the books, but also and more importantly, helping to ensure that Alaska's children are well educated and prepared to graduate and meet the challenges that meet them in the world outside our small school district. The Iditarod Area School District is not located on the road system and does not receive any local funds to operate our schools. We are currently projecting at least a \$605,000 deficit for Fiscal Year 2006.

I realize the pressure you must face in trying to provide adequate finances for our state. Current proposals to increase the BSA to \$4,919 will not meet our needs. I share this in realization that we must have a source of new money to adequately meet the needs of our children. A flat tax on all citizens in the REAA is only one of many ideas that could help the children but I question if it is legal to tax one special group only. I would recommend you consider a graduate scale based on income of each person. As an example for all individuals, a flat rate of \$50.00 for a person who makes under \$15,000 and then a graduate scale for those above this figure. Another possibility could be a statewide income tax for everyone. Any tax consideration must include any temporary labor being those that would come into the state and work short term.

Our district receives over \$600,000 a year in lieu of taxes in impact aide. We actually only end up with about \$70,000. Would any tax proposal influence these funds? A population shift is happening across the state and many of our rural residents are moving to Fairbanks or Anchorage for higher paying jobs. Would taking money from the already limited salary range of the remaining employees add to this problem? What agency will collect these taxes and will it become another unfunded mandate for the schools?

If an agreement is made on some form of tax revenue how will the money be spent? Can you produce a projected expense chart of how this money would be applied towards educating our children? Such an effort would provide some degree of proof that these revenues would go directly to our children and not off in some other direction. With TRS/PERS costing our district an extra \$125,000, staff step increases being over \$50,000, and operating expenses jumping over 100% at various sites, cost of fuel, and lower enrollments, what is currently taking place in Juneau with the BSA is only a small effort to help the children.

An illustration to close my appeal and concern is "Our school district has a serious cut that requires 50 stitches to close or our system will bleed to death. Current offers in Juneau only provide 5 to 10 of those stitches. The blood is flowing and soon we will bleed to death." Again I agree we need some form of extra revenue to help provide funds. You can make other changes before a tax is levied that could include:

1. Increase the BSA over 5100 and remove the floor from the Foundation Formula returning money to over 13 school districts.
2. Move the maintenance function from non-instructional to help all districts reflect an actual picture of money spent in and for the classroom. This will allow everyone to meet the 70/30 rule and save you time from approving waivers every year.
3. Place schools and clinics under the Power Cost Equalization Plan.
4. Only tax every citizen in the state after all other avenues have been explored.
5. Keep PERS/TRS under the Foundation Formula.
6. Federal money is being cut for vocational programs and we receive no support from the state. What can be done to help meet these needs for the children?

I would like the opportunity to discuss these needs with you. Contact me at 1-907-524-3033 ext. 221 or send request to jbanghart@iditarodsd.org. It is vital we work together and help our children receive the educational opportunities they deserve.



IDITAROD AREA SCHOOL DISTRICT

P.O. BOX 90

McGRATH, ALASKA 99627

Making Trails to Knowledge

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March 10, 2005

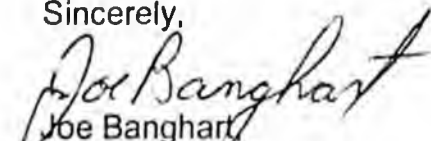
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DOT LAKE VILLAGE COUNCIL
BOX 2279
DOT LAKE, AK 99737
phone (907) 882-2693

Reply to
attn. of: William Miller
Subject: SB 112
To: SCRA COMMITTEE

03/08/05
~~03/09/05~~

MY NAME IS WILLIAM MILLER, I AM PRESIDENT OF DOT LAKE VILLAGE COUNCIL, THE LEGAL GOVERNING BODY FOR THE NATIVE VILLAGE OF DOT LAKE. I ALSO SERVE ON THE ALASKA GATEWAY SCHOOL DISTRICT (REAA).

RECOMMENDATIONS FOR CHANGES TO SB 112:

1. PAGE 1, LINE 6 & 7: DELETE "RESIDING" AND INSERT "EMPLOYED"
2. PAGE 1, LINE 8: AFTER "TAX" INSERT " NOT TO EXCEED 1% OF INDIVIDUALS GROSS INCOME".
3. PAGE 1, LINE 9 THRU 11: PLACE A PERIOD AFTER "SECTION" AND DELETE REMAINDER OF THE SECTION.
4. PAGE 2, LINE 6: AFTER THE WORD "DEPARTMENT", ADD "ALL TAXES WITHHELD EACH QUARTER" (THESE TAXES COULD BE SUBMITTED ALONG WITH EMPLOYER'S UNEMPLOYMENT CONTRIBUTIONS)
5. PAGE 2, LINE 6 THRU 8: AFTER THE WORD DEPARTMENT, DELETE REST OF SENTENCE.

QUESTIONS

1. THE BILL DOES NOT ADDRESS INDIVIDUALS THAT ARE DISABLED, UNEMPLOYED, ON SOCIAL SECURITY, RETIRED, ETC.
2. I FEEL THAT THIS TYPE TAX SHOULD BE BASED ON A PERCENTAGE OF INCOME AND WITHHELD FROM EACH PAYCHECK. THIS WOULD BE LESS OF A BURDEN ON THE INDIVIDUAL.
3. TAX COULD BE SUBMITTED QUARTERLY TO THE STATE ALONG WITH EMPLOYER'S UNEMPLOYMENT CONTRIBUTIONS, ON A FORM PROVIDED BY THE STATE.
4. SELF-EMPLOYED INDIVIDUALS COULD ESTIMATE THEIR GROSS INCOME AND MAKE ADJUSTMENTS AT THE END OF THE YEAR.
5. BILL DOES NOT ALLOW FOR SCHOOLS AND CHILDREN TO BENEFIT, BECAUSE THE TAXES ARE NOT DEDICATED FOR SCHOOL USE.
6. AS NOTED ON THE "FACT SHEET" BASED ON 505 MILLION INCOME 13 MILLION COULD BE COLLECTED IN TAX. THIS WOULD BE 2.5% OF THE EARNED INCOME.

7. I FEEL THAT IF WE ARE TO PAY A TAX, WE SHOULD BE ON EQUAL FOOTING WITH ANCHORAGE, FAIRBANKS AND OTHER AREAS, AND BE ABLE TO RAISE FUNDS FOR SCHOOL REPAIRS AND PAY A PERCENTAGE OF THE REQUIRED COST AND HAVE THE STATE PAY THE REST. SOMETHING LIKE THE 30 - 70 OR 20 - 80 SPLIT.

Suzanne Mullen

From: David Fair [dfair@intidea.org]
Sent: Tuesday, March 15, 2005 5:38 PM
To: Sen. Con Bunde
Subject: Head Tax - thumbs up

Hi there,

I was in the bush for 5 years and saw lots of new quad cab pick-ups purchased during that time by people whose tax returns probably showed almost no income.

I applaud the effort to get some financial input from the people who are requesting constant benefits, especially more and more money for schools.

David Fair
Technology Coordinator
IDEA International
907-562-4332

PO Box 19222
Thorne Bay, AK 99919
March 9, 2005

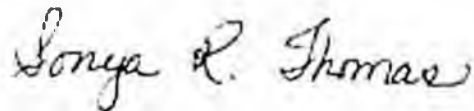
Dear Senators Bunde, Wilken, and Wagoner,

I have read your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA. I am writing in opposition to your efforts. Let me briefly explain why:

- 1) The cost of living in an REAA is already the highest in the state due to availability of services, housing costs, travel and insurance. Before you invite me to move to an "urban area" let me remind you that it is the REAAs that make Alaska what it is. Eighty three percent of all revenue in the state is generated at an REAA site;
- 2) From a school district's perspective, such a tax will drive away teachers (that are already recruited heavily elsewhere). This will jeopardize educational opportunities for our children. Unless driving away teachers and forcing us to close schools is your motive, please reconsider;
- 3) Teacher salaries in an REAA (ours is Southeast Island School District) and are listed as the lowest in the state already. An additional tax will simply move us further away from any goal of keeping with the challenges surrounding the cost of living;
- 4) Teacher retention in the state of Alaska is a critical issue. Additional tax burdens will guarantee to drive many away from their districts, leaving gaping holes in any efforts to meet many government mandates (such as NCLB)
- 5) In our district, we have a 50 to 90 percent poverty rate. If this bill passed, we would be picking the pockets of the poor.

Please consider another source of income. Reduce the tax breaks for the oil companies! Anticipated loss of teachers due to another financial challenge will jeopardize our children's educational needs.

Sincerely,



Sonya R. Thomas
Elementary Teacher
Southeast Island School District

SB 112

SB 112, an act imposing a tax on residents of regional educational attendance areas has the effect of imposing a property tax on residents equal to the contribution of 4 mills levied in organized boroughs without heed to economic factors.

The historic concept of school tax is to provide for those that cannot afford education, this bill on the other hand is blind to economic factors and to many will have the reverse effect of sustaining more affluent students and families.

Using an average of organized borough contributions and imposing that same rate on rural residents at the rate of roughly \$426 dollars a year translates into taxation of those adult residents at the same rate as if each personally owned property assessed and valued at just over \$106,500, add a spouse or another adult resident this figure doubles or goes up accordingly to the number of adults living in a household.

Considering that by US Census figures, also used by the state, an area such as the Southeast Fairbanks census district, the average value of homes is \$86,000, Tok for example averages \$76,100 while Dot Lake and Dot Lake Village are \$37,500 and \$21,300 accordingly. Figures erroneously included in the Upper Tanana Model Borough show this area to have a median home value of roughly \$144,000 which corresponds to the statewide average, not an average of this area.

Not only are people with lower incomes and assets penalized in this plan, but one other very important situation has been ignored. This bill violates AS 29.45.030 property tax exemption granted to seniors and disabled veterans as it cannot be ignored that this bill has the same effect of a property tax, and relies upon property tax data to levy the amount of the tax:

Terry A. Fauth
Mile 1317.5 Alaska Highway
Tok, AK 99780



March 4, 2005

Senator Con Bunde
Alaska State Legislature
Alaska State Senate
State Capital
Juneau, Alaska 99801-1182

RE; Senate Bill 112

Dear Senator Bunde:

I am writing to comment on Senate Bill 112, which you sponsored. After reviewing the context of the proposed bill, I would like to let you know that I oppose this bill. First, I would like to explain that the State Legislature tried numerous times to enact a state tax. Nobody wanted a state tax and the answer was clear. However, it seems that every time the State Legislature is in session, they are doing everything to enact some type of a tax. I don't have the slightest idea, how enacting a tax of some sort compares with the State Constitution.

I understand the provisions of the State Constitution. In my synopsis of the bill, I could not see how it would put the rural areas in line with the constitution. I understand the paragraph, which you quoted as to say that all citizens who are residents of the state of Alaska are entitled to equal rights, opportunities and protection. This provision should speak for itself. Even under the US Bill of Rights, as United States citizens, we are also guaranteed these inalienable rights.

Let me elaborate more on what I am saying. I believe that every town, village or settlements in Alaska have the same rights guaranteed under different charters and bylaws. All these cities within the State of Alaska were all first class cities at one time. I also believe that the residents of these cities voted for the form of government that best meet their needs. That is why we have boroughs. For the bigger cities, I see no problem of them becoming whatever form of government they choose.

Afterall, the bigger cities have more people, developments, businesses and other infrastructures. They can impose taxes for the services they get. If these cities didn't want this form of government, they would have voted against it. The tax base in the rural areas is different than in the cities. The cities are more economically feasible, because there are more businesses in these areas. They can sustain the taxes. If all of the remote areas in the State of Alaska wanted a different form of government, believe me, they would have pursue this a long time ago. Maybe the way the State can address budget is to start some developments in the rural areas to offset the economy.

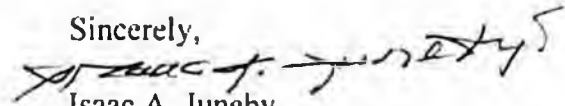
It would seem feasible for the legislature to put money into the rural areas for some prolong feasible development or business. Then it would be no problem to enact some legislation to this effect. As you stated, you believe that the State Constitution is our only option to make the rural areas more independent, then we should do some research and find a feasible means and then pour state some money into it. I think that would have more merit than imposing something, such as a tax that people don't want.

Why do I feel the way I do? It is because, under the constitution, the State of Alaska has the fiduciary responsibility for education, K-12. As I understand, this means that education should be the number one priority and the appropriations to justified this. It is the sole responsibility of the state to meet the needs of the students from K-12. If the state of Alaska does not do their fiduciary responsibilities for education, then why did they take it over from the federal government.

I am appalled at the way the legislature is going about this by either amending or enacting new laws to get at the people. Thank you for giving me the opportunity to comment. I am opposing this Senate Bill 112 as to the reasons I stated. As I read the bill, it is not right, to impose anything on people, that they do not want, which is not feasible and above all just plain failure.

If you have any questions or comments, please feel free to call me either at my (office) 907-547-2271 or (home) 907-547-3030.

Sincerely,



Isaac A. Juneby

Box 86

Eagle, Alaska 99738

C/C

File

All Member, Alaska State House of Representatives

All Members, Alaska State Senate



Alaska State Legislature

Please enter into the record my testimony to the Senate Labor & Commerce Committee
committee name

committee on Senate Bill 112, dated March 9, 2005
bill/subject

I am a life-long resident of the [Territory/and] State of Alaska.

I strongly oppose the SB 112, an act imposing a tax on residents of regional attendance areas and providing for an effective date." As a nearly life-long resident of the Copper River Basin, I oppose this bill because it imposes an unfair taxation on the people living in this area. It is an unfair taxation because it is taxing the people for a purpose of financing local school districts which is already financed by a tax on the Alyeska pipeline which crosses revenue? the property within this district. The revenues from this oil pipeline have more than adequately paid for the costs of our school system and will continue to pay for same. Why should the residents be taxed for what is already being funded here?

Signed:

Kathleen L. Sloboda

Testifier KATHY SLOBODA

Representing (Optional)

Box 262 Glennallen, Alaska 99588-0262
Address

Phone No.

907-822-3536

Cruikshank School
P.O. Box 24050
Bever, Alaska 99724
(907) 628-6313
Fax: (907) 628-6615

March 9, 2005

Senator Albert Kookesh
Alaska State Legislature
Juneau, Alaska
Fax: (907) 465-2827

Representative Woodie Salmon
Alaska State Legislature
Juneau, Alaska
Fax: (907) 465-2197

Re: SB 112 - An Act imposing a tax on residents of a regional educational attendance areas; and providing for an effective date.

Dear Senator Kookesh:

The Cruikshank School staff is adamantly opposed to senate bill 112. This bill is unabashedly racist in its conception. We do not agree that this is the best way to handle the situation of rural schools funding. We do not receive the amount of funding that urban schools receive. We do not have funding for school nurses, coaches, counselors, home-school liaisons, secretaries, or many other positions. We receive 3/5's the amount of funding that urban schools receive. Yet urban legislators find it necessary to suggest that rural Alaska is somehow depriving the urban schools of services for their children. We suggest that the legislators who introduced this bill, send their students to a school with no organized sports, no nurse, no counselor, no home-school liaisons, no secretary and then have members of our state leadership suggest that they are a drain on the state.


Rural schools pull their weight in many ways. Our communities are more involved in the school. Parents and community members participate in supporting school activities such as open gym. Currently, the only way our school district can afford to offer school lunch is by working with the Tanana Chiefs Conference Elders Nutrition program. We only have lunch three days a week. How many days a week do the students in Fairbanks have lunch available?

This bill taxes all residents. In Fairbanks, property holders pay taxes that support the school system. It is not realistic to expect all residents to pay a tax to support schools. The amount "to be determined by the commissioner" is arbitrary and includes no local input.

Senator Kookesh, please communicate the differences in our communities to urban leaders. We do not support this legislation as it is not well thought out, has included no rural input, and is racially motivated. Thank you for your leadership.

Respectfully,

M. Ann Fisher


Charleen Fisher

Suzanne Mullen

From: Lynn Bateman [lbateman@sisd.org]
Sent: Thursday, March 10, 2005 1:39 PM
To: Sen. Con Bunde; Sen. Gary Wilken; Sen. Tom Wagoner
Subject: SB 112

Dear Senators Bunde, Wilken, and Wagoner,

I am reading your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA.

I am writing in opposition to your efforts. Let me briefly explain why:

- 1) The cost of living in an REAA is already the highest in the state due to availability of services, housing costs, travel and insurance. Before you invite me to move to an "urban area" let me remind you that it is the REAAs that make Alaska what it is. 83% of all revenue in the state is generated at an REAA site;
- 2) From a school district's perspective, such a tax will drive away teachers (that are already recruited heavily elsewhere). This will jeopardize educational opportunities for our children. Unless driving away teachers and forcing us to close schools is your motive, please reconsider;
- 3) Teacher salaries in an REAA (ours is Southeast Island School District) are listed as the lowest in the state already. An additional tax will simply move us further away from any goal of keeping with the challenges surrounding the cost of living;
- 4) Teacher retention in the state of Alaska is a critical issue. Additional tax burdens will guarantee to drive many away from their districts, leaving gaping holes in any efforts to meet many government mandates (such as NCLB).
- 5) 60-70% of our students live in households whose income is directly related to timber. Because of the decline in the timber industry these families income has declined. Imposing a tax on these households would be devastating.

Please consider another source of income. Reduce the tax breaks for the oil companies! Anticipated loss of teachers due to another financial challenge will jeopardize our children's educational needs.

Sincerely,

Lynn Bateman, School Board President
Southeast Island School District

Suzanne Mullen

From: Jim Nygaard [jnygaard@sisd.org]
Sent: Wednesday, March 09, 2005 1:51 PM
To: Sen. Con Bunde; Sen. Gary Wilken; Sen. Tom Wagoner



SB0112A.pdf (83
KB)

Con Bundy...Senator.con.Bunde@legis.state.ak.us
Gary Wilken...Senator_Gary_Wilken@legis.state.ak.us
Tomas Wagoner...Senator_Tom_Wagoner@legis.state.ak.us

Dear Senators Bunde, Wilken, and Wagoner,

I am reading your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA. I am writing in opposition to your efforts. Let me briefly explain why:

- 1) The cost of living in an REAA is already the highest in the state due to availability of services, housing costs, travel and insurance. Before you invite me to move to an "urban area" let me remind you that it is the REAAs that make Alaska what it is. 83% of all revenue in the state is generated at an REAA site;
- 2) From a school district's perspective, such a tax will drive away teachers (that are already recruited heavily elsewhere). This will jeopardize educational opportunities for our children. Unless driving away teachers and forcing us to close schools is your motive, please reconsider;
- 3) Teacher salaries in an REAA (ours is Southeast Island School District) and are listed as the lowest in the state already. An additional tax will simply move us further away from any goal of keeping with the challenges surrounding the cost of living;
- 4) Teacher retention in the state of Alaska is a critical issue. Additional tax burdens will guarantee to drive many away from their districts, leaving gaping holes in any efforts to meet many government mandates (such as NCLB).

Please consider another source of income. Reduce the tax breaks for the oil companies! Anticipated loss of teachers due to another financial challenge will jeopardize our children's educational needs.

Sincerely,

Jim Nygaard
Superintendent of Schools
Southeast Island School District

Suzanne Mullen

From: Julie Vasquez [jvasquez@sisd.org]
Sent: Wednesday, March 09, 2005 2:15 PM
To: Sen. Con Bunde; Sen. Gary Wilken; Sen. Tom Wagoner
Subject: SB 112

Dear Senators Bunde, Wilken, and Wagoner,

I am reading your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA. I am writing in opposition to your efforts. Let me briefly explain why:

- 1) The cost of living in an REAA is already the highest in the state due to availability of services, housing costs, travel and insurance. Before you invite me to move to an "urban area" let me remind you that it is the REAAs that make Alaska what it is. 83% of all revenue in the state is generated at an REAA site;
- 2) From a school district's perspective, such a tax will drive away teachers (that are already recruited heavily elsewhere). This will jeopardize educational opportunities for our children. Unless driving away teachers and forcing us to close schools is your motive, please reconsider;
- 3) Teacher salaries in an REAA (ours is Southeast Island School District) and are listed as the lowest in the state already. An additional tax will simply move us further away from any goal of keeping with the challenges surrounding the cost of living;
- 4) Teacher retention in the state of Alaska is a critical issue. Additional tax burdens will guarantee to drive many away from their districts, leaving gaping holes in any efforts to meet many government mandates (such as NCLB).

Please consider another source of income. Reduce the tax breaks for the oil companies! Anticipated loss of teachers due to another financial challenge will jeopardize our children's educational needs.

Sincerely,

Julie Vasquez
K-12 Teacher
Southeast Island School District

Suzanne Mullen

From: Margie Eads [meads@sisd.org]
Sent: Wednesday, March 09, 2005 2:42 PM
To: Sen. Con Bunde; Sen. Gary Wilken; Sen. Tom Wagoner

Dear Senators Bunde, Wilken, and Wagoner,

I am reading your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA. I am writing in opposition to your efforts. Let me briefly explain why:

- 1) The cost of living in an REAA is already the highest in the state due to availability of services, housing costs, travel and insurance. Before you invite me to move to an "urban area" let me remind you that it is the REAAs that make Alaska what it is. 83% of all revenue in the state is generated at an REAA site;
- 2) From a school district's perspective, such a tax will drive away teachers (that are already recruited heavily elsewhere). This will jeopardize educational opportunities for our children. Unless driving away teachers and forcing us to close schools is your motive, please reconsider;
- 3) Teacher salaries in an REAA (ours is Southeast Island School District) and are listed as the lowest in the state already. An additional tax will simply move us further away from any goal of keeping with the challenges surrounding the cost of living;
- 4) Teacher retention in the state of Alaska is a critical issue. Additional tax burdens will guarantee to drive many away from their districts, leaving gaping holes in any efforts to meet many government mandates (such as NCLB).

Please consider another source of income. Reduce the tax breaks for the oil companies! Anticipated loss of teachers due to another financial challenge will jeopardize our children's educational needs.

Sincerely,

Margaret Eads

Suzanne Mullen

From: JimmieRee Robertson [jrobertson@sisd.org]
Sent: Wednesday, March 09, 2005 3:15 PM
To: Sen. Con Bunde; Sen. Gary Wilken; Sen. Tom Wagoner

Gentlemen,

I have read your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA. I am writing in opposition to your efforts. For the following reasons:

- 1) The cost of living in an REAA is already the highest in the state due to availability of services, housing costs, travel and insurance. Before you invite me to move to an "urban area" let me remind you that it is the REAAs that make Alaska what it is. 83% of all revenue in the state is generated at an REAA site;
- 2) From a school teacher's perspective, such a tax will drive away teachers (that are already recruited heavily elsewhere). This will jeopardize educational opportunities for our children. Unless driving away teachers and forcing us to close schools is your motive, please reconsider;
- 3) Teacher salaries in an REAA (ours is Southeast Island School District) and are listed as the lowest in the state already. An additional tax will simply move us further away from any goal of keeping with the challenges surrounding the cost of living;
- 4) Teacher retention in the state of Alaska is a critical issue. Additional tax burdens will guarantee to drive many away from their districts, leaving gaping holes in any efforts to meet many government mandates (such as NCLB).

Please consider another source of income. Anticipated loss of teachers due to another financial challenge will jeopardize our children's educational needs.

Sincerely,

Jimmie Ree Robertson, Special Education Teacher Southeast Island School District

Suzanne Mullen

From: Deedee Jeffreys [djeffreys@coveconnect.com]

Sent: Wednesday, March 09, 2005 2:01 PM

To: Sen. Con Bunde

Dear Senators Bunde,

I am reading your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA. I am writing in opposition to your efforts. Let me briefly explain why:

- 1) The cost of living in an REAA is already the highest in the state due to availability of services, housing costs, travel and insurance. Before you invite me to move to an "urban area" let me remind you that it is the REAAs that make Alaska what it is. 83% of all revenue in the state is generated at an REAA site;
- 2) From a school district's perspective, such a tax will drive away teachers (that are already recruited heavily elsewhere). This will jeopardize educational opportunities for our children. Unless driving away teachers and forcing us to close schools is your motive, please reconsider;
- 3) Teacher salaries in an REAA (ours is Southeast Island School District) and are listed as the lowest in the state already. An additional tax will simply move us further away from any goal of keeping with the challenges surrounding the cost of living;
- 4) Teacher retention in the state of Alaska is a critical issue. Additional tax burdens will guarantee to drive many away from their districts, leaving gaping holes in any efforts to meet many government mandates (such as NCLB).

Please consider another source of income. I would love to continue to teach in Alaska and will not be able to do so if this bill passes.

Sincerely,

Deedee Jeffreys
Teacher
Southeast Island School Dist.

3/10/2005

Suzanne Mullen

From: Barbara Morgan [bmorgan@sisd.org]
Sent: Wednesday, March 09, 2005 3:51 PM
To: Sen. Tom Wagoner; Sen. Gary Wilken; Sen. Con Bunde

Dear Senators Bunde, Wilken, and Wagoner,

I am reading your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA. I am writing in opposition to your efforts. Let me briefly explain why:

- 1) The cost of living in an REAA is already the highest in the state due to availability of services, housing costs, travel and insurance. Before you invite me to move to an "urban area" let me remind you that it is the REAAs that make Alaska what it is. 83% of all revenue in the state is generated at an REAA site;
 - 2) From a school district's perspective, such a tax will drive away teachers (that are already recruited heavily elsewhere). This will jeopardize educational opportunities for our children. Unless driving away teachers and forcing us to close schools is your motive, please reconsider;
 - 3) Teacher salaries in an REAA (ours is Southeast Island School District) and are listed as the lowest in the state already. An additional tax will simply move us further away from any goal of keeping with the challenges surrounding the cost of living;
 - 4) Teacher retention in the state of Alaska is a critical issue.
- Additional tax burdens will guarantee to drive many away from their districts, leaving gaping holes in any efforts to meet many government mandates (such as NCLB).

Please consider another source of income. Reduce the tax breaks for the oil companies! Anticipated loss of teachers due to another financial challenge will jeopardize our children's educational needs.

Sincerely,

Barbara Morgan
Teacher
Southeast Island School District

Suzanne Mullen

From: Julie Isom [jisom@sisd.org]
Sent: Wednesday, March 09, 2005 2:01 PM
To: Sen. Con Bunde; Sen. Gary Wilken; Senator_Tom_Wagoner@legis.state.ak.us
Subject: SB 112

Dear Senators Bunde, Wilken, and Wagoner,

I am reading your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA. I am writing in opposition to your efforts. Here are some reasons why:

- 1) The cost of living in an REAA is already the highest in the state due to availability of services, housing costs, travel and insurance. Before you invite me to move to an "urban area" let me remind you that it is the REAAs that make Alaska what it is. 83% of all revenue in the state is generated at an REAA site;
- 2) From a City's perspective, such a tax will drive away people who are wishing to plant "roots" in this beautiful area. Unless driving away residents and forcing us (as a City) to go financially bankrupt is your motive, please reconsider;
- 3) Teacher salaries in an REAA (ours is Southeast Island School District) and are listed as the lowest in the state already. An additional tax will simply move us further away from any goal of keeping with the challenges surrounding the cost of living;
- 4) Teacher retention in the state of Alaska is a critical issue. Additional tax burdens will guarantee to drive many away from their districts, leaving gaping holes in any efforts to meet many government mandates (such as NCLB).

Please consider another source of income. Reduce the tax breaks for the oil companies!

Sincerely,

Julie Isom
Mayor, City of Thorne Bay

Suzanne Mullen

From: Barbara Morgan [bmorgan@sisd.org]
Sent: Wednesday, March 09, 2005 4:48 PM
To: Sen. Tom Wagoner; Sen. Gary Wilken; Sen. Con Bunde
Subject: SB112

Dear Senators Bunde, Wilken, and Wagoner,

I responded to your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA earlier today and I wanted to add to my earlier comments. I am writing in opposition to your efforts for all the reasons stated before as well as for the reason that 60-70% of our student population live at the poverty level. These people are at or below the poverty level for a number of reasons including governmental red tape that slows timber sales and the difficulty in making a living in other resource driven economies like mining and fishing. People who make a living with resource driven economies should not be further burdened by the passing of a bill that would tax them even more.

Please consider another source of income. Reduce the tax breaks for the oil companies! Anticipated loss of teachers due to another financial challenge will jeopardize our children's educational needs.

Sincerely,

Barbara Morgan

Teacher

Southeast Island School District

Suzanne Mullen

From: Melissa Cook [mcook@sisd.org]
Sent: Wednesday, March 09, 2005 2:01 PM
To: Sen. Con Bunde
Subject: SB112

Dear Senators Bunde, Wilken, and Wagoner,

As a teacher, I can tell you that my husband and I applied to the state of Alaska based on a checklist. One item on that checklist was no state income tax. If this bill passes, we may consider returning to our home state of Wyoming where there is no income tax. With us if we leave will go our advanced degrees in education, experience we use to help others to adjust to the rural life in Alaska and our three children.

I feel that taxing only some of the people in the state is unfair, especially when the larger areas of the state have more voting power. Where is the checks and balances in that? Frankly, this bill makes me angry. Teachers are already losing ground next year with substantial hikes in retirement, changes in health benefits and now a possible income tax. The grass will be greener somewhere else and that is where the teachers will go.

I am reading your recent proposal (SB 112) scheduled to impose a tax on each individual 21 years of age and older that resides in an REAA. I am writing in opposition to your efforts. Let me briefly explain why:

- 1) The cost of living in an REAA is already the highest in the state due to availability of services, housing costs, travel and insurance. Before you invite me to move to an "urban area" let me remind you that it is the REAAs that make Alaska what it is. 83% of all revenue in the state is generated at an REAA site;
- 2) From a school district's perspective, such a tax will drive away teachers (that are already recruited heavily elsewhere). This will jeopardize educational opportunities for our children. Unless driving away teachers and forcing us to close schools is your motive, please reconsider;
- 3) Teacher salaries in an REAA (ours is Southeast Island School District) and are listed as the lowest in the state already. An additional tax will simply move us further away from any goal of keeping with the challenges surrounding the cost of living;
- 4) Teacher retention in the state of Alaska is a critical issue. Additional tax burdens will guarantee to drive many away from their districts, leaving gaping holes in any efforts to meet many government mandates (such as NCLB).

Please consider another source of income. Reduce the tax breaks for the oil companies! Anticipated loss of teachers due to another financial challenge will jeopardize our children's educational needs.

Sincerely,

Melissa Cook
Curriculum Director/Grants Coordinator
Southeast Island School District

Suzanne Mullen

From: Terry and Krystie Depue [eagle123@gci.net]
Sent: Tuesday, March 08, 2005 9:43 PM
To: Sen. Ben Stevens; Sen. Gary Stevens; Sen. Johnny Ellis; Sen. Con Bunde; Sen. Kim Elton; Sen. Charlie Huggins; Sen. John Cowdery; Sen. Hollis French; Sen. Albert Kookesh; Sen. Bettye Davis; Sen. Lyda Green; Sen. Donny Olson; Sen. Gene Therriault; Sen. Fred Dyson; Sen. Gretchen Guess; Sen. Ralph Seekins; Sen. Tom Wagoner; Sen. Lyman Hoffman; Sen. Bert Stedman; Sen. Gary Wilken
Subject: Senate Bill 112 - REAA tax

Dear Senator,

I am writing to urge you to vote against SB 112 – REAA Tax.

I live in a rural community and am continually baffled by the idea that we do not help pay our "fair share" for education and other programs simply because we are not in an organized borough. Although I live in Eagle, I do 90 % of my grocery, clothes, building supplies and other shopping in either Anchorage or Fairbanks. The \$1000's that I spend each year in Anchorage or Fairbanks helps the economy of both communities and it is people who live in the bush communities that bring extra funds into an area, but do not use the services (fire, medical, trash etc).

The second reason I urge you not to vote in favor of the bill – is simply this – we need to cut spending, not find new ways to bring in money – cut something out to help fund education. Let's be reasonable and cut a few things rather than put extra burdens on individuals who have chosen to live more simply and who cannot afford the additional tax.

Krystie DePue
P.O. Box 123
Eagle, AK 99738
9075472306

Suzanne Mullen

From: Terry and Krystie Depue [eagle123@gci.net]

Sent: Tuesday, March 08, 2005 10:39 PM

To: Sen. Ben Stevens; Sen. Ben Stevens; Sen. Gary Stevens; Sen. Johnny Ellis; Sen. Con Bunde; Sen. Kim Elton; Sen. Charlie Huggins; Sen. John Cowdery; Sen. Hollis French; Sen. Albert Kookesh; Sen. Bettye Davis; Sen. Lyda Green; Sen. Donny Olson; Sen. Gene Therriault; Sen. Fred Dyson; Sen. Gretchen Guess; Sen. Ralph Seekins; Sen. Tom Wagoner; Sen. Lyman Hoffman; Sen. Bert Stedman; Sen. Gary Wilken

Subject: Senate Bill 112 - REAA tax

Dear Senator,

Please vote against SB112, which taxes bush residents. This tax will cause many people to not be able to live in the bush of Alaska as they traditionally have. We have a very low income, as do many people in the bush because that is the only way to make it in our communities. We don't take in much money but can afford to live here because we do not spend much either. We work hard for the minimal income that we make and do not take any assistance from the State for our income, we are not on welfare. Most taxes are based on income so those that do not have do not get taxed. A blanket tax unfairly hits the low income households the hardest and is the worst type of tax. Frankly, I do not know where we would get the money to pay this tax. Life here is hard enough without adding a flat state tax.

Thank you for your consideration. Please do not make Alaska another tax burdened state.

Sincerely,

Terry J. Depue

P.O. Box 123

Eagle, AK 99738



State of Alaska Local Boundary Commission

550 West Seventh Avenue, Suite 1770 • Anchorage, AK 99501
Telephone: 907-269-4560 • Fax: 907-269-4539

April 1, 2005

The Honorable Lyda Green
Co-Chair
Senate Finance Committee
State Capitol, Room 516
Juneau, AK 99801-1182

The Honorable Gary Wilken
Co-Chair
Senate Finance Committee
State Capitol, Room 518
Juneau, AK 99801-1182

Re: CS FOR SENATE BILL NO. 112(CRA)

Dear Senator Green and Senator Wilken:

I am aware that the Senate Finance Committee will be holding a hearing on CSSB 112(CRA) on Monday, April 4. Regrettably, I am unable to participate. The Local Boundary Commission met in public session on March 25 to address CSSB 112(CRA) and voted unanimously to support the concept of the bill.

Please accept this letter and the attachment as written testimony on the bill. The views expressed in this letter and attachment are the consensus of the entire Commission and are also consistent with the policy positions expressed by the Commission in its 2005 report to the Legislature.

Sincerely,

Darroll Hargraves
Chair

Enclosures

3/9/05 prepared comments of LBC Chair Darroll Hargraves

cc/enc: Members of the Local Boundary Commission
Edgar Blatchford, Commissioner, Department of Commerce, Community, and
Economic Development

**Prepared Remarks to the Alaska State Senate
Committee on Community and Regional Affairs**

**Darroll Hargraves, Chair, Local Boundary Commission
March 9, 2005**

Regarding Senate Bill Number 112

Thank you Mr. Chairman and members of the Committee.

For the record, my name is Darroll Hargraves; I serve as Chair of the Alaska Local Boundary Commission.

I have lived and worked in a number of different places of this state – some of which are unorganized and others which are cities and boroughs. In all types of areas, I have enjoyed a high level of services. I have paid taxes, and I have not paid taxes, depending on where I lived. From a personal financial standpoint, it is a lot more enjoyable to live in the unorganized areas of Alaska.

On behalf of the Local Boundary Commission, I am testifying in favor of the concept reflected in Senate Bill Number 112.

There are a number of fundamental public policy arguments in favor of SB 112. The Local Boundary Commission supports statewide taxpayer equity, which has been elusive since the beginning of statehood. The Commission especially supports Senate Bill 112 as a means to remove disincentives for the incorporation of boroughs.

The fact that municipal school districts are required to make local contributions in support of schools, while regional educational attendance area school districts have no such requirement, is clearly one of the biggest impediments to borough formation by local action.

The concept presented in Senate Bill 112 would remove that impediment by leveling the playing field. Everyone would pay taxes to support State services offered at the local level.

Mr. Chairman and members of the Committee, I refer you to pages 115 – 122 of the Local Boundary Commission's annual report to the current legislature for further details about taxing unorganized areas of the state.

I recognize that some technical refinements to the bill might be necessary as the bill proceeds through the legislative process. In that regard, I encourage the Committee to feel free to call upon the Commission's staff for any assistance.

Remarks of LBC Chair

Re: SB 112

March 9, 2005

I also take this opportunity to remind the Committee that the Local Boundary Commission has urged a number of other measures intended to achieve the vision of the framers of our Constitution to provide incentives for the voluntary incorporation of boroughs.

In conclusion, I again express the Commission's continuing support for the concept presented in Senate Bill 112. Thank you for your attention.

than full time, or workers who had higher skill levels than those required for the position in which they were working. Other workers live where there are few employment opportunities and so have not looked for work, a requirement to be considered unemployed.

In 2003, many nonresident workers filled good paying jobs that require relatively modest education or training. Based upon an analysis of Alaska occupational wage records and occupational information provided by employers, more than 85% of all nonresident workers were employed in jobs requiring education less than or equal to an associate degree (approximately two years of postsecondary education). (See Exhibits 20 and 23.) In fact 44.7% of nonresident workers made more than the median resident wage (\$6,136) in at least one quarter during 2003.

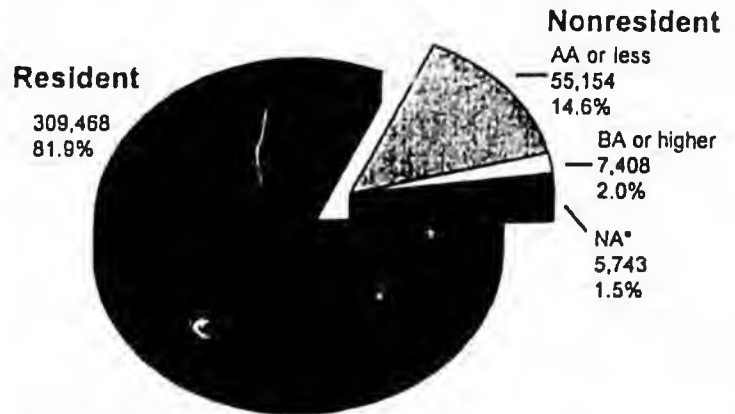
In 2003, nonresident workers were employed throughout the state, many in jobs with relatively high average earnings requiring less than a four-year degree. The North Slope Borough, which includes the Prudhoe Bay oilfields, in particular had a large number of nonresident workers earning

a significant amount of money (approximately \$112 million) in occupations that required less than a four-year degree. (See Exhibit 23.)

Returning Nonresident Workers

Alaska attracts many new nonresident workers each year. Some work in seasonal, low-paying jobs, while others may use their specialized skills

Nonresident Workers 20 By Education Required for Occupation



* NA—not available

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Alaska Resident and Nonresident Workers and Wages 21 2002 and 2003

Industry	Resident Workers			Nonresident Workers			Resident Wages in \$1,000s			Nonresident Wages in \$1,000s		
	2002	2003	Change	2002	2003	Change	2002	2003	Change	2002	2003	Change
Ag/Forestry/Fishing	1,485	1,486	0.1	818	875	7.0	\$34,885	\$32,139	-7.3	\$15,200	\$15,146	-0.4
Mining	11,125	9,996	-10.1	3,659	3,353	-8.4	767,868	673,477	-12.3	256,362	211,688	-17.4
Utilities	2,115	2,041	-3.5	130	115	-11.5	110,842	106,512	-3.9	3,510	2,711	-22.8
Construction	21,836	22,619	3.8	5,556	5,627	1.3	688,970	759,339	10.2	102,750	125,275	21.9
Manufacturing	9,516	9,783	2.8	13,852	14,602	5.4	218,577	230,331	5.4	138,465	166,347	20.1
Wholesale Trade	6,502	6,570	1.0	1,029	997	-3.1	212,926	223,731	5.1	14,273	14,445	1.2
Retail Trade	40,599	40,596	0.0	6,823	6,528	-4.3	793,976	822,551	3.6	53,634	52,830	-1.6
Trans/Warehousing	20,012	19,680	-1.7	4,849	5,129	5.8	685,688	681,074	-0.7	147,618	158,099	7.1
Information	7,683	7,532	-2.0	776	668	-13.9	304,361	307,579	1.1	13,771	13,992	1.6
Finance and Insurance	9,253	8,980	-3.0	807	812	0.6	344,334	361,108	4.9	13,295	13,943	4.9
Real Est./Rental/Lease	5,581	6,033	8.1	807	766	-5.1	110,313	134,802	22.2	7,257	7,362	1.4
Prof/Scientific/Tech Svcs	10,828	11,250	3.9	2,088	2,162	3.6	401,435	415,947	3.6	47,896	58,714	22.6
Mgt. of Companies	114	395	246.5	7	63	800.0	5,698	22,781	299.8	214	3,383	1,480.8
Admin Sppt/Waste Mgt	11,203	12,382	10.3	3,423	3,892	13.7	228,006	261,414	14.7	39,378	55,803	41.7
Educational Services	1,926	2,065	7.2	538	560	4.1	44,413	51,255	15.4	5,089	6,460	26.9
Health Care/Social Assist	31,300	34,156	9.1	3,953	4,043	2.3	923,504	1,031,240	11.7	67,117	67,386	0.4
Arts/Entertain/Recreation	4,232	4,166	-1.6	1,370	1,303	-4.9	43,861	46,427	5.8	7,913	8,051	1.7
Accommodation/Food Svcs	30,025	28,487	-5.1	10,870	10,485	-3.5	364,361	349,273	-4.1	72,133	70,724	-2.0
Other Services	11,269	10,424	-7.5	1,768	1,637	-7.4	233,281	226,300	-3.0	17,133	16,935	-1.2
Public Administration	115	382	232.2	12	23	91.7	1,889	8,528	404.3	114	244	114.0
Non-Classifiable	76	92	21.1	90	91	1.1	1,828	1,246	-31.8	1,003	495	-50.6
Total Private Sector	236,795	239,095	1.0	63,223	63,731	0.8	5,608,352	5,936,736	5.9	1,024,185	1,070,034	4.5
State Government	24,472	24,342	-0.5	1,667	1,610	-3.4	859,189	884,036	3.0	26,398	28,003	6.1
Local Government	45,254	46,031	1.7	3,082	2,964	-3.8	1,250,652	1,290,527	3.2	37,427	39,375	5.2
Total	306,521	309,468	1.0	67,972	68,305	0.5	\$7,718,194	\$8,111,901	5.1	\$1,088,011	\$1,137,411	4.5

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Dof Labor Employment & Earnings Report	2003 Σ Wages	Aver Empl	Aver Earnings
FNSB	1,277,210,620	35,614	35,863
Anchorage Muni	5,559,141,605	146,365	39,622
Juneau Boro	832,453,600	17,464	47,667
Kenai Pen Boro	587,624,210	17,772	33,065
Ketchikan	288,846,983	6,816	32,107
Kasilik	169,600,483	5240	32,366
Lake & Pen Boro	15,509,574	636	24,386
Mat-Su Boro	454,300,662	15,002	30,283
Nome Census Area	111,082,905	3,755	29,582
North S.B	507,960,451	9,122	55,685
NWNB	113,946,268	2877	39,606
POW	52,707,451	1,926	27,413
Sitka Boro	134,868,908	4358	30,947
Valdez			39,612

By Olson

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/23/05

FURTHER: Finance

Date of 5-Day Notice: 3/3/05
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 3/17/05

Community and Regional Affairs Committee considered SENATE BILL NO. 112

SE 112 TAX ON REAA RESIDENTS

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

and recommends:

- be replaced with _____ CS SB112 _____ (CRA)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Revenue	3/4/05	X			1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
STEDMAN			✓	
ELLIS	✓		✓	
WAGONER	✓			

CHAIR:
 G. STEVENS



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Finance
 Committee on SB - 112 Committee Name
 Dated 4-4-05
 Bill / Subject

Any "head-tax" on residents of the un-incorporated areas is plainly un-fair. A "head-tax" is regressive in nature! It would mean a minimum of \$800 per couple, which is more than a lot of people pay on their total tax in an organized borough where the Education tax rate is 6.7 mills

\$400 "head-tax" per person is un-realistic for the un-organized areas, where a school may be 100 miles away and none are even needed or wanted!

The Alaska Legislature is charged and is responsible to act as a "Borough Assembly" for the un-organized borough; the Legislature must act in the best-interest of those residents

Article I, Section 2 of the State Constitution, states:
 "All political power is inherent in the people. All government originates with the people, is founded upon their will only and is solely for the good of the people as a whole"

SIGNED: Robert Hallio
 Testifier

Representing
PO Box 73731, Fairbanks AK 99707
907-479-6526
 Address / Phone Number