

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3003

1 during the tax year.

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

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

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

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

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

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

20 (b) Each employer of an individual subject to tax under this chapter shall
21 deduct and withhold the lesser of one-half of the tax for the year or 10 percent of the
22 employee's gross compensation from the employee's first regular payroll during the
23 tax year and each subsequent regular payroll until the full tax due has been collected.
24 The employer shall hold the tax withheld in trust and remit it to the department with a
25 return prescribed by the department not later than the 15th day of the month following
26 the end of each calendar quarter or any month during which the cumulative unpaid
27 withholding by the employer exceeds \$500, whichever is earlier. These withheld
28 taxes are not subject to garnishment or attachment and, in the event of lien, judgment,
29 or bankruptcy proceedings, are not considered assets of the employer. An employer
30 who fails to make the deductions from the compensation of employees or to remit the
31 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

THE
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DOCUMENT(S)
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ORIGINAL
COPIES

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

81,057



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
22,581



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 FTREAAAs 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.

(b) Sales Taxes.

The 1991 Task Force on Governmental Roles offered the following insights regarding the prospect of a sales tax:

The sales tax is not particularly costly or difficult for the state to administer, hence its popularity among states. Since it is collected from sellers at the retail level, there are fewer returns to deal with than in the case of an income tax. Many states with both state and local general sale taxes gain administrative efficiency by piggybacking local tax collection onto the state tax system. The main advantages of a sales tax are that it can be designed so that revenue grows in proportion with the economy, it is relatively popular with voters (probably because it is paid in small amounts), and it captures revenues from nonresidents. The main disadvantages are its regressivity [sic] and the fact that it is not deductible from federal income tax.

Task Force members brought up additional considerations. To be efficiently collected by the state, a sales tax would have to be uniform with respect to exemptions. This would eliminate the local option to apply the sales tax narrowly (e.g., only on fish sales, hotel/motel use, tobacco sales, etc.) or broadly. A state-



wide sales tax would infringe on municipalities' ability to express social policy with respect to taxation of food, residential rent, home heating oil, etc. Municipal officials might also be leery of piggybacking onto a state sales tax for fear that the state would gradually take over the entire sales tax and leave little or nothing for municipalities.

Task Force Final Report, pp. 41-42.

The LBC is aware that the Alaska Municipal League opposes the prospect of a statewide sales tax:

The League vigorously defends sales tax as a local option to maintain control over this key

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 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

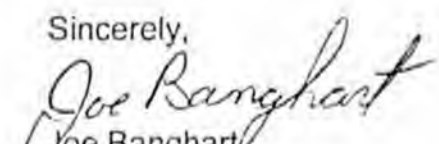
Senator Albert Kookesh
State Capitol, Room 7
Juneau, AK 99801

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

(907) 524-3033

FAX (907) 524-3217

March 10, 2005

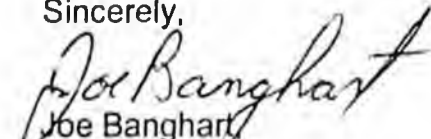
Senator Con Bunde
State Capitol, Room 506
Juneau, AK 99801

Dear Senator Bunde,

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Sincerely,


Joe Banghart
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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

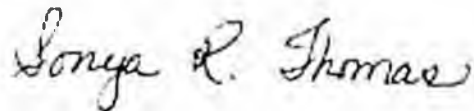
Dear Senators Bunde, Wilken, and Wagoner,

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.

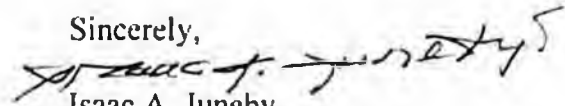
It would seem feasible for the legislature to put money into the rural areas for some prolong feasible development or business. Then it would be no problem to enact some legislation to this effect. As you stated, you believe that the State Constitution is our only option to make the rural areas more 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

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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,

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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:

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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;
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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@pci.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.

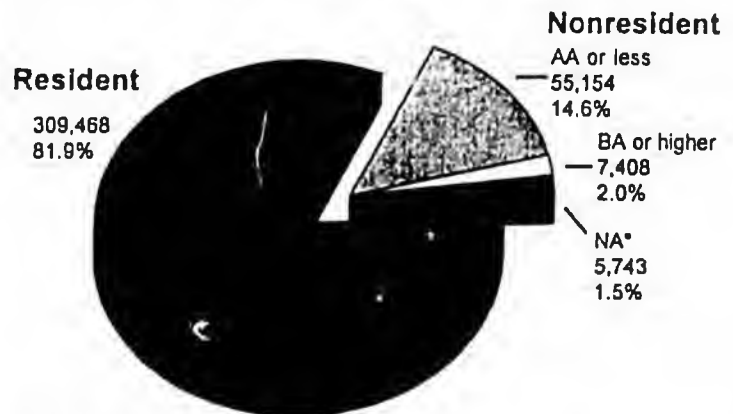
In 2003, nonresident workers were employed throughout the state, many in jobs with relatively high average earnings requiring less than a four-year degree. The North Slope Borough, which includes the Prudhoe Bay oilfields, in particular had a large number of nonresident workers earning

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	1,788	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	5,936,738	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	884,038	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	5,240	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	2,877	39,606
POW	52,707,451	1,926	27,413
Sitka Boro	134,868,908	4,358	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

SB

113

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
APR 28 2005
SENATE FINANCE
COMMITTEE

DATE: 4/26/05

FURTHER:

DATE TURNED IN TO OFFICE: 28 April 2005

Finance Committee considered SL ^TE BILL NO. 113

SB 113 GULF OF ALASKA GROUND FISH FISHERY

"An Act relating to entry into and management of Gulf of Alaska groundfish fisheries."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS SB 113 (RES)
- attached amendment(s)
- adopt Letter of Intent by Senate Resources Committee
- further referral to _____ Committee

CS Senate Bill:	
<input checked="" type="checkbox"/> Same Title	
<input type="checkbox"/> New Title	
SCS 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	Ind.	Zero	FN#
F+G/CPEC	4/28/05	20.0			
F+G/Boards	4/28/05	45.6			

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
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
COCHAIR: <i>Gary Hill</i>	✓			
COCHAIR: <i>Lyle Green</i>	✓			

APR 28 2005

SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB 113 (RES)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Fish and Game
Title: An Act Relating to Entry into and RDU: Administration and Support
Management of Gulf of Alaska Groundfish Component: Boards of Fisheries and Game
Sponsor: Senator Ben Stevens by Request
Requester: Senate Finance Committee Component No.: 2048

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	0.0	*	*	*	*	*
Travel	28.8	*	*	*	*	*
Contractual	16.8	*	*	*	*	*
Supplies	0.0	*	*	*	*	*
Equipment	0.0	*	*	*	*	*
Land & Structures	0.0	*	*	*	*	*
Grants & Claims	0.0	*	*	*	*	*
Miscellaneous	0.0	*	*	*	*	*
TOTAL OPERATING	45.6	*	*	*	*	*
CAPITAL EXPENDITURES	0.0	*	*	*	*	*
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	*	*	*	*	*
1003 GF Match	0.0	*	*	*	*	*
1004 GF	0.0	*	*	*	*	*
1005 GF/Program Receipts	0.0	*	*	*	*	*
1037 GF/Mental Health	0.0	*	*	*	*	*
1156 Rcpt Svcs	45.6	*	*	*	*	*
TOTAL	45.6	*	*	*	*	*

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						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The authorities provided in S.B. 113 allow the Alaska Board of Fisheries (board) to explore innovative Gulf of Alaska (GOA) groundfish fisheries allocation and management strategies in ways that benefit the resource, the resource users, and the communities dependent upon them.

The GOA groundfish fisheries are comprised of a diverse group of users, vessels, gears, areas, and species. In order to implement this legislation, the board will do the following:

(continued on page 2)

Prepared by: Sarah Gilbertson, Legislative Liaison Phone (907) 465-6137
Division: ADF&G Commissioner's Office Date/Time 4/28/05 7:24 AM
Approved by: McKie Campbell, Commissioner Date 4/28/2005
Agency: Alaska Department of Fish and Game

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSSB 113 (RES)

ANALYSIS CONTINUATION

(continued from page 1)

(1) Continue the board's GOA Groundfish Rationalization Task Force; hold 3 to 4 additional meetings prior to community hearings. Costs for these task force meetings include 3 board members travel, 2 to 3 ADF&G staff travel, and meeting room costs.

(2) Hold hearings in affected communities around the Gulf of Alaska (e.g., Kodiak, Homer, Sand Point and others) in order to receive public and community input on options for structuring the groundfish fisheries to maximize fishery benefits. It is intended that program development for each GOA groundfish fishery will be developed in the transparent board public process, and not within this legislation. The final list of communities at which hearings will be held will depend upon the proposals/requests received by the board or Commercial Fisheries Entry Commission (CFEC) for consideration of examination of specific GOA groundfish fisheries.

(3) Add 2 to 3 meeting days to its schedule during FY 06 to specifically report to the full board on input from the community hearings, to receive further public input, and to work further on program development.

Passage of this legislation gives the board and the CFEC a new tool in their toolbox, and in and of itself has no immediate fiscal impact. However, as the board and CFEC consider the development of a new program, the Alaska Department of Fish and Game anticipates some modest costs for travel and extended meetings as noted above.

At this point, it is unknown how program development might effect future data technology and personnel needs. Therefore, subsequent costs are indeterminate pending the shape and extent of any "designated access privilege" program established by the board and CFEC.

APR 23 2005

SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSSB113(RES)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Fish and Game
Title: An Act Relating to Entry into and RDU: Comm. Fish Entry Commission
Management of Gulf of Alaska Groundfish Component: Commercial Fisheries Entry
Sponsor: Senator Ben Stevens by Request Commission: _____
Requester: Senate Finance Committee Component No.: 471

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	0.0	*	*	*	*	*
Travel	20.0	*	*	*	*	*
Contractual	0.0	*	*	*	*	*
Supplies	0.0	*	*	*	*	*
Equipment	0.0	*	*	*	*	*
Land & Structures	0.0	*	*	*	*	*
Grants & Claims	0.0	*	*	*	*	*
Miscellaneous	0.0	*	*	*	*	*
TOTAL OPERATING	20.0	*	*	*	*	*

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	*	*	*	*	*
1003 GF Match	0.0	*	*	*	*	*
1004 GF	20.0	*	*	*	*	*
1005 GF/Program Receipts	0.0	*	*	*	*	*
1037 GF/Mental Health	0.0	*	*	*	*	*
1156 Receipt Supported Services	0.0	*	*	*	*	*
TOTAL	20.0	*	*	*	*	*

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Passage of CSSB113(RES) will allow but not mandate establishment of a new type of limitation program for the participation in Gulf of Alaska groundfish fisheries. It also provides a new procedural working relationship between the Alaska Board of Fish and the Commercial Fisheries Entry Commission for the Gulf of Alaska groundfish fisheries. Initially there will be some modest costs for travel as the two agencies conduct joint groundfish public hearings to determine the scope of these fisheries and analyze the need for limitation protection. At this time subsequent costs are indeterminate pending the shape and extent of any "designated access privilege" (DAP) programs established. CFEC will need to consider the integration of any new program into its existing responsibilities, for example: additional groundfish fisheries research,

Continued on page 2

Prepared by: Shirley Penrose, Administrative Officer Phone: 907-790-6960
Division: Commercial Fisheries Entry Commission Date/Time: 4/27/05 8:51 AM
Approved by: Frank M. Homan, Commissioner Date: 4/27/2005
Agency: Commercial Fisheries Entry Commission

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. CSSB113(RES)

ANALYSIS CONTINUATION

adjudications resulting from any new DAP program, licensing and management of any DAPs issued and likely significant need for information technology services. If any DAP limitations are authorized under this legislation a key component of costs could be the design and implementation of an electronic resource harvest reporting system. Future analyses will be needed to investigate the current federal reporting system and its applicability to state fisheries.

CFEC anticipates an FY06 cost of \$20,000 for the agency to participate in the series of meetings with the Alaska Board of Fisheries and its Groundfish Working Group that comprise the initial step in the process set forth in CSSB 113(RES). CFEC's current travel budget is insufficient to cover this additional expense, so a travel line increment is necessary. Because permit and license renewal fees are not currently generating enough revenue to cover an increase with Receipt Supported Services (RSS) funding, General Fund funding is requested for this small increment. However, if SB 93 (CFEC fee bill) is passed by the legislature this session, the resulting increase in CFEC-generated revenues in subsequent years should be sufficient to fund anticipated future CFEC costs associated with implementing the provisions of CSSB113(RES) with RSS funds.

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ALASKA STATE LEGISLATURE



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Letter of Intent – April 25, 2005

SB 113: Gulf of Alaska Groundfish Fishery

The Memorandum of Understanding between the Alaska Board of Fisheries (BOF) and the Alaska Commercial Fisheries Entry Commission (CFEC), with respect to the Gulf of Alaska Groundfish Fisheries, is hereby adopted as a Letter of Intent.

A copy of that four page document, signed by Bruce Twomley, Chair of the CFEC and Arthur N. Nelson, Chair of the BOF, dated April 5 and 6 2005 respectively, is attached and made part of this document.

Memorandum of Understanding between the Alaska Board of Fisheries and the Alaska Commercial Fisheries Entry Commission with respect to the Gulf of Alaska Groundfish Fisheries

SB113 (the Act) is now pending before the Alaska State Legislature and, if passed, would authorize (but not mandate) a dedicated access privilege program (as defined in the Act) as a new, alternative form of limited access potentially applicable for limiting access to the Gulf of Alaska groundfish fisheries within State of Alaska jurisdiction.

AS 16.43.530(a) [Sec. 5, lines 4-8] provides in relevant part:

If the commission finds that entry into a Gulf of Alaska groundfish fishery should be limited on the basis of dedicated access privileges to serve the purposes of this chapter, the commission may adopt regulations, developed in conjunction with the Board of Fisheries, that are necessary to establish and implement a dedicated access privilege program for that fishery.

This Memorandum of Understanding (MOU) between the Alaska Board of Fisheries (the Board) and the Alaska Commercial Fisheries Entry Commission (the Commission or CFEC) sets forth the agreement between the Board and the Commission outlining the procedure by which the two bodies intend to develop regulations in conjunction with each other. The purpose of this MOU is to provide a working definition of the phrase "in conjunction with" as understood by the two bodies. When this agreement is finalized, the Board and the Commission will present the agreement to the legislature and propose the agreement be incorporated into the legislative history of the Act.

This agreement will take effect on passage of the Act.

In this agreement, references to the Board and to the Commission include representatives of each body delegated to ensure the outlined procedure may go forward in a timely fashion not restricted by the public meeting schedule of either full body.

In this memorandum, the term fishery refers only to Gulf of Alaska groundfish fisheries as specified in AS 16.43.530(a).

To outline the steps in the process by which the Board and the Commission will develop regulations for the Gulf of Alaska Groundfish fisheries under the Act, the Board and the Commission agree as follows.

(1) As practicable, the Board will continue to explore options through the Gulf of Alaska Groundfish Rationalization Committee process and will continue to include the Commission or its representative in such meetings.

(2) As soon as practicable, the Board, in consultation with the Alaska Department of Fish and Game (ADF&G), will identify for the Commission the particular fisheries the Board believes to be most in need of immediate review. Similarly, the Board will identify those fisheries the Board believes do not require limited access at this time. The Board may also transmit any guidance the Board wishes to offer with respect to the fisheries.

Neither the Board nor the Commission will be proposing limited access for a fishery in the absence of an express request from participants in the fishery to do so. This practice pre-exists this agreement: in more than 20 years, the Commission has not proposed limitation of any fishery without a specific request from the public to do so, and the commission has turned down many requests it has received.

(3) In light of the information presented by the Board and ADF&G, the Commission will develop data and analyses of the fisheries and generally examine the fisheries under the standards set forth in the Act.

(4) When the Commission develops preliminary findings or a proposal for any of the fisheries, prior to making a public proposal for the adoption of regulations, the Commission will present its preliminary

findings or proposal to the Board for the Board's review and guidance under the standards set forth in the Act. The Board and the Commission will meet to discuss these matters. The Board may concur in the Commission's preliminary findings or proposal. In the event the Board takes issue with any preliminary findings or the proposal, the Board shall specify for CFEC how the particular matters fail to meet the standards set forth in the Act or other policy goals of the Board. Upon notice of such issues, CFEC will reconsider any of its preliminary findings or its proposal and report the results of its reconsideration to the Board.

(5) When CFEC proposes regulations for a fishery, during the following public comment period, the Board and CFEC will hold joint hearings to receive public comment on the proposal. In addition, the Commission will share any written public comment it receives with the Board.

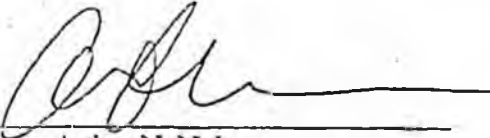
(6) In addition to the Board's opportunity to comment under the procedures of paragraphs (2), (4), and the following paragraph (7), the Board is free to comment throughout the public comment period.

(7) Following the public comment period, based on public comment received, the Commission will develop and present to the Board its preliminary findings with respect to the proposed regulations including proposed modifications of the original proposal. The Board may concur in these preliminary findings. In the event the Board takes issue with any of the preliminary findings, the Board may ask the Commission to reconsider its preliminary findings specifying where they failed to serve standards set forth in the Act or other policies of the Board. In the event the Board raises such issues, the Commission will reconsider any of its preliminary findings.

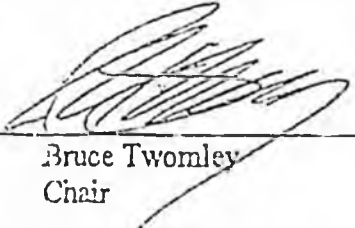
(8) In making their final decision on proposed regulations for a fishery, the Commission will fully consider any comments by the Board and will specifically address those comments in writing in the Commission's rationale supporting its final decision.

(8) Future Commission regulatory proposals pursuant to the Act will be governed by the procedures outlined herein.

Alaska Board of Fisheries

by  4/6/2005
Arthur N. Nelson Date
Chair

Alaska Commercial Fisheries Entry Commission

by  4/5/2005
Bruce Twomley Date
Chair

Alaska State Legislature
PRESIDENT OF THE SENATE

RECEIVED

APR 15 2005

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SENATOR BEN STEVENS

CHANGES IN SENATE BILL 113

CS SB 113 – “An Act relating to entry into and management of Gulf of Alaska groundfish fisheries.

1. Page 2, ll. 24-25 – ADDS “except for mechanical jigging machine fisheries”

This would remove mechanical jigging fisheries within state waters from consideration of a DAP program.

2. Page 6, ll. 3-7 – ADDS “(2) “Gulf of Alaska groundfish fishery” means a fishery in the Gulf of Alaska in which groundfish are taken in a specified administrative or registration area using a specified type of fishing gear that is either pelagic trawl, non-pelagic trawl, pot, or longline gear; “Gulf of Alaska groundfish fishery” does not include mechanical jigging machine fisheries.”

This clarifies what fisheries would be available for consideration of a DAP program.

3. Page 6, ll. 17-20 – ADDS “(d) Notwithstanding AS 16.05.815 and AS 16.43.975, the commission or the Department of Fish and Game may release to the owner of a vessel information on the vessel’s history of harvests in a fishery that is necessary to apply for a dedicated access privilege issued under AS 16.43.530.”

The success of a dedicated access privilege program may depend on the state’s ability to limit access of skippers and vessels based on their past fishing history. Through its licensing and catch records, the state has information to determine vessel eligibility. This addition enhances the breath or scope of the bill.

Currently the vessel owner does not have direct access to this information. The vessel owner can get the information only by (1) locating former captains and obtaining their authorization to release the catch information (not always a workable option); or (2) obtaining a court order under AS 16.05.815 for release of the information. Either of these two options can be too burdensome to a vessel owner attempting to establish the vessel’s eligibility under state-imposed deadlines.