

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

3006 SCOMM 134: HOUSE SPECIAL COMMITTEE ON WAYS & MEANS 2003-04

Subject: sales tax legislation

Date: Fri, 2 May 2003 16:16:15 -0800

From: "Daniel W. Swift" <dswift@acsalaska.net>

To: <Representative_Mike_Hawker@legis.state.ak.us>,
<Representative_Jim_Whitaker@legis.state.ak.us>,
<Representative_Cheryll_Heinze@legis.state.ak.us>,
<Representative_Vic_Kohring@legis.state.ak.us>,
<Representative_Norman_Rokeberg@legis.state.ak.us>,
<Representative_Bruce_Weyhrauch@legis.state.ak.us>,
<Representative_Peggy_Wilson@legis.state.ak.us>,
<Representative_Max_Gruenberg@legis.state.ak.us>,
<Representative_Carl_Moses@legis.state.ak.us>,
<Representative_David_Guttenberg@legis.state.ak.us>

I am very pleased that the Legislature is considering some taxation. I think it is very important that we continue, and even improve, vital services. This cannot be done if all the Legislature does is cut. However, I would really like to see an income tax instead of a sales tax.

The mantra of "not taxing hardworking Alaskans" is used by many legislators as an excuse not to use the income tax. But what does a sale tax do? It taxes hardworking Alaskans as much if not more than an income tax. With an income tax the poorest people would pay little or nothing. With a sales tax the poorest people get no more breaks than the wealthiest. Also, the income tax would hit non-resident workers harder than a sales tax, especially pipeline workers, who spend next to nothing in the state.

The biggest advantage of an income tax right now, though, is its simplicity. It could be enacted, as a percentage of the federal tax, right away. According to news reports, with all the details of a sales tax that are under discussion, it may be impossible to pass it this year. WE NEED TAXES NOW. Please consider an income tax.

Thank you,
Ann Swift
3181 Anella Ave.
Fairbanks, AK 99709

Subject: Sales Tax or Income Tax

Date: Sun, 27 Apr 2003 19:45:08 -0800

From: Mike Dynes <dynes@gci.net>

To: Representative_Jim_Whitaker@legis.state.ak.us

I agree with cutting spending, but after that---

I would agree with a state-wide sales tax, year round--up to 2% in winter & up to 5% in the tourist season. That would cover the expenses also of campers who do not pay bed tax or camping fees. Include tax on food, if necessary, but not on services.

I oppose income tax. For those of us who are self-employed, who pay the self-employment taxes, another estimated tax payment would be over-powering! We spend more, if we have the money & choose to spend. If our personal employment & mortgage & living expenses are high compared to our income, then we must spend less. Income tax takes away that freedom.

Marsha Dynes
Nationally Certified Piano Teacher
North Pole Keys & Song
President of Interior Alaska Keyboard Teachers
And Mike Dynes
President of Alaska Wilderness Youth Camps
Dynes Construction

Subject: <<< Support on Sales Tax >>>

Date: Mon, 5 May 2003 06:19:07 -0800 (Alaskan Daylight Time)

From: "Gary L. Mastolier" <glm@xyz.net>

To: <Representative_Jim_Whitaker@legis.state.ak.us>

Dear Representative Whitaker:

I support you 100% on an across the board sales tax for the state. I feel it is the fairest of the tax alternatives.

Gary L. Mastolier
Homer, Alaska
(907) 235-5134

Subject: I support a 2-3% sales tax

Date: Mon, 28 Apr 2003 21:43:54 -0800

From: Wiley Brooks <wbrooks@gci.net>

To: <Undisclosed-Recipient:;>

I'm not fond of taxes of any type. But, if I must pay one or the other, I favor a sales tax. Reasons:

1. It's a tax on consumption rather than earnings, hard work & entrepreneurialship.
2. Visitors to state pay for services just as we do when we go outside
3. A sales tax requires less bureaucracy, fairer, harder to evade than an income tax
4. Not tied to the rotten, convoluted system administered by the IRS

A national sales tax (known as FairTax) to replace the federal income tax is gaining interest in Congress. In fact Don Young has sign on as a co-sponsor of H. CON. R. 141, a resolution to the floor for Congress to agree that it is time to renew the charge to bring the issue of tax replacement into the forefront.

If you are interested in learning more about the FairTax, you can click below. There are a lot arguments in the site for a sales tax over an income tax. I would especially urge you to read the "Research".

<http://www.fairtax.org/>

Wiley Brooks, RPA District 28 Chair

Subject: support for sales tax

Date: Sat, 26 Apr 2003 10:24:34 -0800

From: Robin Hill <willynilly@alaska.com>

To: Senator_Robin_Taylor <Senator_Robin_Taylor@legis.state.ak.us>,
Senator_Ralph_Seekins <Senator_Ralph_Seekins@legis.state.ak.us>,
Senator_Lyman_Hoffman <Senator_Lyman_Hoffman@legis.state.ak.us>,
Senator_Lyda_Green <Senator_Lyda_Green@legis.state.ak.us>,
Senator_Hollis_French <Senator_Hollis_French@legis.state.ak.us>,
Senator_Gary_Wilken <Senator_Gary_Wilken@legis.state.ak.us>,
Senator_Donny_Olson <Senator_Donny_Olson@legis.state.ak.us>,
Senator_Con_Bunde <Senator_Con_Bunde@legis.state.ak.us>,
Senator_Ben_Stevens <Senator_Ben_Stevens@legis.state.ak.us>,
Representative_Vic_Kohring <Representative_Vic_Kohring@legis.state.ak.us>,
Representative_Pete_Kott <Representative_Pete_Kott@legis.state.ak.us>,
Representative_Jim_Whitaker <Representative_Jim_Whitaker@legis.state.ak.us>,
Senator_Gene_Therriault <Senator_Gene_Therriault@legis.state.ak.us>

As a parent of a child with multiple disabilities I support a year round sales tax to increase revenues. We cannot balance the budget by cuts alone, and to cut services for those individuals who need it most is cruel and puts the individual at risk.

I ask that you restore the \$2.2 million to developmental disabilities community services grants. This money provides a safety net and offers crisis support to families and individuals with developmental disabilities. Also, please restore the \$250,000 that was cut from the Infant Learning Services budget.

Thank you.

May 1, 2003

Representatives of the House Ways & Means Committee

Ref: State wide sales tax;

Though we are fiscal conservatives, the 3 voters in our house-hold are against a state wide sales tax. Our community already has a 6 % tax to pay for services that have been cut from revenue sharing. Increasing it would shift more buying out of our communities. Why don't the cities like Anchorage have a sales tax

We support a graduated State income tax. A significant portion would be deductible from our federal income tax. It would also tap those workers who make their living here use our service and go home to Oklahoma and Texas or Seattle.

We also endorse increasing the oil royalties paid to the State.

Sincerely:
Patrick, Patricia and Aaron Holmes
Box 2651
Kodiak, AK 99615

Cc
Senator Gary Stevens

MAY-02-2003 FRI 09:59 AM
5-02-2003 7:49AM

SITKA LIO
FROM REEDERS/VI'S APARELP 907+747+3622

907 747 5807

P. 03
P. 1

REEDER'S INC., d/b/a

BRENNER'S
Fine Clothing & Gifts

124 Lincoln Street
Sitka, Alaska 99835

907-747-3468

907-747-3622 (Fax)

FAX TRANSMITTAL SHEET

DATE: _____

TIME: _____

PLEASE DELIVER TO: MARIE

FAX NO: 747-5807

TOTAL PAGES (w/ Cover Sheet) (2)

MESSAGE:

Mailed: _____ Not Mailed: _____

I THINK A 3% STATE SALES TAX WOULD HURT
SOUTHEAST COMMUNITIES WHO ALREADY HAVE A CITY SALES
TAX - AS A BUSINESS OWNER IT WOULD HAVE A
HUGE IMPACT ON OUR SALES - MANY PEOPLE WHO
SHOP LOCALLY WOULD NO LONGER SPEND AN EXTRA 8%+
ALSO ALASKA BUSINESS'S HAVE A DISADVANTAGE OVER
OTHERS IN THE LOWER 48 DUE TO HIGHER FREIGHT
COSTS - THE COMMUNITIES THAT ALREADY COLLECT
SALES TAX SHOULD MAYBE COLLECT AN EXTRA 1%
FOR THE STATE AND THOSE WHO DO NOT HAVE A
SALES TAX SHOULD HAVE TO COLLECT UP TO 5% - 6%
TO EVEN OUT THE PLAYING FIELD -

Brenner *St. E. Brenner*
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MAY-02-2003 FRI 09:59 AM

SITKA LIO

907 747 5807

P. 02

5-02-2003 7:49AM

FROM REEDERS/VI'S APARELP 907+747+3622

P. 2

BRENNER'S INC., D/B/A

BRENNER'S
Fine Clothing & Gifts

124 Lincoln Street
Sitka, Alaska 99835

907-747-3468

907-747-3822 (Fax)

FAX TRANSMITTAL SHEET

DATE: _____

TIME: _____

PLEASE DELIVER TO: _____

FAX NO: _____

TOTAL PAGES (w/ Cover Sheet) _____

MESSAGE:

Mailed: _____ Not Mailed: _____

THE STATE SHOULD NOT PUT SOUTHEAST
COMMUNITIES AT A DISADVANTAGE BY HAVING A
HIGHER % OF SALES TAX WHAT SHOULD HAPPEN IF
TOWNS ALREADY HAVE A SALES TAX THEY SHOULD HAVE
TO ADD WHATEVER % TO EQUAL 6% SO IN SITKA
WE WOULD ADD 1% IN ANCHORAGE AND OTHER
TOWNS UP NORTH THEY WOULD ADD 6% SO ALL
TOWNS STATEWIDE WOULD PAY 6% SOME
WOULD GO ALL TO THE STATE - OTHERS THEIR
TOWNS

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PLEASE CALL US AS SOON AS POSSIBLE IF TRANSMISSION IS NOT COMPLETE! (907) 747-3468.

TO: HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS
STATE CAPITOL, JUNEAU, ALASKA

PLEASE DON'T PUT A SALES TAX ON RENT. IT ALREADY TAKES
HALF OF MY SMALL FIXED INCOME AND I AM YEARS DOWN ON ANY
WAITING LIST TO EVEN BE ELIGIBLE FOR SUBSIDIZED HOUSING.

PLEASE DON'T TAX THE MEDICAL SUPPLIES I USE TO STAY ALIVE,
NUTRITIONAL SUPPLEMENTS THAT CONTROL PAIN AND LOSS OF
MOBILITY, ESSENTIAL VITAMINS, INCONTINENT SUPPLIES,
PRESCRIPTIONS, AND FOOD. I'VE LONG GIVEN UP FRILLS LIKE
COFFEE, JUICE, OR AN OCCASIONAL INEXPENSIVE MEAL OUT.

IT TAKES THE LONGEVITY BONUS PAYMENT IN ADDITION TO MY
LITTLE SOCIAL SECURITY JUST TO SCRAPE BY--AND I AM NOT
ALONE. HOW THOSE WHO DO NOT LIVE IN A CITY MANAGE IS
A MIRACLE BECAUSE EVERYTHING COSTS MORE, BEYOND THE USUAL
ALASKA UPTICK FOR FREIGHT COSTS. THAT ALONE ACTS AS A
FORM OF SALES TAX.

NO ON SB 117/HB 158
YES ON FUNDING LONGEVITY
LIMITS ON SALES TAX

FOR A SMALL % INCOME TAX
GRADUATED FOR FAIRNESS

E. M. CASEY, AN OLD VOTER

8480 Jewel Lake Rd
Anchorage, AK 99502
tel 243 8530

APRIL 26, 2003

Subject: Sales Tax

Date: Sat, 26 Apr 2003 21:38:21 -0700 (PDT)

From: Michael McKinnon <excalibursports@yahoo.com>

To: Representative_Jim_Whitaker@legis.state.ak.us

Rep. Whitaker, I own a small business in Fairbanks. I am very upset that the legislature is planning on solving the states fiscal problems on the back of the small business man. If the state institutes a sales tax it will cost me time and money to collect and keep track of tax monies. If I am forced to do this, I will have to stop giving the men and woman who serve in our military, and my more loyal customers the 10% discount that we now offer. I will have to post a notice in my business stating why I can no longer give this discount. I will also list the names of everyone who voted to institute this 3% sales tax, which will actually end up costing them a total of 13%. These are your constituents Rep. Whitaker, and I would hope that you would look out for their best interests. There are other ways of raising revenues that would be fairer to the small business man. Thanks for your consideration on this matter.

Sincerely,

Mike McKinnon
Excalibur

Sports

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<http://search.yahoo.com>

Subject: Sales tax**Date:** Wed, 07 May 2003 11:30:15 -0800**From:** "J.P.\"Jake\"Jacobson" <huntfish@ak.net>

To: "Sen. Gary Stevens" <Senator_Gary_Stevens@legis.state.ak.us>,
 "Ogg, Dan" <Representative_Dan_Ogg@legis.state.ak.us>,
 "Rep. Kelly Wolf" <Rep._Kelly_Wolf@legis.state.ak.us>,
 "Rep. Mike Hawker" <Rep_Mike_Hawker@legis.state.ak.us>,
 "Rep. Jim Whitaker" <Representative_Jim_Whitaker@legis.state.ak.us>,
 "Rep. Cheryl Heinze" <Rep_Cheryll_Heinze@legis.state.ak.us>,
 "Rep. Vic Kohring" <Representative_Vic_Kohring@legis.state.ak.us>,
 "Rep. Norman Rokeberg" <Representative_Norman_Rokeberg@legis.state.ak.us>,
 "Rep. Bruce B. Weyhrauch" <Rep_Bruce_Weyhrauch@legis.state.ak.us>,
 "Rep. Peggy Wilson" <Representative_Peggy_Wilson@legis.state.ak.us>,
 "Rep. Max Gruenberg, Jr." <Rep_Max_Gruenberg@legis.state.ak.us>,
 "Rep. Carl Moses" <Rep_Carl_Moses@legis.state.ak.us>,
 "Rep. Scott Ogan" <Senator_Scott_Ogan@legis.state.ak.us>,
 "Sen. Gary Wilken" <Senator_Gary_Wilken@legis.state.ak.us>,
 Senator John Cowdery <Sen_John_Cowdery@legis.state.ak.us>,
 "Sen. Robin Taylor" <Senator_Robin_Taylor@legis.state.ak.us>,
 "Rep. John Coghill" <Representative_John_Coghill@legis.state.ak.us>,
 "Rep. Hugh Fate" <Representative_Hugh_Fate@legis.state.ak.us>,
 "Rep. Carl Gatto" <Representative_Carl_Gatto@legis.state.ak.us>,
 "Rep. Pete Kott" <Representative_Pete_Kott@legis.state.ak.us>,
 "Rep. Beverly Masek" <Representative_Beverly_Masek@legis.state.ak.us>,
 "Rep. Lesil L. McGuire" <Rep_Lesil_McGuire@legis.state.ak.us>

Dear Legislators, 5-7-03

The government seems to deny it, but we are in a very inflationary period, nationally. 3% increase in the cost of supplies, equipment, etc. is absorbed without much protest or recourse by everyone. Surely a 3% sales tax is not too onerous a burden to pay for government.

I gave testimony this morning at the Kodiak LIO & here is what I had to say.....

Testimony for Alaska State Hearing scheduled for 7am May 7, 2003

The question is not whether to tax, but how to tax most equitably. The precept of equal rights & responsibilities should be followed here, as elsewhere in government.

Clearly, the most popular taxes are those that are paid by others. I read recently that 45% of the US population pays no income tax. In 2000, of the 630,000 Alaskans, only 242,000 paid income taxes on incomes above \$10,000. That's a paltry 38% paying, with 62% not paying. When a large section of the citizenry pays no tax, bureaucratic manipulation (tax increases, exemptions, subsidies, etc.) of that tax can be done with minimal public outcry & input - after all, the other guys are paying. When a tax is levied on a clear majority of the population or better yet, seems to fall equally on everyone, increases in that tax, for whatever reason, will be subject to greater scrutiny & investigation by more people & the level of public participation in government should increase dramatically.

In stead of an income tax, I strongly favor a sales tax as no other form of taxation in use currently falls so equally on such a high percentage (100%) of the population. Consider the situation with this as the only tax, i.e. no personal or real property tax (which are the most unfair taxes of all), no special fuel or telephone taxes, surcharges, etc. -no other taxes whatsoever.

We'd have an up front, easy to understand tax.

Exemptions will be considered & I favor exempting all prescription drugs, most medical & dental care, basic foodstuffs such as fresh fruits, vegetables, dairy products, meat & fish. I would tax the bejeebers out of soda pop, candy, precooked chicken, pizzas & all types of booze, to name a few. We have a method of constructive social engineering here.

Everyone from residents to outsider workers to tourists using public facilities from roads & airports to our clean air, would help shoulder the cost burden of these things which are so often taken for granted.

Citizens receiving public financial assistance would see an increase in their receipts consistent with the sales tax increase.

The cost of collecting this tax would be minimal, as would be the bureaucracy needed to administrate it.

Public participation in government and scrutiny of government spending, should increase with more cost/benefit analysis of public programs & hopefully less pork barreling.

Of course, our liberal politicians would resist this change in taxation even more than accountants, attorneys & lobbyists. Most liberal politicians prefer a quiescent populace serving as their cash cow. Imagine the public outcry if increases in the general sales tax were tied to controversial projects like so many lobied-for & granted boondoggles.

I favor a state lottery tied in with multi-state programs like PowerBall. I favor a once per annum entry (by land, air & sea) fee for every person who cannot show proof of Alaska residency. This fee should be \$49 or \$100. Let each individual who comes up help pay for maintaining all that Alaska is, including the scenery. This is better than Disneyland !

I hear complaints against a sales tax. I am reminded of my young children who made eloquent arguments against having to clean their room or wash the dishes. In rural communities, like mine, the cost of living is higher, but we exercise freedom of choice in where we live & must take the bad along with the good. It will always cost more to live in rural Alaska.

Today's Anchorage Daily News reports that Alaska's bond rating may go down without this sales tax measure, which will have a negative effect on the entire state.

Nels Anderson from Dillingham suggested that communities with no sales tax be mandated to levy one to make sales taxes uniform throughout the state. I favor this. You might consider setting an 8% tax statewide, returning 5% to individual communities from which it was collected. As this would result in a maximum of 5% instead of 6% for some communities already with a 6% sales tax, I believe downsizing local governments must be done, also. We still see pork barrel, boondoggles in Kodiak which we can well live without.

As I said before, we should encourage equal rights & responsibilities, let all participate in government & financial stewardship of our wonderful state. I hope you are successful in imposing this 3% statewide sales tax. Jake Jacobson, Kodiak

Subject: HB293

Date: Tue, 6 May 2003 07:27:12 -0800

From: "Linda Swarner" <lswarner@ci.kenai.ak.us>

To: <Representative_Jim_Whitaker@legis.state.ak.us>

Representative Whitaker,

As a local, elected official, I urge you to slow down the process of this bill due to the numerous ramifications of implementing a statewide sales tax effectively January 1, 2004. I do understand the State of Alaska's financial situation as we in the City of Kenai suffer from the loss of our major sales tax generator-Kmart-as we attempt to balance a budget.

I urge you, fellow legislators, and the Governor's office to work with the Alaska Municipal League on a financial plan for the state in a joint partnership. I, as a member of the AML Legislative Committee, am willing to work on such a plan and be your partner. An Alaskan since 1957, I have attended and participated in many meetings discussing the State's fiscal plan. As a former resident of Fairbanks, I do remember paying the sales tax when making purchases there.

We as local communities lose control and the ability to allow exemptions as the bill is currently written. In the City of Kenai, we have a 3% sales tax which we use to fund our operating budget. With these funds we maintain road miles which we willingly accepted from the State of Alaska.

Residents already turn to the Internet for purchases and a statewide sales tax would increase those sales as people look for bargains and to meet their personal budgets.

Thank you,
Linda Swarner

CUT HERE

Subject: CUT HERE

Date: Tue, 6 May 2003 09:38:30 -0800

From: "NPGraphics" <npgraphics@mosquitonet.com>

To: <Undisclosed-Recipient::>

Dear Alaska Legislators.....

CUT HERE....

Welfare - the state's general fund portion exceeds one half billion dollars. Cut welfare payments by 400 million, and the spending deficit disappears.

Why do you think it is better to levy more taxes on the working people - to subsidize welfare. It can only hurt our economy, and further damage our state.

State Employees -

A study performed for the Legislative Budget and Audit Committee concluded that the average state employee compensation package was about 15% above the upper range of benchmarked jobs. You can find the study at:

The FY 02 State of Alaska Certified Annual Financial Report, indicates that there is about \$5 billion in reserves available for appropriation, if the legislature had the political will to access the funds, in addition to the \$4 billion available from the Constitutional Budget Reserve, for a total available to the legislature of about \$9 billion.

There is room for fiscal restraint - taxation of the people is **Not Needed or Warranted**.

Both of these reports are available from the State of Alaska web site.

Linda Russell
POB 56711
North Pole, AK 99705
PH: 907-488-4301

Subject: Statement in support of a Sales Tax

Date: 06 May 2003 06:47:57 -0800

From: Don Anderson <don.anderson@softwarerorth.com>

To: Mike Hawker <Representative_Mike_Hawker@legis.state.ak.us>,
Jim Whitaker <Representative_Jim_Whitaker@legis.state.ak.us>,
Cheryll Heinze <Representative_Cheryll_Heinze@legis.state.ak.us>,
Vic Kohring <Representative_Vic_Kohring@legis.state.ak.us>,
Norman Rokeberg <Representative_Norman_Rokeberg@legis.state.ak.us>,
Bruce Weyhrauch <Representative_Bruce_Weyhrauch@legis.state.ak.us>,
Peggy Wilson <Representative_Peggy_Wilson@legis.state.ak.us>,
Max Gruenberg <Representative_Max_Gruenberg@legis.state.ak.us>,
Carl Moses <Representative_Carl_Moses@legis.state.ak.us>

CC: Dana Anderson <dana.anderson@softwarerorth.com>

Tuesday, May 6, 2003, 7 a.m.

Members of the House Committee on Ways & Means,

Attached is my statement giving some reasons I can claim a state sales tax does less damage to our economy than a state income tax.

Since I cannot attend the teleconference my statement will be read by Dana G. Anderson at your Anchorage office.

Please feel free to direct your questions to the e-mail address below.

best wishes,

Donald N. Anderson, Ph.D.
don.anderson@SoftwareNorth.com
Anchorage, Alaska
(907) 561-4412 / (800) 228-3846

 030506; Sales tax statement.doc	Name: 030506; Sales tax statement.doc Type: WINWORD File (application/msword) Encoding: base64 Download Status: Not downloaded with message
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5/6/2003

To: House Ways & Means
Representatives Hawker & Whitaker, co-chairs

From: Donald N. Anderson
Fax: 563-5002
Voice: 561-4412

Date: 5/6/03

Re: Statement in support of a state sales tax in preference to a state income tax

The headline in Monday's Anchorage Daily News proclaimed "Sales Tax would fall hardest on poor, experts say."

This is false.

But to see why, we need to examine where these "expert" analysts with their simple minded calculations go wrong.

First. They confuse the incidence of a tax with its impact. For example in the ADN article they claim the higher percentage of income paid by the poor represents the impact of this tax. It does not! This is only the initial incidence of the tax and does not begin to trace it's impact on all the players in our highly complex economy. (In fact the poor pay taxes on 123% of their income in the ADN example).

Any change in the form or rate of taxation sets off a complex series of adjustments in the economy that are too elaborate to model. In short, unless we know how each person's situation

changes with respect to job, work time, income, and retirement as well as taxation, we cannot claim that a sales tax impacts the poor more than an income tax. Only long term empirical studies can provide any guidance.

In fact empirical evidence suggests just the opposite.

Second. Income tax proponents ignore the effects on the economy. Taxation does not occur in isolation. Federal and state income and sales taxes affect where people live, where they set up businesses, who and how many they employ, when they work, when they retire and a host of other economy affecting decisions.

A strong economy can employ a very high percentage of the available workers. As an economy weakens as a result of increased inappropriate taxation, the marginal workers are often laid off first. Losing 100% of your income is a pretty high rate and it is visited not as the incidence of taxation – for none is paid by the victim. Rather it is the ugly impact of perverse incentives fostered by high or inappropriate taxation.

A grim example of ignoring the effects of taxation is the federal government's continued use of "static scoring" to predict revenue changes when they change the tax rates. They continue to use this model in spite of the fact it has been wrong every time it was applied to tax rates. For example it has predicted a revenue loss when the capital gains rate is lowered. They are now wrong 8 for 8 since 1913 and still failing. By comparison the Alaska legislature looks like the descendants of Einstein.

A little thought might show income tax proponents that their incentives schedule is all wrong. They are discouraging productive behavior!

Long experience has shown that removing incentives for productive behavior make us all poorer, rich and poor alike. In their eagerness to flatten apparent income they end up driving a steam-roller over the poor.

Now let's examine the empirical results of comparisons between the growth in sales tax states and income tax states. There is a wealth of evidence from other states to demonstrate that growth is suppressed by any income tax. Evidence also demonstrates that an income tax reduces per capita incomes.

Income (inflation adjusted, per capita) has increased 89% since 1970 across the U.S. However, the 8 states without an income tax (Alaska excluded) had increases averaging 96% compared to 81% in the 8 highest tax states.

Over a longer period (since 1948) income in zero-income tax states grew faster than high tax states by 29%.

High income tax states as a group have seen their per capita wage decline to 91% of the national average. Meanwhile non-income tax states have increased incomes from well below to the national average.

Nine states that recently implemented an income tax showed slower growth than other states.

A pair-wise comparison of states that are demographically similar shows that in each case an income tax state has less personal income growth than a no income tax state:

Tennessee beats Kentucky,
Texas beats Oklahoma,
Florida beats California,
New Hampshire beats Vermont, and
South Dakota beats North Dakota.

Forget the usual catch phrases of “regressive” or “progressive”. These are mere advertising slogans dreamed up by income tax proponents to demonize other taxes. Look at the underlying reality. They have defined:

“Regressive” to mean taxing people according to what they consume – what they take out of the economy for their own benefit.

“Progressive” means taxing people according to the value of what they produce – what they do for other people.

I’ll take “regressive” tax any day. I want to encourage people to work, save, invest, and create wealth - not punish them for this socially beneficial activity.

Proponents of an income tax complain that the rich don’t pay enough under a sales tax. Is a tax system to be built to assuage someone’s feelings of envy? I would prefer a solid plan to obtain revenue with the least expense, time waste, and economic damage. Someone who will accept an inferior tax because it punishes the “rich” must also accept my contempt.

Remember, some people are looking at the incidence of the income tax rather than it's impact. If modeled on the Federal law the incidence of the income tax is primarily on the upper half of the income earners with this group paying about 95% of this tax. However, the impact of this tax is felt most strongly at lower incomes where it leads to higher unemployment. This and other attempts at shifting wealth from more economically capable to less economically capable hands fail because the resulting damage hurts both groups. Jobs disappear when the "wealthy" are unable to invest, and they often take their talents and depart to more tax hospitable climes. I have never been offered a job by a "poor" person.

Alaskan legislators have done a fine job over the last decade in resisting the usual pressures to expand government to destructive levels. Their job would be more difficult with an income tax. The experience of other states shows that the 8 highest income tax states spent 40% more per capita than the non-income tax states.

An Ohio University economist has calculated that personal income increases 3.6% for every 1% reduction in state tax burden. I suspect the converse is also true.

An economical government is the best hope of most citizens as all taxes damage the economy and particularly the least capable.

The empirical evidence from other states shows that this damage is accentuated by using an income tax rather than a retail sales tax.

Thank you for your attention.

Since I am reading this on behalf of Dr. Anderson who could not be here today, I will ask you to direct any questions to him via e-mail at:

don.anderson@SoftwareNorth.com

Dr. Anderson is an Anchorage business manager who wishes to give credit to Dr. Daniel J. Mitchell of The Heritage Foundation for the comparisons taken from his report discussing the repeal of the Oklahoma income tax entitled "A Competitive Oklahoma for the 21st Century".

Subject: Yes to new revenues; no to cuts

Date: Mon, 05 May 2003 21:34:36 -0800

From: Ginny McDowell <gmcowell@alaska.com>

To: Representative_Jim_Whitaker@legis.state.ak.us

Rep. Whitaker,

I would like to register one vote in favor of taxes! I wish Alaska would reinstate an income tax to pay for our state-provided services, none of which seem adequately funded as it is. The legislature has been cutting the budget for years. The cuts are hurting us! Let's not cut off our proverbial nose to save our proverbial face! Time for Alaskans to pay for their services. Whatever you think may pass--go for it! Please! Damage repair is expensive.

Ginny McDowell, your neighbor from District 7D

Subject: Broad Based Tax/Future Growth

Date: Mon, 5 May 2003 10:46:58 -0800

From: "Jim Yarmon" <jim@yarmon.com>

To: <representative_jim_whitaker@legis.state.ak.us>,
<representative_mike_hawker@legis.state.ak.us>

CC: <frank_murkowski@gov.state.ak.us>

To Jim Whitaker and Mike Hawker

Jim and Mike

Thanks for taking the time to visit with the Commonwealth North board this morning after the forum with Secretary of Education Rod Paige. Secretary Paige began his remarks by referring to several Texas rules of conduct, which he tries to follow. 1. Never squat with spurs on. 2. Never kick a cowchip on a hot day. 3. Never forego an opportunity to keep your mouth shut.

I have a feeling I'm about to violate rule 3, but I think the State is about to kick that cowchip, so perhaps I'll be excused.

It is clear that the fiscal crisis is upon us. If we ever hope to grow the economy and make Alaska a better place for our kids, we need to balance the budget and plan for future growth without assuming oil will bail us out. We need the broad based tax, either sales or income, so that those of us who benefit from living and working in Alaska pay our fair share. In the long run, a stronger economy and better quality of life will more than justify the cost of such taxes. Unfortunately, it may require using up the constitutional reserve funds and a real crisis before the solution can pass muster politically. I do hope the Governor will keep you in session until a tax is enacted and the budget balanced this year with some plans for the future.

As I indicated on the phone this morning, many other states are providing incentives for small business. I have been involved in venture capital, and so the examples attached and below reflect that bias. I absolutely believe that the State must have a plan to encourage small business, and as Governor Hickel repeats often, Alaska's resources are owned by the State, and it is the State that has the obligation to make the appropriate investments.

Good luck solving the problem this session. That cowchip is going to be really messy.

Jim Yarmon

New Utah Law Would Create \$100 Million Venture Capital Fund PSource 2003-04-26
 Ogden, Utah Utah Taxpayers Association this week unequivocally gave its backing to a controversial new law that will create a safety net for venture capitalists. At a conference the group hosted this week at the Little America Hotel, former Salt Lake organizing Committee CEO Fraser Bullock said House Bill 240, the Utah Venture Capitalist Enhancement Act, would create a path toward greater economic opportunities in Utah. HB 240 creates a \$100 million venture capital fund that will be held by the state but will consist of private money. The fund would be used to encourage the formation of technology companies but would also require those participating venture capitalists to set up a base in Utah. Those who invest in the fund are guaranteed a return of up to 6 percent on their investment. If that return is not possible through the fund's performance, a state reserve would kick in to ensure investors received that payment. When the reserve is exhausted, investors can then rely on a credit on their corporate franchise tax, but the state's liability would not exceed \$20 million. The new law, which takes effect in July, 2003.

Select Limited Partner with In-State Allocations

Limited Partner/Assets	Approximate Allocation
California Public Employees' Retirement System \$133 billion	\$485 million*
California State Teachers' Retirement System \$90 billion	\$250 million
New Mexico State Investment Council \$11 billion	\$166 million
New York State Common Retirement Fund \$104 billion	\$250 million
Public Employees' Retirement System of Ohio \$55 billion	\$20 million

*California Initiative LLC, a captive fund of funds created in 2000

RE: STATE BUDGET

Subject: RE: STATE BUDGET

Date: Wed, 07 May 2003 11:15:07 -0800

From: DA and Frank McGilvary <grammy@gci.net>

To: "Gov. Frank Murkowski" <Frank_Murkowski@state.ak.us>

DEAR GOVERNOR FRANK,

IT IS A FACT THAT OUR POPULATION HAS NOT INCREASED TO THE EXTENT THAT OUR STATE GOVERNMENT HAS INCREASED.

NOTE:

STATE EMPLOYEES NOW MAKING \$50,000 (salary and benefits) PER YEAR AUTOMATICALLY GET INCREASES (STEP RAISES) ANNUALLY FROM THEN ON. OUTGO annually INCREASES ...

FOR EVERY \$50,000 STATE JOB REDUCED THE STATE SAVES \$50,000 "PLUS ..." ANNUALLY FROM THEN ON.

IF 5% OF STATE EMPLOYEE JOBS WERE ELIMINATED THE STATE WOULD SAVE MORE THAN \$50,000,000.00 ANNUALLY, "PLUS+" FROM THEN ON WHICH IS MORE THAN THE PRESENT ANNUAL LONGEVITY BONUS.

OUR MIDDLE AND HIGHER STATE POSITIONS ARE TOP HEAVY, EXCESSIVE, AND MUST BE REDUCED. THINK ABOUT IT: 5% IS WHERE CUTS NEED TO START. (and NOT at the worker bee level)

WHILE THE LONGEVITY BONUS TO OUR SENIORS WHO HAVE LIVED HERE AND UNSELFISHLY CONTRIBUTED TO OUR STATE THRU THICK AND THIN FOR YEARS AND YEARS ...

DECLINES EACH DAY ... THE RECIPIENTS ARE DYING OFF DAILY.

THIS YEAR = \$47,000,000.00 ... DECLINING DAILY !! (PROBABLY EXTINCT IN 20 TO 25 YEARS)

HOW MANY OTHER GOVERNMENT PROGRAMS WILL BECOME EXTINCT?

This expenditure declines while the state employee costs increase. A PROMISE (contract) IS A PROMISE.

A SEASONAL SALES TAX, AS VISITORS WILL HELP FUND OUR STATE GOVERNMENT, IS ONE IDEA.

AN EARNED INCOME TAX WILL COLLECT REVENUE FROM OUT OF STATE WORKERS AND WILL NOT TAX SENIORS RETIREMENT INCOME.

I AM OPPOSED TO INCREASED GAS TAX AND SOME OF THE OTHER USER FEES BECAUSE THEY WILL INCREASE THE COST OF LIVING FOR ALASKANS AND NOT GENERATE THAT MUCH REVENUE.

Sincerely, Frank McGilvary
112 FAREWELL AVE.
Fairbanks, AK 99701-3624
907 452-6929
<grammy@gci.net>

Subject: <<< re State Sales Tax >>>

Date: Wed, 7 May 2003 06:49:29 -0800 (Alaskan Daylight Time)

From: "Gary L. Mastolier" <glm@xyz.net>

To: <Representative_Jim_Whitaker@legis.state.ak.us>

Some points I'd like to make regarding a state sales tax:

- 1 -- It is the fairest tax in the land. Unlike an income tax which penalizes for earning a living , or a higher property tax which penalizes for working hard to have a decent home, it is a tax that is optional. One has the option to buy or not buy. Yeah, even the "poor" spend money on non-essentials.
- 2 -- Make it a year-round tax to keep business on an even keel. As a seasonal tax it will cause confusion with businesses and will cause business to drop just before the tax ends at the end of the season as people will wait to purchase until the tax goes away.
- 3 -- As a past business man who saw the surprise on out-of-stater's faces when they learned there is no sales tax I know they will not stop buying in this state as they are used to it in their home states. I have even had many tourists express pleasure at no sales tax while saying "this is good for us but dumb for your state."
- 4 -- Keep our Permanent Fund Dividend in place. With a sales tax Alaskan's will still support the state by paying a sales tax on what they desire to purchase with that dividend money. It allows private citizens to still support the state coffers but by doing so through their choices on how they spend their money.
- 5 -- Again referring to tourists it brings outside money to the state. An income tax gathers money from money that is already in the state.
- 6 -- As a family we travel regularly to Anchorage from Homer to shop taking advantage of not having to pay a sales tax. If there were a sales tax in Anchorage we'd be more inclined to stay home to support local businesses.
- 7 -- Internet purchase can and will be taxed nation-wide eventually. Already I have had purchases taxed when they discover Homer does have a sales tax. The confusion with them is they want to charge a full 5.5% which is Homer's rate. They do not realize there is a \$27.50 cap on sales tax for Homer. It causes great confusion for buying over the Internet.
- 8 -- I am retired with a very modest fixed income which is low enough that I rarely pay federal taxes and therefore would not pay much into state coffers if we go the income tax route. Yet, even though it will cost me more if a state sales tax is enacted I still believe it is the fairest of the taxes. I have lived in three states without sales tax: Oregon, Montana, Alaska. I have lived in one state with a relatively high sales tax: California. I did not suffer economically from that state's sales tax.

Good luck on getting this through.

Gary L. Mastolier
Homer, Alaska

Subject: Sales Tax

Date: Wed, 07 May 2003 11:44:20 -0400

From: "William Bodle" <wlbodle@gci.net>

To: "The Honorable Jim Whitaker" <Representative_Jim_Whitaker@legis.state.ak.us>

William Bodle
328 Shannon Drive
Fairbanks, AK 99701

May 7, 2003

The Honorable Jim Whitaker
House of Representatives
Juneau, AK 99801-1182

Dear Representative Whitaker:

Dear Mr. Whitaker,

I am writing to express my concerns about instituting a sales tax as this time. I realize that we Alaskans must search for creative ways to help overcome our budget deficits but I feel the talk about a proposed sales tax is being rushed. As described in the papers and on television there will be no exceptions to the tax and I believe this will exacerbate many of the hardships Alaskans have to deal with in everyday life.

My particular concern is the possibility of a sales tax on medical care and perscriptions. My wife has been battling breast cancer for six years now and is currently receiving chemo therapy for her second reoccurrence. Some of the medication she is required to use to maintain red blood cell counts amounts to several thousand dollars a month. This is necessary to simply maintain life. I believe to tax someone who is simply pursuing the ability to stay alive is wrong both morally and ethically.

I therefore at this time must ask that the issue of a sales tax be postponed until given the deserved amount of study on potential impacts as well as conflicts can be determined and an equitable plan of action developed. Even with the dire state of our budget, I believe we can ill afford to rush into a solution that may well create more headaches than it will solve.

Thank you for your time and consideration

Sincerely,

William L. Bodle

Subject: Sales Tax Plan

Date: Wed, 7 May 2003 09:20:39 -0800

From: "Bill Madsen - Spenard Hostel International" <Stay@AlaskaHostel.Org>

To: <Representative_Jim_Whitaker@legis.state.ak.us>

Dear Representative Whitaker;

<? .ml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

I'm writing to you regarding the sales tax proposition. I'm neither pro nor con on this being the way out of the financial problems we have, however, I do have a request. If a sales tax is passed, and if this tax would include overnight accommodations, I ask that you please include an exemption for youth hostels in its collection.

My request is based on two reasons. First, the people utilizing this type of accommodation are primarily youth who are trying to see as much of their planet as they can on a very limited budget. They should barely even be considered consumers. The purpose and goal of a hostel is to provide the lowest possible price for shelter primarily for traveling youth. To this end, we only charge \$16 per day and all the hostellers help clean the building each day to keep prices as low as possible. I would hope that we, as a state, can be philanthropic enough to help this very small group see Alaska without trying to get a few extra nickels from them. Collectively they do not amount to a drop in the bucket to the state, but to them, every dime counts. They are trying to save all they can in order to see as much as possible.

Secondly, from a business standpoint, some of the hostels in the state are non-profits and some are not. The main Anchorage hostel is non-profit 503-c, and therefore exempt from collecting this tax (I assume). The other hostels in Anchorage are all for-profit. It creates a serious disadvantage to the 'profits' if we have to charge a tax that the non-profit doesn't. The Alaska Supreme court ruled a while back that just being a hostel is enough to warrant being non-profit tax-exempt, but that is not the way I prefer to operate my business unless taxes force me to in order to compete. I lobbied for, and received, an exemption to the bed tax from the Anchorage Assembly based on this same premise. To keep the playing field equal, to give something back to the youth, and to keep as many properties on the tax role as possible, they agreed to the exemption.

I am hoping that you agree and will make this case to your colleagues and include an exemption in the sales tax for hostels if such a tax is passed. If I am mistaken in my belief that the non-profit hostels in the state would be exempt from collecting this tax, please consider my request for an exemption on behalf of all hostels. We should help young people visit our state now, and they will return to spend real tourism money when they get older.

Thank you for your help or consideration.

Sincerely,

Bill A. Madsen, owner

Spenard Hostel International

Subject: sales tax

Date: Thu, 8 May 2003 07:45:34 -0800

From: "Basler" <baslerbb@mtaonline.net>

To: <Representative_Jim_Whitaker@legis.state.ak.us>

Dear Rep. Whitaker;

I don't think a tax of any kind is in order for the citizens of Alaska until we cut state spending, particularly state salaries.

I am a Land Surveyor. Just last Tuesday I received in the mail an approval from the State DNR an as-built survey of a 350 foot water line I did for a client in 2000. This survey was lost in the files of the Division of Mining , Land and Water for 3 years. What ever we pay these people it is way to much.

I sent Rep. Vic Kohring a copy of it and a letter that accompanied it to hang on his wall.

I propose we tax the first paycheck of every state employee \$5000. We can call it a trough tax.

As far as I am concerned you can eliminate all state departments except the one that maintains roads. This would not effect me or my family at all.

Sincerely,

Robert W. Basler

Subject:

Date: Thu, 8 May 2003 07:52:32 -0800 (AKDT)

From: "MAIER JULIE A. K." <ftjak@aurora.uaf.edu>

To: <Representative_Jim_Whitaker@legis.state.ak.us>

Dear Representative Whitaker,

First of all, let me say that I admire your foresight and courage in attempting to develop a fiscal plan for the state of Alaska. I'd like to work for you on your reelection campaign in 2004! I'm ok with the idea of a sales tax, although I think there is merit in the notion that sales tax should be left to municipalities and boroughs as a local form of taxation. Perhaps an income tax, which can be written off of federal taxes, would be better. Also, I do believe that necessities (food, pharmaceuticals, etc.) should not be taxed. I'd rather see an increase in the tax rate (e.g. 4% rather than 3%) and no tax on necessities, realizing that some foods could and should be taxed (e.g., candy, McDonalds, and so on). There truly are people in Fairbanks who are already barely making ends meet. We don't spend alot of money on extras but obviously have to eat! If you did choose an income tax rather than a sales tax, I'd like to see the first \$10,000 or \$15,000 of income be exempt. Further, I am against the so-called user fees being discussed by the administration and legislature. The reason is that they disproportionately affect poor people. In other words, \$8 (the total fee on studded tires) is a lot more money for a person barely making ends meet than it is for an affluent person. Going up from a \$25/year business license to a \$100/year is outrageous for a business that still hasn't found its wings, though the change probably won't affect someone who owns a car dealership. Finally, I am very willing to pay my way through life. I accept it as a responsibility to support my state and country and I am teaching that to my kids but I do believe its important to not push folks who are having a hard time even further into the dumps. We have to be creative, think outside the box. I will vote to allow you to have a portion of my permanent fund (actually I'd give the whole darn thing up) if it is dedicated to education and not thrown willy nilly into the general fund. I do not support spending an annual million plus lobbying to open the Arctic Refuge - it isn't working so its good money after bad. I do not support spending \$10 million on investigating the efficacy of roads out in the middle of nowhere. I agree with Senator Bunde that most of the roads proposed by the governor are not feasible and will cost us millions rather than bringing in revenue. I heard that straight from the mouth of a DOT engineer who said the only feasible road being discussed is the road to Nuiqsut. So, if the state is going to continue to waste money on things like those mentioned - I will vote against taking part of the permanent fund to throw into the general fund. If you inflation proof schools and use the permanent fund money to ensure quality education in perpetuity - I'll lobby and vote for it.

I apologize for the length of my letter but I appreciate your attention to it.

Respectfully,

Julie Maier
Fairbanks, AK 99709

Subject: Sales Tax Cap at 8%

Date: Fri, 09 May 2003 13:27:21 -0500

From: "Val Rader" <te222@hotmail.com>

To: Representative_Jim_Whitaker@legis.state.ak.us

Hi Rep. Whitaker,

A more cynical fellow than I pointed out to me, that based on the ADN article wherein the total sales tax rate is capped at 8% for the local government, it was not possible to tell if there was a mechanism that would prevent every local government from raising their sales tax to 8% and thereby eliminate state receipts. I'm sure the reporter left out the implementation details, but I thought I'd pass this concern along to you, just in case.

-Val Rader

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May 9, 2003

Representative Jim Whitaker, Co-Chair
Representative Mike Hawker, Co-Chair
And Members of The House Way and Means Committee

Re: CSHB 293 State Sales Tax

Dear Representative Whitaker, Representative Hawker and Committee Members,

In the past 5 days the committee has spent a huge amount of work and energy on the above bill. I commend you all for that, and support many of the changes. However, I believe there is still a great deal more to do.

The last 13 days of the Legislative session leaves insufficient time to do the analysis and public outreach that a bill of this magnitude requires. The exemptions are of particular concern to me as a member of the Kenai Peninsula Borough Assembly. Over the past 20 or more years the Kenai Peninsula Borough has crafted exemptions to the sales tax codes to sustain our local business while generating local revenue. That sales tax revenue is fully dedicated to education in the Kenai Peninsula Borough. Somehow I feel we need to ensure that the combination of state and local revenue doesn't hurt Alaskans or our economy.

Additionally, by moving too quickly, the public is left out. They too need to be brought along in order to buy in. Reviewing some of the current proposals, I truly fear a public backlash.

Again, I have to ask, why this rush? We do have one more year, and I believe it would be in the best interest of the state to develop this program carefully. Nowhere have I seen addressed the issue of the regulations to govern this bill. Those too will need time to write and implement.

Therefore I strongly urge the Committee to:

1. Table HB 293 for more study.
2. Create a state-municipal dialogue and partnership.
3. Schedule a special session in the fall to deal only with HB 293.

I fully recognize the need for funding, and a sales tax is certainly a viable option. I commend the Governor for most of his proposals and support those. I commend the committee work and actions taken to date and would like to fully support that too.

Again, I ask, please, slow down the process and take the time to craft a bill worthy of this state and her people.

Thank you,

Very sincerely,



Milli Martin
P.O. Box 2652
Homer, AK 99603
907-235-6652
email: millimom@xyz.net

cc: Governor Frank H. Murkowski
Senator Gary Stevens
Representative Paul Seaton
Senator Tom Wagoner
Representative Mike Chenault
Representative Kelly Wolf

May 8, 2003

Kodiak Island Liquor License Holder's Association
518 W. Marine Way
Kodiak, Alaska 99615

State of Alaska
House Ways and Means Committee
Juneau, Alaska

Gentlemen,

RE: HB 293

This letter is in opposition to the proposed 3% state wide sales tax.

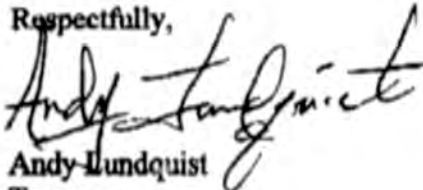
We feel that it would severely impact the economies of towns like Kodiak which already burden their residents with a significant sales tax.

If this tax does look like it might pass, we ask you, in the name of basic fairness, to exempt the alcohol industry from taxation under this tax scheme.

Just eight short months ago, you imposed a staggering 300% increase in alcohol excise taxes on us to "help solve the fiscal crisis." We have already made our sacrifice. This tax would make us pay twice.

At some point, income taxes and capping the dividend are the only alternatives that spread the burden to everybody and generate the kind of revenues that are required to fix the problem.

Respectfully,



Andy Lundquist
Treasurer
K.I.L.L.H.A.

Subject: State Sales Tax

Date: Wed, 30 Apr 2003 18:58:04 -0800

From: Stu Clark <stuclark@seward.net>

To: Representative_Mike_Hawker@legis.state.ak.us,
Representative_Jim_Whitaker@legis.state.ak.us,
Representative_Cheryll_Heinze@legis.state.ak.us,
Representative_Vic_Kohring@legis.state.ak.us,
Representative_Norman_Rokeberg@legis.state.ak.us,
Representative_Bruce_Weyhrauch@legis.state.ak.us,
Representative_Peggy_Wilson@legis.state.ak.us,
Representative_Max_Gruenberg@legis.state.ak.us,
Representative_Carl_Moses@legis.state.ak.us

In addition to the information contained in the attached document, I would like to address the issue of a sales tax as it applies to the City of Seward.

First of all, after a bitterly fought battle, the local tax rate is 4% beginning on 7/1/2003. In the last three years, Sales Tax Revenue has comprised about 71% of our General Tax Revenue to the General Fund. The reason for an increase this year was that we saw a big jump in insurance costs of all types, and a need to address the dangerously poor condition of our streets and other infrastructure. This latter condition was brought about by deferring maintenance (particularly street maintenance, but also machinery and other equipment) in the face of declining revenues and rising costs over at least the last five years. I might also point out that 33% of that sales tax revenue (1%) has been dedicated to hospital support: initially to retire bonds that built the hospital, then to replace and maintain the facility. That 1% dedication continues until the hospital disappears.

Since the state has a far wider range of tax revenue bases to draw upon than local governments, I suggest that you view usage of a portion of Permanent Fund earnings along with an Income Tax (based on a percentage of Federal Income Tax obligation) as sources of revenue to balance the State budget and close the "fiscal gap." Such a move would be responsible, fair, constitutional, and indicative of strong leadership in the halls of the State Capitol.

One last comment: my constituents have stood up in public meetings and stated that they would pay an income tax to support education.

Thank you,

Stu Clark, Mayor of Seward

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NEA-ALASKA

Affiliated with the National Education Association

TO: Representative John Harris
Co-Chair House Finance Committee
Representative Bill Williams,
Co-Chair House Finance Committee
Representative Mike Hawker
Co-Chair House Ways and Means Committee
Representative Jim Whitaker
Co-Chair House Ways and Means Committee

FROM: Rich Kronberg 
President NEA-Alaska

RE: Adequate Funding for Education and New Revenue Streams

DATE: May 14, 2003

Each year over 400 NEA-Alaska members are elected to represent our 12,700 members and set policy for our organization in January. They do this largely in the form of New Business Items. New Business Item 99-84 states in part:

99-84: Adequate Funding for Alaskans: NEA-Alaska shall lobby the legislature to seek ways to ensure adequate funding for education, which may include, but are not limited to a state sales tax, or a state income tax.

Based on this New Business Item, NEA-Alaska wishes to voice its support for the work being done by the House Ways and Means Committee to create a new revenue stream that can be used to support public schools in our state. As you are aware, NEA-Alaska has been urging the legislature to increase the Base Student Allocation (BSA) by \$270 per student to allow all Alaska students an opportunity to meet state standards and all Alaska schools the opportunity to begin meeting the requirements of the federal No Child Left Behind Act.

During the course of this legislative session, our members have met with you and other legislators to ask for support for providing Alaska's students with this opportunity. We have heard virtually unanimous support for that level of funding, provided it could be achieved within the parameter set by Governor Murkowski: not withdrawing more than \$400 million from the Constitutional Budget Reserve. It is clear that the creation of a new revenue stream, such as the statewide sales tax that is being discussed, will provide the legislature with the opportunity to meet our goal of a \$4,280 BSA.

We wish to urge your support for this new, broad-based revenue stream as a first step towards a complete fiscal plan that will allow you to provide the resources our dedicated educators need to develop our most important resource, our children. Alaska's children *are* Alaska's future.

MEMBERS OF: HOUSE SPECIAL COMMITTEE ON
WAYS AND MEANS
HOUSE FINANCE COMMITTEE
SENATE FINANCE COMMITTEE

Amendments to HB 293 are needed in the following areas whether or not the transactions occur in communities and boroughs with or without local taxes and exemptions:

- (1) MEDICAL CARE, SERVICES, SUPPLIES AND EQUIPMENT
IN ADDITION TO PRESCRIPTION DRUGS

Note: These expenditures are often matters of life and death, may be very costly, and can be complicated by various forms of insurance or the lack thereof.

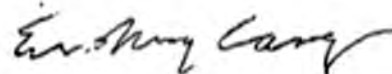
- (2) GROCERIES SHOULD BE NON-TAX ITEMS

Note: The price of food is already caused to vary widely by transportation costs, especially in villages outside transportation hubs.

- (3) SENIORS--ALASKA RESIDENTS OVER THE AGE OF SIXTY-FIVE
SHOULD BE EXEMPT FROM SALES AND USE TAXES FOR
ITEMS PURCHASED FOR PERSONAL USE AND CONSUMPTION

Note: Provision should be made for the senior's exemption to apply to purchases and bill payments made on behalf of the seniors by care givers. This exemption allows payment of care givers and other helpers without creating a tax liability for people that may be housebound by disability or illness and hard pressed to heat their homes and pay for utilities, often on low fixed incomes.

cc: Leadership of the House and Senate



Eva Lyn M. Casey
8480 Jewel Lake Rd.
Anchorage, AK 99502
243 8530 tel

Subject: HB 293-spiritual healing

Date: Sun, 11 May 2003 21:45:48 -0800

From: Richard Block <akcompub@sinbad.net>

Organization: Committee on Publication

To: "Representative_Mike_Hawker@legis.state.ak.us" <Representative_Mike_Hawker@legis.state.ak.us>
"representative_Jim_Whitaker@legis.state.ak.us" <representative_Jim_Whitaker@legis.state.ak.us>

CC: "Representative_Norm_Rokeberg@legis.state.ak.us" <Representative_Norm_Rokeberg@legis.state.ak.us>
"Representative_Bruce_Weyhrauch@legis.state.ak.us" <Representative_Bruce_Weyhrauch@legis.state.ak.us>
"representative_Peggy_Wilson@legis.state.ak.us" <representative_Peggy_Wilson@legis.state.ak.us>
"Representative_Max_Gruenberg@legis.state.ak.us" <Representative_Max_Gruenberg@legis.state.ak.us>
"Representative_Cheryll_Heinze@legis.state.ak.us" <Representative_Cheryll_Heinze@legis.state.ak.us>
"Representative_Vic_Koring@Legis.state.ak.us" <Representative_Vic_Koring@Legis.state.ak.us>
"Representative_Carl_Moses@legis.state.ak.us" <Representative_Carl_Moses@legis.state.ak.us>

It has come to my attention that the latest version (23-LS1064\Q) of the Sales Tax proposal (HB 293) includes an exemption for the provision of health care (proposed section 43.44.220).

We believe that such an exemption is appropriate, however, in fairness, the exemption should include Christian Science Practitioners. We ask that you introduce and support an amendment to reflect that accommodation.

I am the Christian Science Committee on Publication for Alaska and, as such, am interested in any legislation that would affect those who seek healing of illness solely through spiritual means, through prayer. There is a growing number of people, not just Christian Scientists, who are finding that sole reliance on scientific prayer is efficacious in healing all manner of sickness and examples of those healings are becoming more widely known and publicized.

Practicing Christian Scientists have been healing through prayer for many years and there are tens of thousands of documented healings recorded in the monthly and weekly periodicals of the Christian Science Church.

Often times Christian Scientists, but also many who are not Christian Scientists, find it helpful to have the assistance in their prayer of a Christian Science Practitioner, one who dedicates their whole life to being available to offer healing solely through prayer. Christian Science Practitioners do charge for their healing work.

It seems only fair that, if those who are listed under proposed AS 43.44.220, including physicians, nurses, midwives, naturopaths, psychologists and many other health care providers are exempt, certainly Christian Science Practitioners should be exempt. The methods of healing used are, of course, vastly different, but the purpose is the same; to heal sickness. It would be inequitable for a person who seeks the care of one of the licensed health care professions would be free of sales tax, but the person seeking healing through prayer must pay the tax.

We suggest that the following language be included:

Amend sec. 43.44.220 (p 14 l. 12 of the bill) by adding a new subsection, as follows:

"(3) those who provide healing services solely through spiritual means."

We very much appreciate your consideration.

Yours cordially,

Richard L. Block
Christian Science Committee on Publication
For the State of Alaska

Richard L. Block

Christian Science Committee on Publication
for the State of Alaska
907 562 5187
360 W. Benson Blvd., Suite 301
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Anchorage, Alaska 99503

(t) 907 562 5183
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(f)
(e)

Subject: A Sales Tax Provision a Business Owner Could Love!

Date: Tue, 13 May 2003 10:42:22 -0800

From: Boyer & Reyes <river@acsalaska.net>

To: Representative_Jim_Whitaker@legis.state.ak.us

Dear Representative Whitaker,

I am for the 3% year round sales tax with limited exemptions. It is a key revenue source necessary to balance the state's budget. But one feature I would ABSOLUTELY ADD to the sales tax is a provision or amendment allowing for a limited number of SALES TAX HOLIDAYS.

Let me explain why. Last summer, on a visit to Texas, I found all my relatives were in a fervor to shop on a regular summer day. In fact, so was the whole city. The stores were packed. I asked why the hullabaloo?

And they said the Governor had just announced a sales tax holiday. Then I noticed the commercials for cars, boats, RVs, clothes, hardware, and everything imaginable announcing the big tax free sales event. Consumers got very excited. .

Such sales tax holidays would work in Alaska and cushion the blow of the sales tax for residents. The dates would be determined by the governor (e.g., PFD time, Christmas, non-tourist season). And the number of sales tax holidays would be few enough so that people would continue buying as they normally do. We ought not upset normal consumer behavior.

But the sales tax holiday would give residents, rural or urban, a chance to stock up or make a big purchase tax free! This may reduce the revenue minimally, but it would make the sales tax more acceptable to all. Local economies and businesses would get a boost from the excitement and incentive created by the sales tax holiday. Rural residents could make bulk orders and thus not pay disproportionately, as some argue.

Also the dates of the sales tax holiday must be random and confidential. Here is how I'd write the provision:

"The Governor shall announce annually three dates upon which this sales tax shall not apply. All sales otherwise subject to sales tax are exempt from state sales tax on these three dates. Each date shall be announced in a public press release, at least 14 but not more than 21 days before the tax free date."

I wish you the best in your efforts to solve Alaska's looming fiscal crisis before it is too late.

Sincerely,

Mike Boyer

Juneau

Subject: Additional Comments to Ways and Means Committee

Date: Tue, 29 Apr 2003 09:06:06 -0800

From: Carl Gatto <Representative_Carl_Gatto@Legis.state.ak.us>

Organization: Alaska State Legislature

To: Lori Backes <Lori_Backes@legis.state.ak.us>

Lori,

I wanted to pass on a comment I received on the phone today while Ways and Means was meeting.

An Anchorage resident wants to add "real estate" to the list of revenue generators for the state beside "construction". There has been a real increase in fees to the state due to the refinancing of mortgages and real estate transactions and she wants us to look at the contributions of real estate and include them.

JoAnn Lesh, for Rep Gatto

Subject: Proposed sales tax

Date: Mon, 28 Apr 2003 21:53:38 -0800

From: Michele Czajkowski <michelecz@gci.net>

To: Representative_Peggy_Wilson@legis.state.ak.us,
Representative_Vic_Kohring@legis.state.ak.us,
Representative_Max_Gruenberg@legis.state.ak.us,
Representative_Norman_Rokeberg@legis.state.ak.us,
Representative_Bruce_Weyhrauch@legis.state.ak.us,
Representative_Cheryll_Heinze@legis.state.ak.us,
Representative_Jim_Whitaker@legis.state.ak.us,
Representative_Mike_Hawker@legis.state.ak.us, Representative_Carl_Moses@legis.state.ak.us

CC: Representative_Kevin_Meyer@legis.state.ak.us

Dear Mr. Chairman and Members of the House Ways and Means Committee,

I applaud you for taking a broader look at potential sources of revenue to help fill the budget gap, but I have some concerns/questions about a statewide sales tax:

1. Many communities in Alaska already have local sales taxes. Will a statewide sales tax have a negative economic impact on these communities (i.e., will consumers reduce their consumption because they are paying a sales tax on top of an existing sales tax)?
2. Will a statewide sales tax encourage remote sales (e.g., the sale of goods via mail-order or over the Internet), thereby hurting local businesses?
3. Will food and prescription medicine be exempt, to make the tax less regressive?
4. If you are contemplating a seasonal sales tax, do you foresee any negative economic impacts? For instance, would consumers hold off on purchasing big-ticket items until "off-season" (i.e., when the tax is not in effect)?

Thank you for your time and consideration.

Respectfully,
Michele Czajkowski

May 2, 2003

House Ways & Means Committee,

I oppose a state-wide sales tax. Sales tax is a regressive tax that puts the largest burden on the lowest income groups. For our locality it would mean a 9% sales tax—certainly a good argument for shopping on the Internet and not buying locally, negatively impacting the community and the state's economy. The argument put forward for it is that it will tax those who visit the state; yet the municipalities of Anchorage and Fairbanks, which receive most of the visitors to the state, have found it preferable not to have a sales tax.

For those of us in areas that depend on a local sales tax, it would be a step backwards. With the State collecting the tax, we doubt that enforcement of delinquent payments would be able to be pursued as diligently as it is by our local government nor that the State would be as aware of new businesses or existing businesses that were not collecting the tax. We would lose our ability to have our own local sales tax structure that exempts from taxation certain items of importance locally. A new and expensive State bureaucracy would have to be created to administer the sales tax.

Monthly payment and/or reporting would be an extremely heavy burden on those of us who collect the tax.

I am not opposed to increased State taxation. We have a budget problem, and I am pleased that the Legislature is talking responsibly about the need to raise revenue and not just continue slashing State spending. Sales tax is not, however, the best answer. I hope you will turn your sights to income tax or another form of taxation less problem-prone than the sales tax.

Pat Szabo
Szabo Office Services
PO Box 1949
486-6161
pszabo@ptilaska.net

Ben Ballenger

From: Ben Ballenger <b.k.ballenger@worldnet.att.net>
To: Kodiak Lio <Kodiak_LIO@legis.state.ak.us>
Cc: <Governor@gov.state.ak.us>; Gary Stevens <Senator_Gary_Stevens@legis.state.ak.us>; Dan Ogg <danogg@ptialaska.net>; John Manly <John_Manly@gov.state.ak.us>; James Clark <James_Clark@gov.state.ak.us>; John Sweeney <JohnSweeneyInsurance@gci.net>; Linda Shafer <linda_shafer@gov.state.ak.us>
Sent: Thursday, May 01, 2003 9:33 PM
Subject: State Wide Sales Tax

Lorna - I doubt that I will get to your office tomorrow morning to testify to the House Ways and Means Committee regarding the implementation of a State Wide Sales Tax - so have put down some ideas and would like you to share them with the Committee.

**TESTIMONY TO BE GIVEN TO THE HOUSE WAYS AND MEANS COMMITTEE ON
05/02/03----**

My husband, Ben Ballenger, and I are 35 + year residents of the State of Alaska. We realize that the State is in a financial crisis and certainly supported Frank Murkowski to be the Governor of our fine State. We believed then and still believe that he is fiscally astute and will lead us out of the financial crisis we are in. It is obvious that many individuals are going to scream "foul" at the thought of losing what they think they are entitled to - such as the Longevity Bonus, Charitable Gaming monies, the Alaska Science and Technology Foundation, etc., etc., etc. Taking away anything is like building the home for the homeless. Everyone is for it - but no one wants it in their backyard. We need to make cuts and in some cases people will have to make adjustments to their lifestyles. Ben currently receives the Longevity Bonus of \$250 a month and certainly we find somewhere to spend it - but we could and would 'survive' without it. It appears, however, that this is turning into one very contentious issue - thus you are now talking about a State Sales Tax. I am assuming you are giving up on all the other programs that the Governor had offered and are instead looking for the "easier solution."

I have no idea if this is intended to be the cure all for the State or not - but surely we have talked enough about the fact that we no longer can pay for what we all want with the current revenue we have coming in. If the State Sales Tax will take care of our fiscal gap and in addition the Legislature can then stay within their budget and we can begin to live within our means as most of us have to do - then Ben and I are in favor of the tax.

It seems that all of you are trying to pass the buck and not stick by your leader but rather than keep up the diatribe for goodness sakes, do something. If it means a State Sales Tax then so be it - but let's get on with the business of running the Government and not just passing the buck between the House and the Senate. Please, we elected each and every one of

you to represent us - start shouldering your responsibilities and get this State back on the right path.

Kathleen (Kate) Ballenger
Ben G. Ballenger
P. O. Box 126
Kodiak, AK 99615
(907) 486-3384
b.k.ballenger@att.net

Subject:

Date: Thu, 1 May 2003 07:29:07 -0800

From: "McBride, Malcolm" <MMcBride@borough.kenai.ak.us>

To: "Representative_Jim_Whitaker@legis.state.ak.us" <Representative_Jim_Whitaker@legis.state.ak.us>

What happened to those Election Day promises?

A balanced budget, protecting the permanent fund, full funding for education, roads and law enforcement?

The State-operating budget is set to pass at about \$2.3 BILLION. Alaska has the money to cover a budget of that size. The problem will come in the next few weeks as miscellaneous spending bills (the PORK) start going through the legislature. Capital projects, grants, and other give-a-ways will push the total budget well over the \$2.3 Billion level. This discretionary spending will push the budget into a deficit or over spending situation

There have been 16 pieces of legislation introduced, 15 of which want to use the Permanent Fund for state government or change the eligibility requirements. Is the public demanding these raids on the Permanent Fund? Did the public demand that PFD's not be given to poor people that can't afford automobile insurance? Did the public demand additional loopholes to qualify in absence? The answer is NO! These changes have been proposed for political reasons only, NOT to benefit the public. After being elected on a platform vowing to protect the Permanent Fund, it seems the majority of legislation introduced raid the Permanent fund without a vote of the people. Only HJR 3 will save the fund for future Alaskans, by putting Permanent Fund earnings in the constitution. HJR 3 is being held hostage in committee, and only public pressure will force it out.

For years the K through 12 education formula has been stagnant. This formula never did really work. On the other hand, the U of A has requested and been granted millions more than their fair share. The U of A is one of the largest landowners in the state. They have not used their land bank to finance the university, because it's easier to get money from the legislature. K - 12 schools do not have that resource, and must rely on the legislature and local municipalities for funding. The legislature must shift their limited resources into K - 12 funding, and let the U of A raise their own money.

THE REPUBLICAN HALL OF SHAME:

1. Reducing the minimum wage on teens.
 2. Allowing remote camp workers to be charged for room and board even if it means being paid less than minimum wage.
 3. Multiple new fees and taxes with no increase in service, without a balanced budget or long-range fiscal plan.
 4. Raids on the Permanent Fund and earnings reserve account (why reduce payments to the earnings reserve account with new resources coming on line: NPR, ANWR, natural gas and untold mineral deposits).
 5. Attempts to close or change the Alaska Public Offices Commission, when the public demands keeping the regulations in place.
 6. Changes to the already difficult petition process.
 7. The private prison bill (we build it and pay someone from out of state to run it for us) every community where it was considered voted it down.
- Because of powerful, well-financed lobbyists, it keeps coming back.

Subject: Budget Proposals, Taxes

Date: Thu, 01 May 2003 08:29:12 -0800

From: Fredrick Morrison <fsm222@hotmail.com>

To: <Senator_Gary_Wilken@legis.state.ak.us>, <Senator_Ralph_Seekins@legis.state.ak.us>, <Representative_Jim_Holm@legis.state.ak.us>, <Representative_Jim_Whitaker@legis.state.ak.us>, <Representative_Hugh_Fate@legis.state.ak.us>

To the members of the Fairbanks Delegation and the Legislature in general:

Last year, when the republican party gained control of the governorship, as well as the house and senate, I was, as many Alaskans were, overcome by intense feelings of hope and optimism for a brighter future for the state of Alaska. Since that time I have been alternating between shock and horror in terms of my reaction to news out of Juneau.

To put it simply, the republicans came to power with the promise of cutting government, reducing waste and developing our resources. As of today, I've seen little progress in any of these three areas. Here are some of the things that I have noticed:

- Nearly every idea that has come out of Juneau has been to increase revenue, not to reduce costs.
- The state spends over \$500 million a year on "social services" = WELFARE
- Nearly every cut that has been proposed to reduce the budget have since had the funds reinstated.
- The 200 jobs the governor says were eliminated weren't even filled, so really we have the same number of employees.
- All of the increased costs of new tax programs will impact lower income families the most.
- We don't have money to maintain our existing roads, but Mr. Wilken proposes a useless road to connect our hot springs
- The governor has proposed a \$100 dollar income tax, and now the legislature is proposing a sales tax, and there is the proposed gas tax, and hikes in fees everywhere else. If these things go through, my family will pay at least \$2000 as a result of these increases.

I could keep going on forever. The bottom line is that you guys need to reduce the budget, reduce the waste and avoid taxes at all cost. It is a proven fact that states that tax their populous more have less growth, and states that lower taxes have better growth. Stand up and tell the people of this state that its time to toughen up and tighten the belt up a bit. It wont be easy, or popular, but leaders would do what is best for the state, not for their re-election campaign.

To put this all in perspective, let me say this: I have lived here nearly my entire life. I went outside to go to school but returned to start my career and my family. I wanted to get away from the craziness and waste that is found in many other states. I get home only to find that Alaska has fallen to many of the same problems that other states have, but it's not too late to change our path.

I am a first year teacher, one of the 191 that may be laid off this year. But I see the waste in the schools, and if I need to loose my job to get the state and the schools under control, then I will go work elsewhere. Cut the money! Don't fall prey to the school districts and their well executed spin campaign. The solution to our problems wont be easy, but the wont be found in taxes. Because as it is, if all these proposals go through, my wife and I, along with our yet to be born son, may not be able to afford to live in Alaska. That would truly be a tragedy. If we leave Alaska, which will happen if all these taxes pass, I can guarantee that others will follow.

Bottom line= cut waste, cut government but don't make us pay for waste and special interest politics. We need to turn this session around before the Alaskan public loose trust and faith in the republican party. With ol' nepotism Frank and his lies our party is already in pretty hot water, but you can work to improve this situation.

Thank you for your time,

Fredrick Morrison
Fairbanks, AK
(907) 456-7816

Subject: Sales Tax

Date: Fri, 02 May 2003 09:52:48 -0800

From: Peter Rob <peterrob@nook.net>

To: Representative_Jim_Whitaker@legis.state.ak.us

Dear Representative Whitaker,

I am totally opposed to a 3% Statewide Sales Tax because it would be much more onerous in the remote corners of Alaska. Market basket surveys consistently show that regional hubs such as Nome, Bethel, Kotzebue, Barrow etc. have prices more than 70% greater than those in Anchorage. The same surveys show that communities like Kaktovik, Pt. Lay, Adak, Metlakatla and others have even higher prices - at least double those in Anchorage. This means that people in these communities will pay significantly more in a sales tax than people in Anchorage will pay for the same item. If a sales tax also is applied to freight, then rural people will be hit even harder.

If a sales tax has to be implemented, then I ask you to consider some form of value added tax at the wholesale level. Such a tax would recognize the extreme disparities in price across the State and would tax everyone the same amount for the same item.

Sincerely

Peter J. Rob

Subject: State Sales Tax - A Bad Idea!

Date: Sun, 4 May 2003 10:14:55 -0700

From: "Robert D. Warner" <akrdw@kpunet.net>

To: <Representative_Jim_Whitaker@legis.state.ak.us>

CC: <Representative_Bill_Williams@legis.state.ak.us>

Dear Representative Whitaker:

I have been reading the newspaper accounts of this State Sales Tax proposal and feel that it is a VERY BAD idea. Have you folks given any consideration of bringing back the old School Tax idea that was also suggested by the Governor?

Here are a few of my comments related to this subject:

1. The proposed State Sales Tax is very unfair to communities that have a local sales tax. It would force citizens in these communities to "buy more and more outside." Here in Ketchikan, many folks would plan annual or semi annual buying trips to Oregon, because the local sales tax rates would be way too high. I believe that a State Sales Tax would cause serious damage to our weak economy here in Ketchikan.
2. The proposed sales tax on almost everything is very unfair!! Would we be taxed for prescription drugs, doctor's visits, haircuts, food, utility bills, fuel bills, etc. etc? This will really increase citizen anger towards government.
3. Consider more cuts in state aid to communities rather than force a state sales tax. In this way local communities can decide if they wish to increase taxes to cover the cuts.
4. We need to see a more forcefull approach to budget cutting by both the Legislature and the Governor.
5. Let's make some significant cuts in the University of Alaska budget to force that institution to make some long overdue reforms. The University needs to make sharp reductions in administration and they never will as long as they continue to receive annual budget increases from the Legislature. Also, let's roll back administrative salaries at the University!
6. After significant cuts have been made, consider bringing back the old School Tax at the \$100 rate suggested by the Governor. I remember paying this tax years ago and I think it was a fair tax. Every employee paid it and it reached the out-of-state workers as well. It was a one time a year tax and I don't think too many folks were troubled by it.
7. If we continue to receive a Permanent Fund Dividend from the State and then pay much of that money back in State Sales Taxes, something doesn't make good sense.

The State Sales Tax proposal is a bad idea and should be dropped!!!

Sincerely,

Robert D. Warner
888 Monroe Street
Ketchikan, Ak 99901-5738

cc: Representative Williams

Subject: Cut State Spending!

Date: Sat, 03 May 2003 08:13:15 -0800

From: M Byers <aileron@alaska.com>

To: Representative_Tom_Anderson@legis.state.ak.us,
Representative_Ethan_Berkowitz@legis.state.ak.us,
Representative_Mike_Chenault@legis.state.ak.us,
Representative_Sharon_Cissna@legis.state.ak.us,
Representative_John_Coghill@legis.state.ak.us,
Representative_Harry_Crawford@legis.state.ak.us,
Representative_Eric_Croft@legis.state.ak.us,
Representative_Nancy_Dahlstrom@legis.state.ak.us,
Representative_Hugh_Fate@legis.state.ak.us,
Representative_Richard_Foster@legis.state.ak.us, Representative_Les_Gara@legis.state.ak.us,
Representative_Carl_Gatto@legis.state.ak.us,
Representative_Max_Gruenberg@legis.state.ak.us,
Representative_David_Guttenberg@legis.state.ak.us,
Representative_John_Harris@legis.state.ak.us,
Representative_Mike_Hawker@legis.state.ak.us,
Representative_Cheryll_Heinze@legis.state.ak.us,
Representative_Jim_Holm@legis.state.ak.us, Representative_Reggie_Joule@legis.state.ak.us,
Representative_Mary_Kapsner@legis.state.ak.us,
Representative_Beth_Kerttula@legis.state.ak.us,
Representative_Vic_Kohring@legis.state.ak.us,
Representative_Albert_Kookesh@legis.state.ak.us,
Representative_Pete_Kott@legis.state.ak.us, Representative_Bob_Lynn@legis.state.ak.us,
Representative_Beverly_Masek@legis.state.ak.us,
Representative_Lesil_McGuire@legis.state.ak.us,
Representative_Kevin_Meyer@legis.state.ak.us,
Representative_Carl_Morgan@legis.state.ak.us, Representative_Carl_Moses@legis.state.ak.us,
Representative_Norman_Rokeberg@legis.state.ak.us,
Representative_Ralph_Samuels@legis.state.ak.us,
Representative_Paul_Seaton@legis.state.ak.us, Representative_Bill_Stoltze@legis.state.ak.us,
Representative_Bruce_Weyhrauch@legis.state.ak.us,
Representative_Jim_Whitaker@legis.state.ak.us,
Representative_Bill_Williams@legis.state.ak.us,
Representative_Peggy_Wilson@legis.state.ak.us, Representative_Kelly_Wolf@legis.state.ak.us

Dear Representative,

I along with thousands of other Alaskan Voters sent you to Juneau to do one job. Cut State Spending! From what I can tell only 200 state jobs have been eliminated, likely through attrition. Bombardment with commercials by public employees unions on television continues unabated. I can only imagine their intense lobbying efforts. All I keep hearing is how you need to tax me or steal my family's PFD to keep this bloated government afloat. But I still don't see ridiculous programs like Denali (Boon for Doctors) Kid Care, the Longevity (Seniors Already Have Enough Perks) Bonus, Ridiculous (Political Rewards) rents for state facilities, Public Employee (Way Better Than Most Private Sector) Salaries and Retirements, shall I go on?

Reports from Juneau indicate many of you have lost touch with the overwhelming majority of Alaskans who sent you there. You have come "under the spell" of the lobbyists and special interest groups skulking around Juneau trying to

keep their hands in our state coffers. Is it now "Out of sight, out of mind" for the voters who put you in office? This situation is untenable! If you want to earn some credibility do the following:

- PASS HB 19 so we can earmark funds for education without all the "smoke and mirrors".
- NEVER again use "helping children" or "making Alaska's children safer, healthier, or happier" as a justification for passing laws. I'm the father of six, coach, and community volunteer and I can't see anything the Alaska Legislature has done that helps children as much as all the TALK emanating from Juneau would indicate.
- PASS HJR 3 so you'll be more inclined to do your duty and less tempted to steal the PFD.
- PASS SJR 6. As far as I'm concerned it amounts to less time each of you is under the influence of the lobbyists and special interest groups who are pillaging OUR state coffers.
- INCREASE eligibility for the PFD to 5 years residency.
- QUIT passing "feel good" laws that end up making more criminals of more Alaskans. Read: Clogging our courts and prisons. (E.g. the recent lowering of the blood-alcohol level to .08. Chronic drunk drivers are the problem, not the person who had a couple beers after work!)
- CUT state spending across the board by 25%. Task every department head to do this or dismiss them and find someone who will.
- DO NOT PASS HB 157! In the future I hope there won't be a need for APOC but right now you folks are out of control! The public needs someone who can keep tabs as most of us have to devote all our time to work and raising families. This goes hand in hand with arrogant legislation such as HJR 5. It's appalling that elected "representatives" could even entertain these items. Personally, I'd be embarrassed to have my name associated with this legislation.
- REMEMBER that growing the economy by creating more state jobs is an illusion. Socialism is not the answer.
- LISTEN to your constituents ☺

I and many other hard-working Alaskans are looking for some **substantive** reductions in the costs of running Alaska's government. Until we see those reductions, please know we are absolutely opposed to any attempt to generate more revenue by taking away more of our hard-earned money.

Respectfully,

Maurice Byers

P.O. Box 671206

Chugiak, AK 99567-1206

(907) 688-6943

Subject: Senators and Representatives about the Budget this year.

Date: Fri, 02 May 2003 23:35:03 -0800

From: "Thomas C. Walton" <ursaphoto@ak.net>

To: ursaphoto@ak.net

Good day,

I am writing today to ask you to take a minute and really consider four Points from my Alaskan family's point of view. The obvious fact is that the State budget has real problems. I ask you to considering the following in attempting to fix it.

1. Cut Social programs. Too many people are riding the social programs and making no effort to stand on their own. We were outraged to learn that we were eligible for many of these programs when we never needed them. We can go to any state run program, and unless you are blinded by some guilt, see the waste, fraud, and people not willing to do for themselves there. Yesterday while driving in Alaska Housing areas I could not count all the New cars (Lexus, BMW, Audi) and SUV's there. If they can afford the payments and insurance on those vehicles they can afford to pay real rent and to live like the rest of us. Poor budgeting is not an excuse to steal from some to pay others. This enabling behavior or socialism must stop. I know that some will call this mean hearted. Paul said it best "If a man does not work, surely he shall not eat." Hunger is a powerful motivator. I of course am not targeting the truly handicap in our state. Just the freeloaders. Oh and we can not afford the longevity Bonus so cut it.
2. Return the size of government to pre Knowles size. Cut all funding programs to "ALL" local state governments they need to sink or swim on their own. Get out of the snow removal and maintained state roads in the cities they need to handle it. Delete equalization on all things Electric, water, and anything else there is an easy model, just pick any other state. Freeze all salaries in the state government or reduce them. Including your own.
3. Sell off some state land. There is too much in the hands of governments (Fed, State, local). Allow us to build in Alaska the tax base will help the Cities pay for their new responsibilities.
4. Until you have done all of the above Do not give your self a raise or pass any tax. People should be paid based on their job performance. Earn your Money, do the right thing for the Long term Future of Alaska.

I know that many of your colleagues did not make it this far. Thank you for your time all that did. I never want to hear you say no one is contacting you to ask you to cut spending and not pass new taxes. I just did.

Thank you

Thomas Walton

Hyon Walton and family

4840 Ridge Top Circle

Anchorage AK 99508

907-278-0319

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Subject: Taxes

Date: Fri, 02 May 2003 21:58:39 -0500

From: Randy Frank <randyfrank@gci.net>

To: Ralph Seekins <Senator_Ralph_Seekins@legis.state.ak.us>,
John Coghill <Representative_John_Coghill@legis.state.ak.us>,
Jim Whitaker <Representative_Jim_Whitaker@legis.state.ak.us>,
Hugh Fate <Representative_Hugh_Fate@legis.state.ak.us>,
Georgianna Lincoln <Senator_Georgianna_Lincoln@legis.state.ak.us>,
Gene Therriault <Senator_Gene_Therriault@legis.state.ak.us>,
Gary Wilken <Senator_Gary_Wilken@legis.state.ak.us>,
David Guttenberg <Representative_David_Guttenberg@legis.state.ak.us>,
Carl Morgan <Representative_Carl_Morgan@legis.state.ak.us>,
John Harris <Representative_John_Harris@legis.state.ak.us>

Dear Legislators,

I am not in favor of a state wide sales tax because I think that sales taxes should be reserved for the individual municipalities throughout the state. I really don't want to see any new taxes. I would even place giving up my permanent fund dividend ahead, priority wise, of new broad based taxes. I don't have a problem with "user fees" (some say taxes) because we as "users" are paying a small portion of the cost to administer those services. Snow tires cause much more damage to our roads than non studded tires. I would gladly pay an extra \$10.00 per studded snow tire to help defray maintenance costs.

A good majority of you were elected last November by opposing an income tax, and telling the people that we can cut the "excess" out of state government and grow the economy to get Alaska back into good fiscal shape. I hope that we are headed in the right direction now.

Randy Frank
P.O. Box 81109
Fairbanks, Ak 99708-1109
District 7

Subject: Your duty as legislators

Date: Fri, 2 May 2003 23:39:16 -0700 (PDT)

From: Daniel Miles <milesdan@yahoo.com>

To: Bill Hudson <Representative_Bill_Hudson@legis.state.ak.us>,
Jeannette James <Representative_Jeannette_James@legis.state.ak.us>,
Reggie Joule <Representative_Reggie_Joule@legis.state.ak.us>,
Ben Stevens <Senator_Ben_Stevens@legis.state.ak.us>,
Gary Stevens <Representative_Gary_Stevens@legis.state.ak.us>,
Robin Taylor <Senator_Robin_Taylor@legis.state.ak.us>,
Gene Therriault <Senator_Gene_Therriault@legis.state.ak.us>,
John Torgerson <Senator_John_Torgerson@legis.state.ak.us>,
Jerry Ward <Senator_Jerry_Ward@legis.state.ak.us>,
Jim Whitaker <Representative_Jim_Whitaker@legis.state.ak.us>,
Gary Wilken <Senator_Gary_Wilken@legis.state.ak.us>,
Bill Williams <Representative_Bill_Williams@legis.state.ak.us>,
Peggy Wilson <Representative_Peggy_Wilson@legis.state.ak.us>

Anyone who votes for any kind of a tax without first cutting spending down to size will not get my vote next election. Alaskans demand that you get your spending problems under control before we even look at a tax. If you as a legislature have your way you will increase state spending again and pass a tax. This is not acceptable. Scale back all none essential programs (ie. welfare, special handouts, etc). Push to increase resource development. Lets see if we cannot eliminate the budget gap by cutting and increasing development before we look at a tax or tapping the permanent fund. Have the guts to cut programs. You will always have a small vocal group of people, who have been benefiting from the handout, complain and say how badly they need it. If you listen to each of these groups we will never get anywhere. Your choices are either have the guts to stand up to these small vocal groups or you will be voted out of office next election by the hard working people of Alaska who sweat to earn what we have and are too busy working to go to down there and lobby. You will be held accountable for your actions. Look at how close the elections were for those people supporting taxes last year. I think that you were all sent a message. You need to act on that message.

Daniel Miles

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Subject: NO Sales Tax. Cut Spending. You are way off target!

Date: Fri, 02 May 2003 06:14:22 -0800

From: Lee Standiford <leestan@gci.net>

To: Senator_Con_Bunde@legis.state.ak.us, Senator_Gary_Stevens@legis.state.ak.us, Senator_John_Cowdery@legis.state.ak.us, Senator_Scott_Ogan@legis.state.ak.us, Senator_Robin_Taylor@legis.state.ak.us, Senator_Lyda_Green@legis.state.ak.us, Senator_Gene_Therriault@legis.state.ak.us, Senator_Fred_Dyson@legis.state.ak.us, Senator_Ralph_Seekins@legis.state.ak.us, Senator_Thomas_Wagoner@legis.state.ak.us, Senator_Ben_Stevens@legis.state.ak.us, Senator_Gary_Wilken@legis.state.ak.us

CC: Representative_Tom_Anderson@legis.state.ak.us, Representative_Mike_Hawker@legis.state.ak.us, Representative_Beverly_Masek@legis.state.ak.us, Representative_Norman_Rokeberg@legis.state.ak.us, Representative_Jim_Whitaker@legis.state.ak.us, Representative_Carl_Gatto@legis.state.ak.us, Representative_Cheryll_Heinze@legis.state.ak.us, Representative_Vic_Kohring@legis.state.ak.us, Representative_Lesil_McGuire@legis.state.ak.us, Representative_Ralph_Samuels@legis.state.ak.us, Representative_Bill_Williams@legis.state.ak.us, Representative_Mike_Chenault@legis.state.ak.us, Representative_Nancy_Dahlstrom@legis.state.ak.us, Representative_Jim_Holm@legis.state.ak.us, Representative_Kevin_Meyer@legis.state.ak.us, Representative_Paul_Seaton@legis.state.ak.us, Representative_Peggy_Wilson@legis.state.ak.us, Representative_Hugh_Fate@legis.state.ak.us, Representative_Pete_Kott@legis.state.ak.us, Representative_Carl_Morgan@legis.state.ak.us, Representative_Bill_Stoltze@legis.state.ak.us, Representative_Kelly_Wolf@legis.state.ak.us, Representative_John_Coghill@legis.state.ak.us, Representative_John_Harris@legis.state.ak.us, Representative_Bob_Lynn@legis.state.ak.us, Representative_Bruce_Weyhrauch@legis.state.ak.us

I am disappointed in that I am continuing to hear of your efforts to resolve the budget crisis by finding ways to tax instead of cutting the obscene level of spending due to subsidies and give away programs. Come on folks, you were given a leadership example to follow in the proposed budget of Governor Murkowski. Last session you blamed your failures on Governor Knowles and the democrats. You have no such excuse this year. I fully expect this kind of liberal socialism from the democrats, but you claim to be Republicans! My own representatives are tax and spend democrats. I tell them to cut spending and they don't listen to me (no surprise). This is why I never VOTE for them. Republicans are supposed to be for smaller government, less taxes, balanced budgets etc. So why is it that you want to find ways to get more money in the form of taxes instead of doing what you were elected to do, and that is CUT SPENDING!

I heard an interesting email read on the airwaves on KENI radio, which asked the question "what has 120 legs and no spine" and the answer was....The Alaska Legislature! Now don't go getting offended by this, I am just repeating what I heard on a talk radio program here in Anchorage. The fellow who sent that comment to his senator got a "terse" thin skinned response, which was also read on the air. What you need to get out of this is we know what you are up to and we don't like it one bit. Get on with your job and cut spending. Here is a suggestion, see if you can meet or exceed the Governors target to minimize the draw on the CBR instead of giving in to the special interest groups and lobbyists who march before you crying and demanding more spending.

Do not give in the democrats demands regarding a "guaranteed dividend". This is garbage. Last year they were salivating over ways to get their hands on it for more socialist spending.

The session is coming to and end and I am getting a little frustrated by what I am reading and hearing about what is going on there. I urge you to get back on track and make meaningful and substantial spending cuts.

NO Sales Tax. Cut Spending. You are way off target!

Lee Standiford
332 North Park Street
Anchorage AK 99508-1519

Subject: Fw: State Sales Tax

Date: Thu, 01 May 2003 16:44:59 -0800

From: "Dr. Bob Johnson" <drbob@keaconnect.net>

To: Representative_Jim_Whitaker@legis.state.ak.us,
Representative_Mike_Hawker@legis-state-ak-us.gci.net

----- Original Message -----

From: Dr. Bob Johnson

To: Ogg, Dan ; Stevens, Gary

Sent: Thursday, May 01, 2003 9:56 AM

Subject: State Sales Tax

Gentlemen:

Now this is interesting. No one is interested in an income tax, which taxes each according to their ability to earn, but now the idea of a sales tax rears its ugly head. This is definitely a discriminatory tax, in addition to impairing the ability of local governments to supplement their own income. Discriminatory, in the sense that those whose income barely enables them to pay their grocery bill will be less able to feed themselves and their families.

I would hope both of you will oppose any legislation designed to impose a state sales tax.

Dr. Bob

Subject: Proposed State Sales Tax

Date: Mon, 28 Apr 2003 18:53:56 -0800

From: Andrew Eker <AEker@TheAlaskaClub.com>

To: "Representative_Jim_Whitaker@legis.state.ak.us" <Representative_Jim_Whitaker@legis.state.ak.us>

Representative Whitaker: In preparing the draft of a statewide sales tax, I would appreciate your consideration of the email that I sent to you last year. A copy follows for your review:

The Alaska Club provides health and fitness club services to Alaskans in Anchorage, Eagle River/Chugiak, Fairbanks, Juneau, and the Matanuska Valley. With a great deal of interest, we have been following the House committee activity on the above-captioned bill. As you are aware, this bill was whisked through the assigned House committees and a floor vote is expected shortly. The bill proposes to tax, among other services, health and fitness club services. We oppose such taxation. The taxation of health and fitness club services is a disincentive for Alaskans to maintain healthy lifestyles and is thus poor public policy.

Research has demonstrated that most states are attempting to do everything in their power to encourage rather than discourage exercise. All across our country, efforts are underway to lower the barriers that prevent people from becoming physically active. Obesity rates are at epidemic proportions. Almost 2/3 of all adults are seriously overweight or obese. Sadly, the percentage of obese children doubled in the last two decades. The U.S. Department of Health and Human Services reports that unhealthy eating and physical inactivity cause 310,000 to 580,000 deaths every year - that's five times more than are killed by guns, HIV, and drug use combined.

Recently, two RAND researchers examined the comparative effects of obesity, smoking, heavy drinking, and poverty on chronic health conditions and health expenditures. The study revealed that obesity is by far the most serious and costly problem. Obesity has been linked to significantly higher health care expenditures and higher rates of chronic illnesses--higher than poverty, and much higher than smoking or drinking.

If nothing else, the bill makes poor fiscal sense. The Centers for Disease Control and Prevention recently documented that the potential savings in direct medical care costs if all inactive American adults became physically active could be \$76.6 billion. The estimated economic cost of obesity is \$99 billion each year. Public health experts are unanimous that active and fit lifestyles will result in decreased health care costs, reduced governmental spending, fewer illnesses, increased productivity, and improved quality of life.

For these reasons, and to help facilitate the better health and lives of the people of Alaska, we would respectfully request that health and fitness club services, like health care services and prescription drugs, devices and supplies [AS 43.44.020(5) and (6); lines 22-25 of CS for HB 303(STA)], be exempt from taxation. We would suggest that "health and fitness club services" be included in AS 43.4. ^20 as an exemption.

Thank you for your concern for the health and fitness of Alaskans. Please do not hesitate to contact me with any questions or concerns. I am available at (907) 223-7355.

Andrew H. Eker
March 27, 2002

We propose the same exemption for any statewide sales tax proposed during this session. Thank you for your consideration.

Andrew H. Eker
President
The Alaska Club
(907) 330-0139

Subject: State Tax

Date: Mon, 28 Apr 2003 17:51:20 -0400

From: Mary Ann Nickles <manickles@compuserve.com>

To: WhitakerJim <Representative_Jim_Whitaker@legis.state.ak.us>

Now is your chance to reinstitute income taxes here in the State. While there are cuts in our Federal Taxes we won't even notice the added payment.

I think that collecting money for running government services is government's affair. It seems to me that collecting a sales tax is delegated to every business in the state. They don't need that extra burden.

If the sales tax is not to be regressive you must exempt the necessities of life. An income tax is less regressive because those who could least afford it are probably below the Federal taxation level on their income. You should try to prepare taxes using the current code for a married couple with two children in this state. It would be an eye-opener.

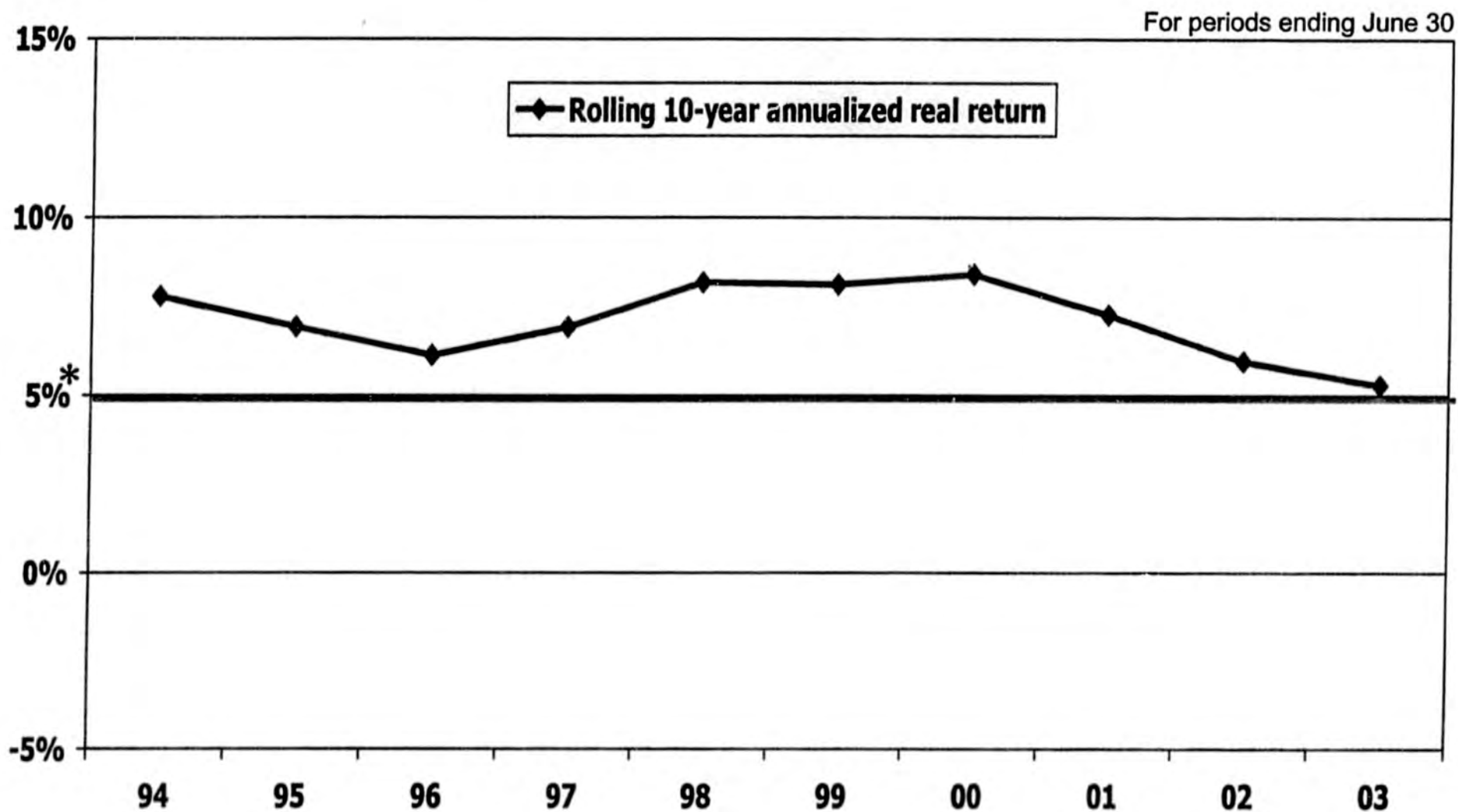
Mary Ann Nickles
Fairbanks, AK

SCOMM

134:8



Rolling 10-year real return – Fiscal year



ACCOUNTABILITY

TO ALASKANS, FOR ALASKANS

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Permanent Fund Income Distributable to the State of Alaska

Stated in Thousands

Prepared March 2, 2004 by Representative Dan Ogg's staff ⁽¹⁾

The Legislature appropriated a portion of the Fund's statutory net income for various purposes, including the payment of dividends to qualified residents of the State of Alaska. In addition, the Legislature appropriated a portion of the Fund's realized earnings to fund various other agency activities.

Income distributable to the state as of June 30 each year is summarized as follows:

| | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | Total |
|---|------------|------------|--------------|--------------|--------------|------------|------------|------------|--------------|
| Dividends | \$ 657,064 | \$ 897,453 | \$ 1,082,300 | \$ 1,142,148 | \$ 1,016,113 | \$ 863,982 | \$ 717,635 | \$ 613,343 | \$ 6,990,038 |
| Appropriations to the Department of: | | | | | | | | | |
| Corrections ⁽²⁾ | \$ 6,895 | \$ 4,258 | \$ 3,615 | \$ 2,929 | \$ 2,147 | \$ 1,047 | \$ 1,047 | \$ 803 | \$ 22,741 |
| Health and Social Services ⁽³⁾ | 15,406 | 13,008 | 16,147 | 17,518 | 18,689 | 19,101 | 21,493 | 21,717 | 143,079 |
| Revenue ⁽⁴⁾ | 5,444 | 5,245 | 5,099 | 4,985 | 4,793 | 5,677 | 4,486 | 5,317 | 41,046 |
| Public Safety ⁽⁵⁾ | 4,209 | 5,380 | 5,376 | 4,871 | 3,234 | 2,904 | 2,119 | 1,633 | 29,726 |
| Legislature ⁽⁶⁾ | 462 | 462 | 64 | | | | | | 988 |
| Administration ⁽⁶⁾ | 1,178 | | | | | | | | 1,178 |
| Sub-Total to Departments | \$ 33,594 | \$ 28,353 | \$ 30,301 | \$ 30,303 | \$ 28,863 | \$ 28,729 | \$ 29,145 | \$ 29,470 | \$ 238,758 |
| Total to dividend fund | \$ 690,658 | \$ 925,806 | \$ 1,112,601 | \$ 1,172,451 | \$ 1,044,976 | \$ 892,711 | \$ 746,780 | \$ 642,813 | \$ 7,228,796 |
| Other Agencies ⁽⁷⁾ | - | 4,547 | 3,843 | 2,780 | 3,015 | 494 | 1,748 | 3,414 | 19,841 |
| Total | \$ 690,658 | \$ 930,353 | \$ 1,116,444 | \$ 1,175,231 | \$ 1,047,991 | \$ 893,205 | \$ 748,528 | \$ 646,227 | \$ 7,248,637 |

Notes:

(1) Source of data is the Permanent Fund's Annual Reports

(2) These departments receive and expend the dividends of incarcerated individuals as PF "felon funds" to help offset their cost of incarceration

(3) The PFD "Hold Harmless" payments replace public assistance program benefits when receiving the PFD causes individuals to lose eligibility or to have benefits reduced

(4) The PFD Division utilizes a portion of the total amount available for dividends for their operating costs

(5) "Felon funds" are appropriated to the legislature to support the Office of Victims' Rights

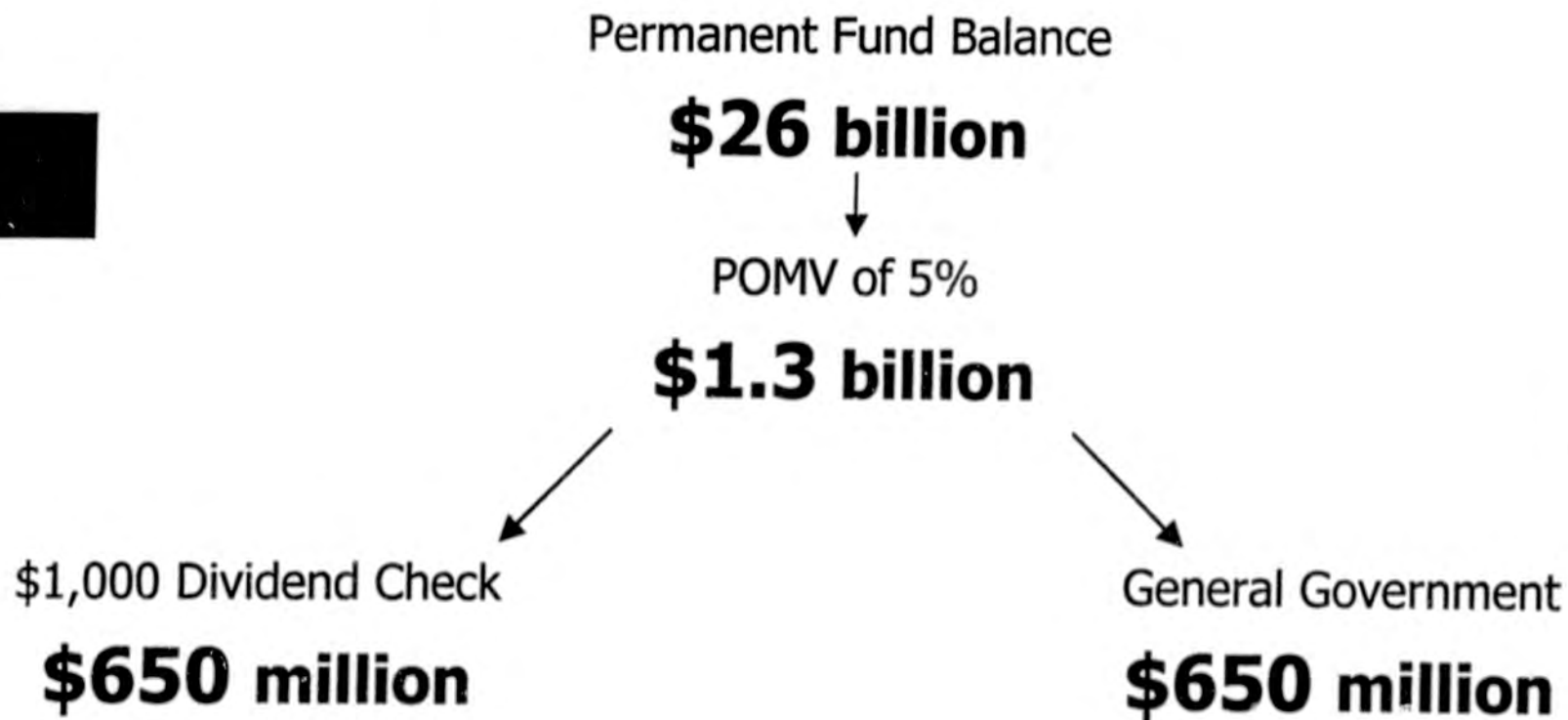
(6) "Felon funds" are appropriated to the department to support the Violent Crimes Compensation Board

(7) Amounts paid to other State of Alaska agencies for support of APFC operations, including Dept. of Revenue, Dept. of Natural Resources, and Dept. of Law

- Beginning in FY03, appropriations for other state agencies using APFC's budget code will be reported with total APFC operating expenses, as a reduction of APF revenues



Today's Situation



Looking Back at 1976

Excerpt from the 1976 Official Election Pamphlet **Statement in Favor of Proposition No. 2** **Alaskans Should Strongly Support the Establishment of a Permanent Fund**

"Just as a wise and prudent family sets aside money in a savings account for the future, so should Alaska's state government set aside a rainy day fund to benefit this and future generations of Alaskans. In a "Permanent Fund" you—the voter—can prevent a major source of income from being doled out for day-to-day needs or desires of state government by placing up to 25% of all revenue generated from non-renewable resources such as mineral leases, rentals, royalties and federal mineral revenue sharing payments and bonuses into such a fund.

In recent years the state legislature has been spending \$2.00 for every \$1.00 taken in. Authorities estimate that if the present rate of spending continues, Alaska will require a budget in excess of one billion dollars by or before 1980. Establishment of this "Permanent Fund" will provide for the use of the principal for the *income-producing investments only* and **provide a businesslike approach of permitting the State to meet countless community needs.**

Today, as the result of anticipated oil and gas revenues, Alaska stands on the brink of unprecedented propriety. No one, but no one, argues that these non-renewable resources will last but for a few decades. Similarly, no one should fail to recognize that in those years ahead the cost state government will continue to spiral upwards. Now is the time to ask ourselves the question: **"When the oil and gas is depleted, where will the funds to feed our giant government come from?"** The answer is: **"The Permanent Fund".**

While it is to be hoped that such a fund may contribute to cutting cost or, at least, holding the line on state spending, **its major value would be that it would require our elected officials to pause, reflect and research, any proposal before blindly authorizing expenditure of taxpayers monies.** This would provide needed time for the press and the public to also be aware of the pending project and its merit, instead of being out of public view and hidden in the spending pattern of normal day-to-day operations. Projects invested in with sources from the "Permanent Fund" could help broaden Alaska's narrow based economy and bring more stability to our State.

We would caution the public that while a "Permanent Fund" could provide a tool for accomplishing real needs for community improvements, it will, in the final analysis, not replace our collective responsibility to elect state administrators and legislators who will use the same reason and restraint in spending the public money as they would their own funds.

Establishment of a "Permanent Fund" is an exciting concept and when approved and properly used can serve long and well the best public interest of Alaskans."

Alaska State Chamber of Commerce

Alaska State Legislature

House Special Committee on Ways and Means

Representative Mike Hawker, Chairman

Session Contact:

State Capitol, Room 434
Juneau, AK. 99801
Phone (907) 465-4949
Fax (907) 465-4979
Staff Contact: Pauly Swanson (907) 465-6820



Interim Contact:

716 W. 4th Ave Room 620
Anchorage, AK 99501-2133
Phone: (907) 269-0244
Fax: (907) 269-0248

Sponsor Statement and Sectional Analysis

CSHB 298 (W&M) - Version \S

HB 298 is effective only if a Percent of Market Value (POMV) constitutional amendment is approved by the voters during the 2004 general election and takes effect. HB 298 provides conforming language to existing statute to accommodate changing the constitutional requirement that all income of the Permanent Fund be deposited into the general fund to the more limiting appropriation mechanism of "up to 5%" of market value in the proposed POMV constitutional amendment and to recognize the merger of the Earnings Reserve Fund into the Permanent Fund.

HB 298 also provides that the annual appropriation from the Permanent Fund under the POMV management structure be divided equally between paying individual dividends and public services.

Section 1: Amends the basis for the Alaska jury list to people applying for a Permanent Fund Dividend. Former language referenced applicants for a "distribution of Alaska Income."

Section 2: Changes Legislative Budget and Audit Committee duties from making annual recommendations for investment policy for the "income" of the Permanent Fund to making annual recommendation for investment policy for the Permanent Fund. This change is consistent with the merger of the Earnings Reserve (income) Account into the Permanent Fund itself and with the general oversight responsibilities of the LB&A committee for the Permanent Fund and its operations.

Section 3(a): Provides that no appropriation shall be made from the Permanent Fund in excess of the average 10-year real rate of return. If the fund does not make a 5% real return over 10 years, the amount available for appropriation is reduced to that real return. This provision provides a statutory framework for implementing the "up to 5%" provision in the proposed POMV constitutional amendment.

Committee Members:

Representative Ralph Samuels • Representative Vic Kohring • Representative Norman Rokeberg
Representative Bruce Weyhrauch • Representative Peggy Wilson • Representative Dan Ogg
Representative Max Gruenberg • Representative Carl Moses

Section 3(b): Provides that annual appropriations from the Permanent Fund be divided equally between paying individual dividends and public services.

Section 4: The proposed POMV constitutional amendment allows appropriations based on the "market value" of the fund. This section provides a statutory mandate that "market value" be determined in accordance with generally accepted accounting principles.

Section 5: Eliminates the current statutory provision that any unexpended operating budget of the Permanent Fund Corporation be included in the determination of "income" of the fund for the calculation of income available for distribution. The determination of income available for distribution will no longer be required under the proposed POMV constitutional amendment that bases the amount that can be distributed on market value. Accordingly, this provision is no longer relevant.

Section 6: The Permanent Fund Corporation manages the investment portfolio of the Mental Health Trust Authority. Current statute provides that the income from those funds be determined "in the same manner the corporation determines the net income of the Alaska Permanent Fund..." The Mental Health Trust Authority has previously adopted a POMV style management. This section provides a statutory mandate that the net income of the Mental Health Trust fund be determined in accordance with generally accepted accounting principles. This is the same language that is being adopted for the Permanent Fund itself in Section 4.

Section 7: This section changes language in the existing Permanent Fund Dividend payment statutes to language that conforms to the proposed POMV methodology. This change has no substantive consequence on the current dividend payment statutes.

Section 8: This section changes language in the disclosures required on the payment stub for Permanent Fund Dividends to language that conforms to the proposed POMV methodology. This change has no substantive consequence on the disclosures required.

Section 9: Repeals statute that will be superseded by operation of the proposed POMV constitutional amendment. AS 37.13.140 defined income and net income of the Permanent Fund for purposes of making distributions. Under the proposed POMV constitutional amendment, distributions are based on Market Value not on income. AS 37.13.145 defined the disposition of the income of the permanent fund including inflation proofing and transfers to the dividend account. Inflation proofing is inherent in the proposed POMV constitutional amendment and Section 3 of this legislation provides for transfers to the dividend account.

Section 10: Provides that this Act takes effect only if a POMV amendment is approved by the voters during the 2004 general election and takes effect.

Section 11: Provides that. Subject to Section 10, the effective date of this act will be January 1, 2005.

23-LS1075\S
Cook
3/15/04

CS FOR HOUSE BILL NO. 298(W&M)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

Offered:
Referred:

Sponsor(s): HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the income of and appropriations from the Alaska permanent fund
2 under art. IX, sec. 15(b), Constitution of the State of Alaska, and making conforming
3 amendments; relating to the determination of net income of the mental health trust
4 fund; and providing for an effective date."

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

6 * **Section 1.** AS 09.20.050(b) is amended to read:

7 (b) The jury list shall be based on a list prepared by the Department of
8 Revenue of all persons who filed an application for a [DISTRIBUTION OF
9 ALASKA] permanent fund dividend [INCOME] under AS 43.23 during the current
10 calendar year that shows an Alaska [ALASKAN] address, and of all persons who
11 volunteer for jury duty under (d) of this section. If considered necessary by the
12 administrative director of the Alaska Court System, the jury list shall incorporate a list
13 prepared by the Department of Administration of all persons who hold a valid Alaska
14 driver's license. The departments shall submit their respective lists to the Alaska

1 Court System not later than September 30 of each year. To the extent that it is
2 available, the departments shall include on the lists they submit the following
3 information for each person: first name, middle initial, and last name; mailing address,
4 including the zip code; and birth date. The lists shall be recorded on magnetic tape
5 compatible with Alaska Court System data processing equipment.

6 * Sec. 2. AS 24.20.206 is amended to read:

7 **Sec. 24.20.206. Duties.** The Legislative Budget and Audit Committee shall

8 (1) [REPEALED]

9 (2)] annually review the long-range operating plans of all agencies of
10 the state that perform lending or investment functions;

11 (2) [(3)] review periodic reports from all agencies of the state that
12 perform lending or investment functions;

13 (3) [(4)] prepare a complete report of investment programs, plans,
14 performance, and policies of all agencies of the state that perform lending or
15 investment functions and notify the legislature within 30 days after the convening of
16 each regular session that the report is available;

17 (4) [(5)] in conjunction with the finance committee of each house,
18 recommend annually to the legislature the investment policy for the general fund
19 surplus and for the [INCOME FROM THE] permanent fund;

20 (5) [(6)] provide for an annual post audit and annual operational and
21 performance evaluation of the Alaska Permanent Fund Corporation investments and
22 investment programs;

23 (6) [(7)] provide for an annual operational and performance evaluation
24 of the Alaska Housing Finance Corporation and the Alaska Industrial Development
25 and Export Authority; the performance evaluation must include, but is not limited to, a
26 comparison of the effect on various sectors of the economy by public and private
27 lending, the effect on resident and nonresident employment, the effect on real wages,
28 and the effect on state and local operating and capital budgets of the programs of the
29 Alaska Housing Finance Corporation and the Alaska Industrial Development and
30 Export Authority;

31 (7) [(8)] provide assistance to the trustees of the trust established in

AS 37.14.400 - 37.14.450 in carrying out their duties under AS 37.14.415.

* **Sec. 3.** AS 37.13 is amended by adding a new section to read:

Sec. 37.13.143. Appropriations from the fund. (a) The total amount available for appropriation from the fund for a specific fiscal year is determined under art. IX, sec. 15(b), Constitution of the State of Alaska. However, if the average real rate of return of the fund during the 10 calendar years immediately preceding the specific fiscal year was less than five percent, the amount available for appropriation for that specific fiscal year may not exceed that 10-year average real rate of return multiplied by the average of the fiscal year-end market values of the fund for the first five of the six fiscal years immediately preceding that specific fiscal year. For purposes of this subsection, "real rate of return" means the total rate of return of the fund's investments for the period measured, minus the rate of inflation for that period, stated on an annualized basis.

(b) Appropriations by the legislature under (a) of this section for a specific fiscal year are limited as follows, based on the total amount available for appropriation:

(1) 50 percent may be appropriated to the general fund;

(2) 50 percent may be appropriated to the dividend fund established under AS 43.23.045.

* **Sec. 4.** AS 37.13 is amended by adding a new section to read:

Sec. 37.13.148. Market value of the fund. For the purposes of art. IX, sec. 15(b), Constitution of the State of Alaska, the corporation shall determine the market value of the fund annually as of the close of business on June 30 in accordance with generally accepted accounting principles for the determination of fair value.

* **Sec. 5.** AS 37.13.150 is amended to read:

Sec. 37.13.150. Corporation budget. The revenue generated by the fund's investments must be identified as the source of the operating budget of the corporation in the state's operating budget under AS 37.07 (Executive Budget Act). [THE UNEXPENDED BALANCE OF THE CORPORATION'S ANNUAL OPERATING BUDGET DOES NOT LAPSE AT THE END OF THE FISCAL YEAR BUT SHALL BE TREATED AS INCOME UNDER AS 37.13.140.]

1 * Sec. 6. AS 37.14.031(c) is amended to read:

2 (c) The net income of the fund shall be determined by the Alaska Permanent
3 Fund Corporation annually as of the last day of the fiscal year in accordance with
4 generally accepted accounting principles [IN THE SAME MANNER THE
5 CORPORATION DETERMINES THE NET INCOME OF THE ALASKA
6 PERMANENT FUND UNDER AS 37.13.140].

7 * Sec. 7. AS 43.23.025(a) is amended to read:

8 (a) By October 1 of each year, the commissioner shall determine the value of
9 each permanent fund dividend for that year by

10 (1) determining the total amount available for dividend payments,
11 which equals

12 (A) the amount of money appropriated from [INCOME OF]
13 the Alaska permanent fund [TRANSFERRED] to the dividend fund under
14 AS 37.13.143 [AS 37.13.145(b)] during the current year;

15 (B) plus the unexpended and unobligated balances of prior
16 fiscal year appropriations that lapse into the dividend fund under
17 AS 43.23.045(d);

18 (C) less the amount necessary to pay prior year dividends from
19 the dividend fund in the current year under AS 43.23.005(h) and under
20 AS 43.23.055(3) and (7);

21 (D) less the amount necessary to pay dividends from the
22 dividend fund due to eligible applicants who, as determined by the department,
23 filed for a previous year's dividend by the filing deadline but who were not
24 included in a previous year's dividend computation;

25 (E) less appropriations from the dividend fund during the
26 current year, including amounts to pay costs of administering the dividend
27 program and the hold harmless provisions of AS 43.23.075;

28 (2) determining the number of individuals eligible to receive a
29 dividend payment for the current year and the number of estates and successors
30 eligible to receive a dividend payment for the current year under AS 43.23.005(h); and

31 (3) dividing the amount determined under (1) of this subsection by the

amount determined under (2) of this subsection.

* Sec. 8. AS 43.23.028(a) is amended to read:

(a) By October 1 of each year, the commissioner shall give public notice of the value of each permanent fund dividend for that year and notice of the information required to be disclosed under (3) of this subsection. In addition, the stub attached to each individual dividend check and direct deposit advice must

(1) disclose the amount of each dividend attributable to [INCOME EARNED BY THE PERMANENT FUND FROM] deposits to that fund required under art. IX, sec. 15, Constitution of the State of Alaska;

(2) disclose the amount of each dividend attributable to [INCOME EARNED BY THE PERMANENT FUND FROM] appropriations to that fund and the amount of each dividend attributable to [FROM] amounts added to that fund before January 1, 2005, to offset the effects of inflation;

(3) disclose the amount by which each dividend has been reduced due to each appropriation from the dividend fund, including amounts to pay the costs of administering the dividend program and the hold harmless provisions of AS 43.23.075;

(4) include a statement that an individual is not eligible for a dividend when

(A) during the qualifying year, the individual was convicted of a felony;

(B) during all or part of the qualifying year, the individual was incarcerated as a result of the conviction of a

(i) felony; or

(ii) misdemeanor if the individual has been convicted of a prior felony or two or more prior misdemeanors;

(5) include a statement that the legislative purpose for making individuals listed under (4) of this subsection ineligible is to

(A) obtain reimbursement for some of the costs imposed on the state criminal justice system related to incarceration or probation of those individuals;

1 (B) provide funds for services for and payments to crime
2 victims and for grants for the operation of domestic violence and sexual assault
3 programs;

4 (6) disclose the total amount that would have been paid during the
5 previous fiscal year to individuals who were ineligible to receive dividends under
6 AS 43.23.005(d) if they had been eligible;

7 (7) disclose the total amount appropriated for the current fiscal year
8 under (b) of this section for each of the funds and agencies listed in (b) of this section.

9 * **Sec. 9.** AS 37.13.140, 37.13.145; and AS 37.13.300(c) are repealed.

10 * **Sec. 10.** The uncodified law of the State of Alaska is amended by adding a new section to
11 read:

12 **CONDITIONAL EFFECT.** This Act takes effect only if an amendment to art. IX, sec.
13 15, Constitution of the State of Alaska, relating to and limiting appropriations from the Alaska
14 permanent fund based on an averaged percent of the fund market value, is approved by the
15 voters during the 2004 general election and takes effect.

16 * **Sec. 11.** If this Act takes effect under sec. 10 of this Act, it takes effect on January 1,
17 2005.

ALASKA PERMANENT FUND CORPORATION

ANALYSIS OF HB 298(W&M) "D" VERSION

CURRENT STATUTES

Section 11 of the proposed bill includes the repeal of the two statutory sections detailed below.

1) Fund Income Available for Appropriation

AS 37.13.140. Net income of the fund includes income of the earnings reserve account established under AS 37.13.145. Net income of the fund shall be computed annually as of the last day of the fiscal year in accordance with generally accepted accounting principles, excluding any unrealized gains or losses. Income available for distribution equals 21 percent of the net income of the fund for the last five fiscal years, including the fiscal year just ended, but may not exceed net income of the fund for the fiscal year just ended plus the balance in the earnings reserve account described in AS 37.13.145.

(2) Distribution of Income

AS 37.13.145. (a) The earnings reserve account is established as a separate account in the fund. Income from the fund shall be deposited by the corporation into the account as soon as it is received. Money in the account shall be invested in investments authorized under AS 37.13.120.

- (b) At the end of each fiscal year, the corporation shall transfer from the earnings reserve account to the dividend fund established under AS 43.23.045, 50 percent of the income available for distribution under AS 37.13.140.
- (c) after the transfer under (b) of this section, the corporation shall transfer from the earnings reserve account to the principal of the fund

PROPOSED STATUTES/CONSTITUTION

To replace the repealed statutes HB 298 proposes two new statutory provisions (items 1 & 3 below) and one new subsection in the constitution (item 2 below).

(1) Fund Value Determination (Section 4)

Sec. 37.13.148. For the purposes of art. IX, sec. 15(b), Constitution of the State of Alaska, the corporation shall determine the market value of the fund annually as of the close of business on June 30 in accordance with generally accepted accounting principles for the determination of fair value.

2) Fund value available for appropriation

HJR 26 would amend the Permanent Fund provision in the Constitution (Article IX sec. 15) by adding subsection (b) – annual appropriations from the fund are limited to 5% of 5 year-end averaged market value.

3) Distribution of Value (Section 3)

Sec. 37.13.143. Appropriation from the fund. Appropriations by the legislature from the fund for a specific fiscal year are limited as follows:

- (1) not more than 60 percent of the total amount available for appropriation for that year under art. IX, sec. 15(b), Constitution of the State of Alaska, to the general fund;
- (2) not more than 40 percent of the total amount available for appropriation for that year under art. IX, sec. 15(b), Constitution of the State of Alaska, to the dividend fund established under AS 43.23.045.

ALASKA PERMANENT FUND CORPORATION

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CURRENT STATUTES

an amount sufficient to offset the effect of inflation on principal of the fund during that fiscal year. The corporation shall calculate the amount to transfer to the principal under this subsection by

- (1) computing the average of the monthly United States Consumer Price Index for all urban consumers for each of the two previous calendar years;
- (2) computing the percentage change between the first and second calendar year average; and
- (3) applying that rate to the value of the principal of the fund on the last day of the fiscal year just ended.
- (d) Notwithstanding (b) of this section, income earned on money awarded in or received as a result of State v. Amerada Hess, et al., 1JU-77-847 Civ. (Superior Court, First Judicial District), including settlement, summary judgment, or adjustment to a royalty-in-kind contract that is tied to the outcome of this case, or interest earned on the money, or on the earnings of the money shall be treated in the same manner as other income of the Alaska permanent fund, except that it is not available for distribution to the dividend fund, and shall be annually deposited into the principal of the Alaska permanent fund.

PROPOSED STATUTES/CONSTITUTION

Note: Statutory inflation proofing [AS 37.13.145(c) 1 - 3] is repealed. Inflation proofing under POMV (HJR 26) would be implicit by limiting annual expenditures to no more than 5% of the fund value. To inflation proof the Fund no action would be necessary by the APFC or the Legislature.

SCOMM

134:9

ALASKA STATE LEGISLATURE



REPRESENTATIVE LES GARA

February 12, 2004

SPONSOR STATEMENT: HB 441 **A Rational Approach To Fixing Alaska's Oil Tax Laws.**

Under Alaska's Constitution, oil belongs to all citizens in common. It is incumbent upon government to make sure Alaskans receive a fair share for this public resource, and that a fair share is provided to those companies who have contracted with us to develop and sell it. HB 441 fixes two flaws with Alaska's current oil taxation system. One flaw comes from the way Alaska's Economic Limit Factor (ELF) is written. Under the ELF, the production or "severance" tax rate on oil companies has fallen for over a decade, and will continue to fall. That is because under the ELF most new fields are effectively exempted from Alaska's 15% severance tax.

A second flaw is that oil companies have arguably reaped an unfair share of the state's oil wealth at average and high oil prices. The windfall at high prices has not been shared evenly. At successively higher prices the imbalance between corporate profits and State oil revenue grows greater. The Department of Revenue estimates that at \$30/barrel, oil companies receive \$1.2 billion more in profits than the state receives in total oil revenue.

This portion of the tax structure has not been reviewed in 15 years. People from across the political spectrum, from Governors Jay Hammond and Wally Hickel, to Former Deputy Commissioner of Revenue Deborah Vogt, to Ray Metcalfe, Clem Tillion and Rick Halford have called for a review of the current tax structure. HB 441 does that. It raises roughly \$110 million at average oil prices, and \$400 million at prices of \$30/barrel.

Proposal Summary

1. HB 441 Establishes a Minimum 5% Severance Tax. Eleven of the last 14 fields that have come on line since 1989 pay none, or almost none of the state's 15% severance tax. This proposal establishes a minimum severance tax at 5%.

Under current law, and without such a change, the average severance tax has fallen from 13.5% in 1993, to 7.5% today, and it will fall below 5% by 2013. If we do nothing, the fiscal gap will continue to grow as severance tax revenue continues to fall.

2. Adjusts Severance Tax Amount Upwards above \$20/barrel & Downwards Below \$16/barrel. This provision will allow the state's share at average and high prices to rise and fall as oil prices rise and fall. Under this proposal, the state would recover about \$500 million more than it does today at \$32/barrel.

The Formula: Above \$20/barrel, the proposal would multiply the severance tax by this formula: *The Price Per Barrel / 20*. Thus, nothing would change at \$20/barrel because the severance tax would be multiplied by 20/20, or by 1. But at \$30/barrel, the severance tax would be multiplied by 30/20, or 1.5. Thus, at \$30, a field with a 10% severance tax would pay an adjusted 15% severance tax (1.5 X 10%). This still allows oil company income to increase significantly at higher prices. This price factor will never increase the severance tax to more than 25%, thereby also protecting the interest of oil companies in high profits at high prices.

Below \$16/barrel, the severance tax is **reduced** by multiplying it by this formula: *The Price/16*. Thus, for example, at \$12/barrel, the severance tax would be multiplied by 12/16, and thereby waiving twenty-five percent of the production tax.

3. Deferral Of Severance Taxes Below \$10/barrel. Below \$10/barrel, half the severance tax would be waived and the other may be deferred. Severance tax payments may be deferred at this price until prices exceed \$16/barrel.

4. Inflation Adjustments. These price factors will be adjusted for inflation. Thus, for example, as inflation occurs, the formula will use a higher price before the high price factor kicks in to multiple the severance tax. Since oil company costs increase over time, the high price multiplier arguably shouldn't kick in until high prices. See detailed proposal, attached.

5. Heavy Oil Not Affected. The Fair Share proposal exempts "heavy oil" from any of the enhanced taxes to encourage development of that resource. Heavy oil requires entails a more expensive and intensive extraction process.

Analysis Of Impacts and Current Shortfalls

Alaska raises oil revenue under 4 different provisions. In order of magnitude, we raise revenue from oil under our royalty laws, our severance tax, our corporate profits tax, and our property tax. In 2003 the revenue raised under the first 3 provisions was greatly increased because of the high price of oil, which averaged about \$28/barrel. The State received:

- \$830 million in royalties;
 - \$599 million in severance taxes;
 - \$150 million in corporate taxes; and,
 - \$50 million in property taxes.
- Total: \$1.64 billion.

Figures provided by Department of Revenue.

The proposal grants the state a more equitable share of oil revenue:

- an additional \$110 million at a \$22/barrel average price;
- an additional \$400 million at \$30/barrel; and,
- an additional \$500 million at \$32/barrel.