

ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 8672

10003 HOUSE STATE AFFAIRS

Add: ~~(repeal)~~ Elimination of Man. Cost & Rev. Sharing 1-LS0591NG

1 judgment of the department is reliable) In determining the population of a borough,
2 the population of all cities in the borough shall be deducted from the total population
3 of the borough.

4 * Sec. 2. AS 37.13.145 is amended by adding a new subsection to read:

5 (c) After the transfers under (b) and (c) of this section, the corporation shall
6 transfer [the balance] of the earnings reserve account to the municipal dividend fund
7 established under AS 29.60.660.

8 * Sec. 3. This Act takes effect July 1, 2000.

Carl:
80% of the realized earnings balance

Carl:
Add: Limit how municipalities can use the money
for transportation infrastructure & maintenance (airports, roads, harbors)
(2) Education facilities & operations
(3) Community facilities

Can we Add A.F. Cuts ???
to the bill ??

SA D.O.T. Maintenance \$
"transferred" to local govt!

12 Commensurate cuts to agencies!

Alaska State Legislature
Representative Carl E. Moses



SESSION
State Capitol Building
Juneau, Alaska 99801-1182
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Member
House Finance Committee

MEMORANDUM

DATE: February 4, 2000

TO: Rp. Jeannette James, Chairman
House State Affairs Committee

FROM: Rp. Carl E. Moses, Member *CEM*
House Finance Committee

SUBJ: Hearing Request - HB 137 - Municipal Dividend Program

Please consider scheduling a hearing for HB 137, the measure to establish a municipal dividend program. This program would be funded from the realized income portion of the Permanent Fund's undistributed earnings in earnings reserve account. It would fill a need for adequate and reliable funding for basic community services, currently going unmet by the state.

Attached is a copy of the bill, a sponsor statement w/secional analysis, fiscal notes, and other support material. If there are any questions, please call Tim Benintendi of my office at 6591.

Alaska State Legislature

Representative Carl E. Moses



Member
House Finance Committee



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SPONSOR STATEMENT / SECTIONAL ANALYSIS

HB 137 - Municipal Dividend Program

I recommend establishment of a Municipal Dividend Program to provide Alaskan municipalities with a predictable and reliable source of income with which to address community needs currently not being met by the state under current financing methods.

Given our inability to substantially cut the state operating budget, and given our unwillingness to raise new revenues, we need to look at using the earnings reserve of the Permanent Fund in some effective way despite these two political realities. I would propose to use the annual realized earnings part of the undistributed amount in the earnings reserve.

The current rate of withdrawal from our cash reserves will not endure for many more years. Yet public service demands do not relent. Ask any municipal official around the state, and you'll be told that basic community needs are going unmet.

The idea which several experienced leaders have given some credence is a Municipal Dividend program, which would direct funds from the undistributed earnings reserve of the Permanent Fund through a setup much like the current individual dividend program, and into cities and towns around the state. A formula for distribution would be based upon strict usage criteria and population figures, and would come into play after inflation-proofing the Permanent Fund, and accounting for annual individual dividends.

In the space of the few years we have left to rely upon cash reserves, we need to develop and put into place a program like this which will serve needs and relieve demands upon the state. The value of a predictable and reliable income stream for our state's municipalities in the face of elimination of revenue sharing and municipal assistance from General Fund appropriations, is obvious.

ADAK • AKUTAN • AMCHITKA • ATKA • ATTU • BELKOFSKI • CHERNOFSKI • CHIGNIK • CHIGNIK LAGOON • CHIGNIK LAKE • COLD BAY
DUTCH HARBOR • EGEGIK • FALSE PASS • IGIUGIG • ILIAMNA • IVANOF BAY • KING COVE • KING SALMON • KOKHANOK • KOKHANOK BAY • LEVELOCK
NAKNEK • NELSON LAGOON • NEWHALEN • NIKOLSKI • NONDALTON • PEDRO BAY • PERRYVILLE • PILOT POINT • PORT ALSWORTH • PORT HEIDEN
PORT MOLLER • SAND POINT • SHEMYA • SQUAW HARBOR • SOUTH NAKNEK • ST. GEORGE ISLAND • ST. PAUL ISLAND • UGASHIK • UNALASKA • UNGA

The funds would be used for locally determined needs. Likely, most use of the funds would be for services being shorted or deferred currently by the state agencies. Local decision makers would prioritize from among transportation infrastructure, education and community facilities, and the like. In the ultimate, state programs could be cut commensurately after responsibility and funding are passed to communities.

This plan would integrate well into a scheme of operating budget cuts, new or increased taxation, or both, if given a chance. The individual dividend payout would remain intact, although it might be somewhat impacted over time. But the reality is that any plan advanced to address our budget shortfall will cost individuals in one way or another. Last fall's advisory vote told us what wasn't desired, but unfortunately, it didn't tell us what remedy to institute. I submit that the Municipal Dividend program will contribute greatly to creating a solution which can improve the future of state financing.

BILL SECTION 1: Adds a new section to Title 29 establishing the fund in the Department of Commerce and Community Development, and authorizes fund transfers from the earnings reserve account. It makes transfers subject to legislative appropriations, and also provides for full distribution to municipalities of the amount available.

In addition, Section 1 provides for dividend calculation based upon population figures, and cites the U.S. Census Bureau as the chief source, but not the only source, of population information. This section also states that the population of cities within a borough will be deducted from the borough's overall population base, since cities may independently apply for distribution under this program.

BILL SECTION 2: Calls for transferring the balance of the earnings reserve account into the municipal dividend account after inflation-proofing the permanent fund, and after transferring the appropriate amount to pay individual dividends.

BILL SECTION 3: Establishes an effective date of July 1, 2000.



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907)586-1325, Fax (907)-463-5480

January 31, 2000

Representative Carl Moses
Alaska State Legislature Room 500
Juneau, AK 99811

Dear Representative Moses:

On behalf of the members of the AML and Alaska Conference of Mayors, we support **HB 137 - Municipal Dividend Program**. It is no surprise we agree with your position that many Alaskans have been hurt by state revenue sharing cuts, and communities desperately need a stable source of income. Critical public safety services have been slashed in the small communities, damage due to deferred maintenance is growing, and many communities have been forced to increase taxes just to maintain services. We believe that rising property taxes due to state cuts have strengthened support for the proposed property tax cap initiative. If the initiative passes it would add \$200 million to Alaska's budget deficit the first year.

While there is not yet broad public support use of some of the earnings of the Permanent Fund, this is an option that must be considered in any long-range fiscal planning effort. The *FY 2000 AML Policy Statement* says, "Evaluate the Community Dividend concept as part of an overall fiscal plan to help develop Alaska's communities for citizens."

The number one legislative priority of the AML and Conference of Mayors is to assist the state in developing a long-range financial plan that considers both state and local impacts, because they are interdependent. HB 137 provides a means to support government closest to the people without further increasing local taxes or adding to the state budget deficit.

Thank you for introducing HB 137 and for your continued interest in the municipalities of Alaska. If we can provide you with any assistance, please let me know.

Sincerely,

Kevin C. Ritchie
Executive Director

cc: AML Revenue & Finance Subcommittee

c:/jk/leg00/hgb137.doc




Alaska Permanent Fund Corporation

P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

MEMORANDUM

DATE: February 2, 2000

TO: Chris Phillips,
Director of Finance

FROM: Jim Kelly 
Director of Communications

SUBJECT: **House Bill 137**

This is to provide commentary on the impacts of HB 137. If enacted, this bill would authorize a new, third statutory use for Fund income. Specifically, it would direct the Alaska Permanent Fund Corporation (APFC) to transfer, after the transfers required for dividends and inflation-proofing, "the balance of the earnings reserve account" to the newly created municipal dividend fund.

In terms of fiscal note, the impact would be zero. There would be no additional operational costs associated with this new transfer.

In terms of Fund balances, there are two important issues. First, it is unclear what is meant by "the balance of the earnings reserve account." In previous bills enacted by the legislature relating to the earnings reserve – such as the special appropriations to principal in 1986, 1996 and 1997 – what was transferred was only the realized portion of the earnings reserve.

Since 1998, however, the APFC has been required by a ruling of the Governmental Accounting Standards Board, (GASB 31), to expand the definition of the earnings reserve account in the financial statements to include unrealized income as well. As of June 30, 2001, the realized

portion is projected to total \$3.307 billion and the unrealized portion of the earnings reserve account is projected to total \$4.347 billion.

Second, it is important to note that drawing down the balance of the earnings reserve to zero is potentially detrimental to any and all future annual statutory transfers of Fund income. As reported to the Senate and House Finance Committees last year, in periods of poorly performing markets, the earnings reserve account acts as a reserve for future payments of dividends and inflation-proofing, and now with this legislation, the annual transfer to the municipal dividend fund.

In the view of the Corporation, it is prudent to maintain a healthy balance in the earnings reserve account in order to increase the stability and predictability of future distributions of Fund income for legislatively determined purposes.

The APFC would be pleased to provide additional analysis of the bill's impacts assuming transfer to the municipal divided fund in the first year of only the residual net income earned in that year after payment of dividends and inflation-proofing.

Dividend plan could solve state money woes

By REP. CARL MOSES

The current state budget situation presents us with yet another chance to collectively review in detail the structure of our governmental financing customs and hopefully make some needed and beneficial changes.

Because we do not forward-fund our state budget, that is, basing next year's expenditures on this year's revenues, I see no alternative but to make substantial changes in the way we currently plan expenditures, given current low oil prices and the likelihood of continued declining production.

If we accept the fact that there is a genuine budget shortfall this year of approximately \$1.2 billion (with likely more of the same in the foreseeable future), and if we acknowledge the fact that there exist several possible recommendations to solve the problem, then we can focus on solutions.

No potential solution or combination of remedies identified to date will suit everyone. However, it is incumbent upon interested parties to participate in the public discussion and ultimate legislative action to keep Alaska on a sound, fair and practical fiscal path into the new millennium.

Recognizing a budget shortfall and yet little public enthusiasm for taxes or changes in the Permanent Fund structure, but also rec-



ognizing the difficulty in making large and substantial cuts to the state operating budget, what are we to do?

There is at least one idea with merit that has not received its due attention in the debate over the past few years, and that idea is the concept of a Municipal Dividend program. It is a proposal that can address as many or as few of the budget problems as may be desired. The key characteristics of this program are equity and fiscal responsibility, because it confines itself to passing from the state to local government units, responsibility and funding for services we in the Legislature continually hear are not being adequately met by the state.

If you are familiar with the individual Permanent Fund Dividend program, then you have an idea of how the Municipal Dividend program would work. Based upon strict criteria and local population figures, undistributed earnings from the Alaska Permanent Fund would be available for appropriation to Alaska municipalities, large and small, after providing for inflation-proofing the fund and for calculating individual Permanent Fund dividends.

There ultimately would be some impact on the size of the individual dividend. But any plan advanced to address our budget shortfall will cost individuals in one way or another.

That's why I emphasize that the time is upon us to make responsible, major changes in the way we devise our annual budget.

The focus of the idea is to provide municipalities funds with which to perform basic governmental services, some of which have been unfortunately reduced or eliminated in recent years by state government. Anyone who ever grumbled about the poor condition of local streets, lack of maintenance for schools or inadequate recreational facilities, for example, should embrace this plan as a way to address such problems with the focus of local prioritizing. Even the cynics who would frown upon the idea of giving more money to local politicians would not have to look twice to see the potential benefits of this plan for their cities and towns.

Another value of the Municipal Dividend program, and one addressing the immediate state fiscal shortfall, would be the reduction or elimination of some programs within the state operating budget funded with general fund dollars. Shifting responsibility away from state to local government, and shifting funding away from the general fund to the Permanent Fund's undistributed earnings, would reduce the fiscal gap and enhance local government objectives.

In the continual debate over what purpose to finally put earnings of the Alaska Permanent Fund to work, this proposal could give the fund a concrete objective, that of helping provide basic services to citizens of the state, through their local government.

I doubt there is a municipality in this state that would refuse a more stable and pre-

dictable stream of income such as the proposed Municipal Dividend program would provide.

The common perception of the fund was for it to eventually offset the decline of revenue from our oil resources. That time has certainly arrived. In addition, it is well known that the Internal Revenue Service will eventually look to tax the Permanent Fund directly if no clear public purpose is officially determined for the fund. With the individual PFD already being federally taxed via personal income taxes, this Municipal Dividend proposal could likely thwart any such proposal for taxation of the earnings of the fund.

Concerning the current fiscal challenge before us, a Municipal Dividend program could be part of a solution that may include some operating budget cuts, some new or increased taxation or a combination of both. It does offer the chance to reduce general fund spending, and provide a more reliable way of funding many essential local government operations in a time when assistance to local governments has been haphazardly diminished.

It will not adversely impact the economy and can be managed in such a way as to avoid dramatic infusions of funding into local governments. I believe the time has come to simultaneously address several statewide fiscal issues in great need of being brought to finality, with a plan which could be a positive component of a long-range fiscal policy.

U.S. Rep. Carl Moses, D-Unalaska, serves on the House Finance Committee.



Moses

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SUNDAY, JAN. 16, 2000 / EMPIRE

Ignoring budget gap is not responsible

W here have we heard this before? The governor wants to spend more money and the Legislature wants to cut the budget.

Gov. Tony Knowles, in his State of the State address Wednesday, called for \$100 million more for the operating budget, putting the money toward programs supporting children and education. The governor's budget totals \$2.4 billion in general funds.

As predictable as ever, the legislative leadership wants cuts to the operating budget that total \$30 million or more.

It's safe to assume, then, that the final budget will be somewhere in between. And that won't solve the problem.

All the while, the 800-million-pound gorilla needs its bananas – that is the dollar difference between state revenues and spending for the FY2001 budget. Look out, reserve accounts, here come the politicians.

While conventional wisdom says that this election year means nothing will be done to mend the fabric of the state's operating budget gap, we'd be disappointed if that turned out to be the case. We can't continue to draw down the state's reserve accounts forever. At some point, we'll have to replenish the reserves or resort to – advisory vote notwithstanding – using permanent fund earnings. We also can't continue to shuffle money from one program to another without seriously compromising the government's performance in the long run.

Let's tour recent history: Recall that in 1996, Knowles wanted \$100 million in cuts over three years to close the budget gap, as a part of his safe-landing plan. Those cuts would close the budget gap in three years, his administration predicted. That year, Republicans wanted \$180 million in cuts over the same period. Too drastic, Knowles said. Needed, the majority countered. Looking back, it's a good thing that the budget was trimmed. We need to seriously look at holding the line on spending.

With oil prices strong, it would be easy enough to ignore the gorilla, but the fact is, by doing so we'll be dipping into the state's budget-balancing reserves once again, and not solving the real problem. Every time lawmakers use the budget reserves, they draw down the well. One of these days, the well will dry up. They'll be accountable.

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 137

Revision Date/Time (Note if correction) _____ Dept. Affected DCED
 Title _____ BRU _____
 An Act relating to the municipal dividend program; and ... Component _____
 Sponsor Representative Moses
 Requester HOUSE CRA Committee Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: _____

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 This Legislation would have no fiscal impact on this department.

Prepared by: Jeff Bush, Deputy Commissioner Phone 465-2500
 Division _____ Date/Time 02/01/00
 Approved by Commissioner [Signature] Date 2/2/00
 Agency _____

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FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 137

Revision Date/Time (Note if correction) 02/02/00 Dept. Affected Revenue
 Title Municipal Dividend Program BRU Revenue Operations
 Component Alaska Permanent Fund Cor
 Sponsor Representative Moses
 Requester House Community and Regional Affairs Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services					
Travel					
Contractual					
Supplies					
Equipment					
Land & Structures					
Grants & Claims					
Miscellaneous					
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES					
-----------------------------	--	--	--	--	--

CHANGE IN REVENUES ()					
-------------------------------	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts					
1003 GF Match					
1004 GF					
1005 GF/Program Receipts					
1037 GF/Mental Health					
Other (Specify Type)					
TOTAL	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

POSITIONS

Full-time					
Part-time					
Temporary					

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared by: Chris Phillips
 Division Alaska Permanent Fund Corp.
 Approved by Commissioner Wilson Condon
 Agency Department of Revenue

Phone _____
 Date/Time 2/2/00 4:32 PM
 Date 2/2/00

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HB

138

Subject: Re: fiscal notes

Date: Thu, 10 Feb 2000 14:26:20 -0900

From: Shari Kochman <shari_kochman@gov.state.ak.us>

Organization: Alaska Office of the Governor

To: Barbara Cotting <Barbara_Cotting@legis.state.ak.us>

thanks
requests are in

Barbara Cotting wrote:

> *I have scheduled the following bills for hearing in House State Affairs*
> *on Thursday, February 17, and need fiscal notes:*
>
> *HJR 52 Confirm Public Corp Board Managing Assets Rep. James - elections*
>
> *HB 138 Income Tax on Individuals and Fiduciaries Rep. Moses - revenue*
>
> *HB 335 State Retirement Systems and Benefits Rep. Hudson - admin*
>
> *Thanks.*
>
> *Barbara*

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. HB 138

Revision Date/Time (Note if correction)		Dept. Affected	Revenue
Title	<u>Income Tax on Individuals and Fiduciaries</u>	BRU	Revenue Operations
		Component	Income and Excise Audit
Sponsor	<u>Representative Carl Moses</u>		
Requester	<u>(H) STA</u>	Component Serial No.	<u>113</u>

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	681.7	1,722.4	2,500.8	2,506.5	2,506.5	2,506.5
Travel	34.4	42.5	75.2	75.5	75.5	75.5
Contractual	247.8	616.1	819.9	820.9	820.9	820.9
Supplies	12.8	36.5	52.5	52.6	52.6	52.6
Equipment	180.0	187.5	120.0			
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1,156.7	2,605.0	3,568.4	3,455.5	3,455.5	3,455.5

CAPITAL EXPENDITURES*	1,942.0	2,217.0	1,226.0			
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CHANGE IN REVENUES ()	**	**	**	**	**	**
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	3,098.7	4,822.0	4,794.4	3,455.5	3,455.5	3,455.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	3,098.7	4,822.0	4,794.4	3,455.5	3,455.5	3,455.5

Estimate of current year (FY00) cost: 0.0

POSITIONS

Full-time	24	25	41	41	41	41
Part-time						
Temporary		46	46	46	46	-46

ANALYSIS: (Attach a separate page if necessary)

* Because of the level of uncertainty most contractor estimates of capital expenditures would include contingency allowances of between 100 and 300 percent. We have, however, not included any contingency allowances here (see capital expenditure narrative).

** The following two reasons make estimating revenue particularly difficult with this bill: (1) The IRS Statistics of Income data is broken out by adjusted gross income categories not federal tax liability, and (2) there is no method currently available to match property tax and personal income tax liabilities. Consequently, some very broad assumptions are necessary. One of these assumptions is that all single and joint filers with more than \$100,000 in adjusted gross income are subject to the higher tax threshold. Another is that the percentage of homeowners (67.2% from the U.S. Census Bureau) can be used as a proxy for all individuals that qualify for the property tax credit (see revenue analysis).

Prepared by	<u>Brett Fried, Economist & Carl Moyer, Chief of Appeals</u>	Phone	<u>465.3682</u>
Division	<u>Income and Excise Audit</u>	Date/Time	<u>February 16, 2000</u>
Approved by		Date	<u>February 16, 2000</u>
Commissioner	<u>Wilson L. Condon</u>		
Agency	<u>Department of Revenue</u>		

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Bill Analysis

Section 1 amends AS 43.20.011 to add a new subsection to impose an income tax on individuals and fiduciaries. The tax is imposed on "taxable income" but is determined as a percentage of the federal income tax liability. The term "federal income tax liability" is not defined. Consideration should be given to defining this term to make it clear, for example, whether it applies to the federal income tax before or after federal credits, other taxes, and payments. Consideration should also be given to whether the reference to "taxable income" is necessary since the tax is not upon taxable income but rather is based upon a percentage of the federal tax.

The tax upon a resident individual is based upon 100% of the federal tax. The tax on nonresident and part-year resident individuals, and fiduciaries, is that percentage of the federal tax that the taxable income from sources in the state bears to taxable income from all sources. The department is concerned with the use of "taxable income" to determine this percentage because taxable income is net of deductions and exemptions and that complicates the computation. The use of gross income to determine the percentage would be a much more straightforward approach.

The tax rate in the first year of the tax would be 5% of the first \$20,000 of federal income tax liability; or 10% of the federal income tax liability if that amount exceeds \$20,000. In other words, if the federal income tax liability exceeds \$20,000 the 5% rate on the first \$20,000 would not apply to that taxpayer. The tax rates in the second year of the tax increase to 10% and 15%, respectively, and then in the third year become 15% and 20%. The \$20,000 threshold remains unchanged in the second and third years.

The tax is determined based upon the federal filing status. Thus, individuals filing a joint return will determine the Alaska liability based upon the joint federal income tax liability and the \$20,000 threshold will apply to the joint tax liability. Spouses that file married filing separate federal income tax returns must file on the same basis for state purposes and each will be allowed the \$20,000 threshold.

Section 2 amends AS 43.20.030(a) to impose a return filing requirement upon individuals and fiduciaries. The due date for corporation net income tax returns under current law, 30 days after the federal return is required to be filed, is eliminated. The amendment does not specify a due date for either corporation or individual income tax returns. The department interprets this absence to mean that the return due date for all taxpayers is the same date that the federal tax return is due. This result is accomplished through AS 43.20.021(a) which incorporates certain provisions of federal law to the extent not otherwise modified or excepted to under Alaska law.

The amendment also adds the word "allowable" before the word 'credits' and the word "payments" before the word 'claimed' in AS 43.20.030(a)(1). Allowable credits and payments are thus allowed to be claimed by corporate and individual taxpayers against

the tax. This is consistent with the current interpretation of the provision by the department.

Section 3 amends AS 43.20.030(c), which fixes the date the tax is due to be paid, in conformity with the elimination of the return due date for corporation taxpayers under current law. In practice, there is no change in current law. Under current law and this amendment the state tax is due on the same date it is due for federal income tax purposes. This generally is the 15th day of the third month following the end of the tax year for corporations, and the 15th day of the fourth month following the end of the tax year for individuals.

Section 4 amends AS 43.20.030(d) to require all taxpayers to file a copy of the corresponding federal tax return with the state tax return. Taxpayers must also file amended state returns and pay any additional amounts due if amended federal returns are filed or if there is a final determination by the Internal Revenue Service of the federal tax liability. The amended return and payment is due within 60 days of the filing of the amended federal return or the final determination date. The final determination date is the date the federal assessment is made. This provision is consistent with the department's interpretation of current law and makes the requirements clear.

Section 5 amends AS 43.20 by adding a new section AS 43.20.032 to provide that the part of a nonresident's or part-year resident's taxable income that is attributable to Alaska is determined under AS 43.20.040. AS 43.20.040 identifies the income considered to be from an Alaska source. The new section always provides that deductions and adjustments are allowed only to the extent that they are "connected" with income from an Alaska source or situs.

Matching adjustments from gross income to arrive at federal taxable income, such as IRA deductions, medical savings account deductions, ½ of self employment tax, alimony, et cetera, as well as the various items constituting the itemized deductions, standard deduction, and personal exemptions, is likely to be very complicated and subject to disagreement. This can be avoided if gross income is used instead of taxable income in Section 1 for purposes of the apportionment factor used to determine the federal income tax liability of a nonresident, part-year resident, and fiduciary.

Section 6 amends AS 43.20.040(b) to provide that income from sources in the state includes working for salary or wages in the state, and deriving income from Subchapter S corporations, estates, and trusts. Even with these changes AS 43.20.040 remains a confusing provision. The department recommends addressing that confusion by redrafting this section as drafted in HB 91.

Section 7 amends AS 43.20.040 by adding a new subsection to provide that the income from Alaska sources is determined under AS 43.19 for individuals and fiduciaries that carry on a trade, business, or profession, other than merely the rendering of personal

services, both in Alaska and in another jurisdiction. These types of non-personal service businesses will generally use a three factor apportionment formula under AS 43.19.

Section 8 amends AS 43.20 to add a new credit section. This section first provides that amounts deducted and withheld as taxes are allowed as a credit against the tax.

A resident and part-year resident may take a credit against the Alaska tax for incomes taxes paid to other states on income from sources in the other states. The credit is limited to that part of the Alaska tax obtained by multiplying the Alaska tax by a fraction. This fraction is the percentage that the taxable income in the other state bears to total taxable income. Since only residents are taxed on income from all sources, there would appear to be no reason to provide this credit to part-year residents. Also, the use of taxable income instead of gross income in the computation adds unnecessary complexity.

An individual and a fiduciary is allowed a credit for the amount of real and personal property taxes paid under AS 29.45 to a municipality in the state. Nonresidents and part-year residents are allowed to claim this credit if they pay Alaska municipal property taxes.

Section 9 amends AS 43.20.065 to clarify that the general allocation and apportionment provisions in AS 43.19 apply only to corporate taxpayers. To the extent these provisions apply to individual taxpayers is addressed in Section 7.

Section 10 amends AS 43.20 by adding a section to deal with the withholding of wages and salaries by employers. Employers must file reports and remit the tax withheld to the department.

Section 11 amends AS 43.20.200(b) to replace the word "notice" with 'amended return' in conformity with the changes made in Section 4.

Section 12 amends AS 43.20.340 to define fiduciary, individual, nonresident, and resident, and to amend the definition of a part-year resident.

Fiduciary is broadly defined to include as a taxpayer not only the person acting in a fiduciary capacity, but also the entity for whom the person is acting. This suggests that there are two layers of tax upon a 'fiduciary'. However, as a practical matter the individual fiduciary will be subject to tax only as an individual.

An individual is a natural person, including a minor, who has an obligation to pay a federal income tax.

A nonresident is an individual who is not a resident or part-year resident.

A part-year resident is an individual who becomes a resident or loses the status of a resident during the tax year.

A resident is defined as a state resident for purposes of AS 43.23.095. Pursuant to this provision, "state resident" means an individual who is physically present in the state with the intent to remain indefinitely in the state under the requirements of AS 01.10.055 or, if the individual is not physically present in the state, intends to return to the state and remain indefinitely in the state under the requirements of AS 01.10.055. AS 01.10.055 establishes the rules for state residency as follows:

- A person establishes residency in the state by being physically present in the state with the intent to remain in the state indefinitely and to make a home in the state.
- A person demonstrates that intent:
 - by maintaining a principal place of abode in the state for at least 30 days or for a longer period if a longer period is required by law or regulation; and
 - by providing other proof of intent as may be required by law or regulation, which may include proof that the person is not claiming residency outside the state or obtaining benefits under a claim of residency outside the state.
- A person who establishes residency in the state remains a resident during an absence from the state unless during the absence the person establishes or claims residency in another state, territory or country, or performs other acts or is absent under circumstances that are inconsistent with the intent required to remain a resident of this state.

This definition of resident is more narrow than the prevailing definition. It will likely exclude more individuals than it will include. Since residents are taxed on income from all sources, and others are only taxed on Alaska sourced income, there could be a benefit to individuals to take some act that will destroy the residency under AS 01.10.055 and trade the PFD for a tax benefit.

Section 13 repeals AS 43.05.085, AS 43.20.012, AS 43.20.013, which are provisions pertaining to individual tax credits having no effect under current law. It also repeals AS 47.45.120(a) to make the longevity bonus taxable.

Operating Expenditures

A separate unit of the Income and Excise Audit Tax Division will be created to administer the taxation of income of individuals and fiduciaries.

In general, the unit would be responsible for educating taxpayers about the tax, and receiving and processing tax returns and payments. The current Income and Excise Audit Division processes approximately 30,000 returns and reports for 16 programs. These programs are small in comparison to the processing of the 300,000 tax returns and 64,000 employer quarterly reports expected each year under the new tax bill. The new unit would be more specialized with respect to high volume processing and enforcement. There are two systems necessary to implement the taxation of individuals and fiduciaries:

- ✓ individual and fiduciaries system

- ✓ employer withholding system

Staffing

The Individual Income Tax unit would include the following sections:

- Taxpayer Service
- Data Entry
- Accounting & Cash Management
- Compliance
- Appeals
- Programming

We would staff the unit with 41 permanent positions and 46 temporary positions. We would utilize the temporary positions for data entry, mail handling, and taxpayer service. Temporary personnel would work five months a year in data entry, or three months in mail handling and taxpayer service. We have planned two shifts a day to maximize client (taxpayer) service and to minimize equipment costs.

We calculated the staffing costs included in this fiscal note by patterning the new unit after the existing structure of the Income and Excise Audit Division with the addition of a Taxpayer Service Section and the augmentation of the Collection Section. We adjusted staffing for differences in the number of documents processed. We planned staffing utilizing the lowest staff grades possible.

We have checked the proposed staffing level for reasonableness by comparison to the states of Montana and North Dakota. We selected these states for comparability in population base and complexity of the income tax. We compared staffing requirements to the Permanent Fund Dividend Division for reasonableness and for the contingency that we would combine mail room and data entry operations to gain economies of scale.

We have planned staffing based on the first dates that particular staff is needed. For example, collection staffing would not be funded until FY 02, audit staffing funded in FY 01. One appeals position would be funded in FY 00 to draft regulations, policies, and procedures. The second appeals position would be funded in FY 02.

Capital Expenditures

Start-up costs are difficult to quantify because the last state to build a new system was Connecticut in 1991. At the time, the best available technology was main-frame technology; their start-up costs were \$7.6 million in the first year of implementation of the tax. We would not choose a main-frame system because of its lack of flexibility. Most states are moving toward client-server technology. Wyoming has more recently studied (but not ultimately imposed) a personal income tax. Their start-up costs were estimated at \$3.8 million, based on a client-server environment. This included imaging equipment (to store the document), but did not include Optical Character Recognition

software, which would take the place of data-entry. These estimates were rough and were not detailed.

We estimate that the costs will be approximately \$5.4 million spread out over the first three years of implementation. Wostmann and Associates, Inc. based this estimate on the list of tasks to be performed by the system (see attached task list). Because we had such a short time frame to analyze costs and a true needs analysis was not performed, most experts would recommend a contingency allowance of 100-300 percent. These estimates do not include such a contingency allowance recognizing that budgets are reviewed and can be corrected on an annual basis.

The estimated cost is significantly affected by the short time-frame for implementation. Projects of this magnitude, of such a critical nature, normally are designed, implemented, tested, and brought on-line in 18 months.

System Tasks

The computer hardware and software (the system) are necessary to process income tax returns, employer reports, and payments. We will use the system for the following tasks:

- credit withholding payments to employer and individual taxpayer accounts
- record employer quarterly reports including individual taxpayers to which the reports relate (names social security numbers, and amounts for each taxpayer.)
- credit estimated tax payments and payments received with individual income tax returns
- record individual income tax return information
- cross-match employer withholding to withholding claimed by individual taxpayers
- cross-match income tax filings with Internal Revenue Service data tapes to check validity of tax returns filed and to identify non-filers
- link to Permanent Fund Division data to establish taxpayer name, address, and social security data-base and to identify income tax non-filers who did not file a federal income tax return
- cross-match employer quarterly report filings with Department of Labor to identify non-filers
- record and cross-match Form 1099-equivalent to identify non-filers

- generate routine billings for tax, interest, and penalties due
- generate subsequent demand letters in the event of non-payment
- generate liens and levies upon determination by enforcement personnel
- provide access to taxpayers for electronic filing
- link to Child Support Enforcement Division for seizure of income tax refunds for application to delinquent child support obligations
- link to Permanent Fund Dividend Division and possibly Child Support Division data to provide an opportunity for taxpayers to choose to apply available money toward their income tax

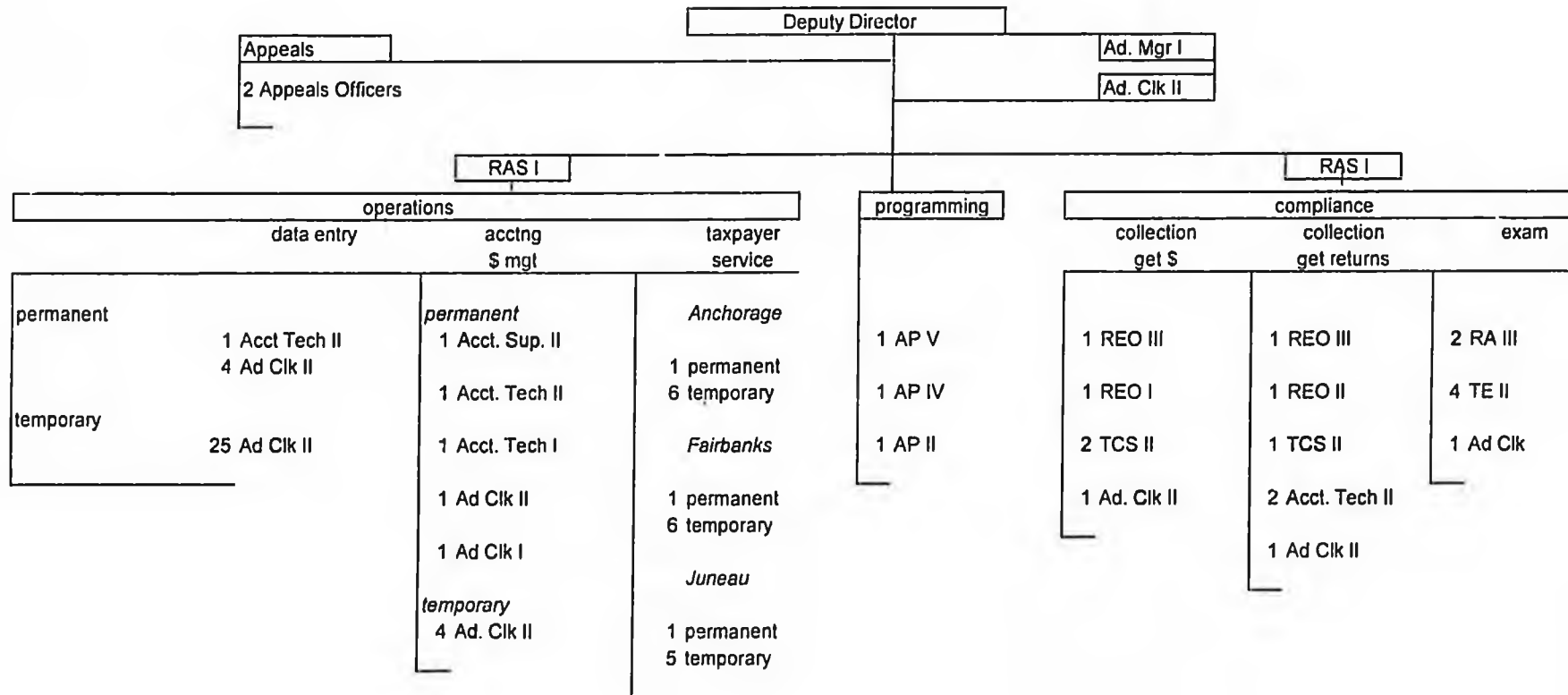
Revenue

In the attached analysis we show rough estimates of revenue increases due to the imposition of the Alaska Income tax on Individuals and Fiduciaries. We used 1997 Internal Revenue Service data, plus the difference between wages and salaries identified by the IRS and Alaska Department of Labor to account for non-residents.

In estimating revenue, we had no way of matching property owners to their federal income tax liability. We used the percentage of Alaskans who are homeowners (from the U.S. Census Bureau) to estimate how many individuals will receive property credits. We then assumed that all homeowners would have enough property tax credit to offset their tax liability (see revenue spreadsheet). This probably understates the property tax credits to taxpayers that would pay at the higher rate (higher percentage of property owners) and overstates credits for the other taxpayers. The property tax credit includes all property taxes (real and personal), so some non-homeowners may also qualify for credits under this bill. We, also assume that all filers (including joint filers) would be subject to the higher tax rate if their adjusted gross income exceeds \$100,000. Additionally, we assume that this bill would apply to the taxable year starting January 1, 2001, not January 1, 2000.

In FY 01, we estimate that the Tax will result in \$19.6 million dollars of revenue. This is half of the total annual revenue estimate for FY 2001. Actual revenue might be larger or smaller depending on the timing of withholding, refunds and estimated payments. For FY 02, FY 03, and FY 04, we estimate an annual revenue of \$54.9 million, \$86.2 million, and \$101.9 million, respectively. For FY 05 and FY 06, we estimate \$101.9 million per year. Clearly, this does not account for inflation, growth of real income, population increases or labor market effects. We did not include any of these factors to minimize the amount of uncertainty in our revenue model. Additionally, any labor-supply effects will probably be counter balanced by income and population growth. Economists differ

on the size of labor-supply effects but in a survey of the literature done by Heckman (1993) , he found that elasticities are closer to zero than one. That is, the labor supply is not very responsive to changes in wages and income.



<u>total FTE's</u>		
permanent		41.0
temporary	21 * 3 mo. =	5.3
temporary	25 * 5 mo. =	10.4
<u>total FTE's</u>		<u>56.7</u>

REO = Revenue Enforcement Officer (old class)
 ranges equal to Revenue Auditor class

TCS = Tax Collection Specialist (old class)
 ranges equal to Tax Examiner class

Alaska Administration Costs Using Estimated Staffing Requirements (In thousands)

By Fiscal Year

Staffing	# Positions	Range	start date	annual costs excluding payroll **	Personal Services	Total annual costs	PERSONNEL DEPENDENT COSTS										
							FY 01		FY 02	FY 03	FY 04	FY 05	FY 06				
							equipment	operating									
Permanent Full Time																	
Deputy Director adm	1	24	Jul-00	28.8	86.9	115.7	7.5	115.7	115.7	115.7	115.7	115.7	115.7	115.7			
Appeals--RA IV appeals	1	20	Aug-00	17.6	67.7	85.3	7.5	78.2	85.3	85.3	85.3	85.3	85.3	85.3			
Appeals--RA IV appeals	1	20	Aug-02	17.5	67.7	85.2	7.5		78.1	85.2	85.2	85.2	85.2	85.2			
RAS I operations	1	22	Aug-00	17.6	76.6	94.2	7.5	86.4	94.2	94.2	94.2	94.2	94.2	94.2			
RAS I exam	1	22	Jul-02	17.5	76.6	94.1	7.5		94.1	94.1	94.1	94.1	94.1	94.1			
RA III exam	2	18	Jul-02	43.6	118.6	162.2	15.0		162.2	162.2	162.2	162.2	162.2	162.2			
TE II exam	2	12	Apr-01	27.6	82.4	110.0	15.0	27.5	110.0	110.0	110.0	110.0	110.0	110.0			
TE II exam	2	12	Jul-02	27.6	82.4	110.0	15.0		110.0	110.0	110.0	110.0	110.0	110.0			
Ad Clk II exam	1	8	Apr-01	13.8	33.7	47.5	7.5	11.9	47.5	47.5	47.5	47.5	47.5	47.5			
REO III collection/rets	1	18	Jul-01	18.8	59.3	78.1	7.5		78.1	78.1	78.1	78.1	78.1	78.1			
REO II collection/rets	1	16	Jul-02	18.3	52.8	71.1	7.5		71.1	71.1	71.1	71.1	71.1	71.1			
TCS II collection/rets	1	12	Jul-02	13.8	41.2	55.0	7.5		55.0	55.0	55.0	55.0	55.0	55.0			
Ad Clk II collection/rets	1	8	Jul-02	13.8	33.7	47.5	7.5		47.5	47.5	47.5	47.5	47.5	47.5			
TCS II collection/\$	2	12	Jul-02	27.6	82.4	110.0	15.0		110.0	110.0	110.0	110.0	110.0	110.0			
REO III collection/\$	1	18	Jul-02	18.8	59.3	78.1	7.5		78.1	78.1	78.1	78.1	78.1	78.1			
REO I collection/\$	1	14	Jul-02	13.8	45.3	59.1	7.5		59.1	59.1	59.1	59.1	59.1	59.1			
Acct. Tech II collection/\$	2	14	Jul-02	27.6	90.6	118.2	15.0		118.2	118.2	118.2	118.2	118.2	118.2			
Ad Clk II collection/\$	1	8	Jul-02	13.8	33.7	47.5	7.5		47.5	47.5	47.5	47.5	47.5	47.5			
AP V programming	1	22	Sep-00	18.8	76.6	95.4	7.5	79.5	95.4	95.4	95.4	95.4	95.4	95.4			
AP IV programming	1	20	Sep-00	18.8	67.7	86.5	7.5	72.1	86.5	86.5	86.5	86.5	86.5	86.5			
AP II programming	1	16	Sep-00	18.8	52.8	71.6	7.5	59.7	71.6	71.6	71.6	71.6	71.6	71.6			
TE II tps	1	12	Sep-00	13.8	41.2	55.0	7.5	45.8	55.0	55.0	55.0	55.0	55.0	55.0			
TE II tps	2	12	Jan-01	27.6	82.4	110.0	15.0	55.0	110.0	110.0	110.0	110.0	110.0	110.0			
Acct. Sup. II acct/\$ mgt	1	16	Mar-01	13.8	52.8	66.6	7.5	22.2	66.6	66.6	66.6	66.6	66.6	66.6			
Acct. Tech II acct/\$ mgt	1	14	Mar-01	13.8	45.3	59.1	7.5	19.7	59.1	59.1	59.1	59.1	59.1	59.1			
Acct. Tech I acct/\$ mgt	1	12	Mar-01	13.8	41.2	55.0	7.5	18.3	55.0	55.0	55.0	55.0	55.0	55.0			
Ad Clk II acct/\$ mgt	1	8	Mar-01	13.8	33.7	47.5	7.5	15.8	47.5	47.5	47.5	47.5	47.5	47.5			
Ad Clk I acct/\$ mgt	1	7	Mar-01	13.8	32.4	46.2	7.5	15.4	46.2	46.2	46.2	46.2	46.2	46.2			
Acct. Tech II data entry	1	14	Apr-01	13.8	45.3	59.1	7.5	14.8	59.1	59.1	59.1	59.1	59.1	59.1			
Ad Clk II data entry	4	8	Apr-01	55.2	134.8	130.0	30.0	47.5	190.0	190.0	190.0	190.0	190.0	190.0			
Ad Mgr. adm	1	15	Jul-00	13.8	49.3	63.1	7.5	63.1	63.1	63.1	63.1	63.1	63.1	63.1			
Ad Clk II adm	1	8	Aug-00	13.8	33.7	47.5	7.5	43.5	47.5	47.5	47.5	47.5	47.5	47.5			
Subtotal permanent positions	41			641.3	1980.1	2621.4	307.5	892.1	1,583.4	2,614.3	2,621.4	2,621.4	2,621.4	2,621.4			
Temporary																	
Ad Clk II mail/files (acctng)	4	8	2/20-5/19	15.1	33.6	48.7	15.0		48.7	48.7	48.7	48.7	48.7	48.7			
TE II tps	17	8	2/20-5/19	64.9	142.8	207.7	67.5		207.7	207.7	207.7	207.7	207.7	207.7			
Ad Clk II data entry	25	8	2/01-6/30	143.1	350.0	493.1	97.5		493.1	493.1	493.1	493.1	493.1	493.1			
	46			223.1	526.4	749.5	180.0		749.5	749.5	749.5	749.5	749.5	749.5			
Equipment																	
								180.0	187.5	120.0							
SUBTOTAL--PERSONNEL-DEPENDENT COSTS							87	864.4	2,506.5	3,370.9	487.5	1,072.1	2,520.4	3,483.8	3,370.9	3,370.9	3,370.9
Add: Common area occupancy*								84.6	84.6	84.6	84.6	84.6	84.6	84.6	84.6	84.6	
TOTAL COSTS								949.0	2,506.5	3,455.5	487.5	1,156.7	2,605.0	3,568.4	3,455.5	3,455.5	3,455.5

0% Personnel annual step increase assumed
 Implementation Team

* Common area Includes: taxpayer lobby, mallroom, conference rooms, file space

** Includes travel, contractals, supplies, and space costs. Contractals include maintenance, copier lease, data-base access charges, outside services, etc.

HB 138 INCOME TAX MODEL - INCOME TAX WITH PROPERTY TAX CREDIT

FY 2001 Revenue

\$134,300,399	Revenue before credits. From 1997 SOI data.
(\$790,799)	Less: Non-resident revenues
\$133,509,600	Tax before credits
67.20%	Statewide Home ownership % from US Census Bureau
\$89,718,451	Potential Tax on homeowners
(\$451,584,776)	Potential Property Tax Credit
\$0	Tax raised from Alaska homeowners
\$43,791,149	Tax raised from Alaska non-homeowners
(\$5,355,584)	Non-homeowner portion of credit for tax paid to other states
\$38,435,565	Tax raised from residents
\$790,799	Tax raised from nonresidents
\$790,799	Total tax raised from nonresidents.
\$39,228,364	TOTAL TAX RAISED AFTER CREDITS
\$18,613,182	Assume tax takes effect Jan. 1, 2001 (half year of withholding)

Insufficient data to determine who paid personal property taxes. Personal property tax combined with real property tax for this projection.

Insufficient data to determine who paid taxes to other states. Credit tied to homeowner percentage. Homeowner credit for taxes paid to other states not included since property tax credit offsets any revenue from property owners.

HB 138 INCOME TAX MODEL - INCOME TAX WITH PROPERTY TAX CREDIT

FY 2002 Revenue

\$228,187,947	Revenue before credits. From 1997 SOI data.
(\$1,501,597)	Less: Non-resident revenues
\$226,606,350	Tax before credits
67.20%	Statewide Home ownership % from US Census Bureau
\$152,279,407	Potential Tax on homeowners
(\$451,584,776)	Potential Property Tax Credit
\$0	Tax raised from Alaska homeowners
\$74,326,883	Tax raised from Alaska non-homeowners
(\$5,355,584)	Non-homeowner portion of credit for tax paid to other states
\$68,971,299	Tax raised from residents
\$1,581,597	Tax raised from nonresidents
\$1,581,597	Total tax raised from nonresidents.
\$70,552,896	TOTAL TAX RAISED AFTER CREDITS
\$54,889,630	1/2 year at 5%-10% rate and 1/2 year at 10%-15% rate

Insufficient data to determine who paid personal property taxes. Personal property tax combined with real property tax for this projection.

Insufficient data to determine who paid taxes to other states. Credit tied to homeowner percentage. Homeowner credit for taxes paid to other states not included since property tax credit offsets any revenue from property owners.

HB 138 INCOME TAX MODEL - INCOME TAX WITH PROPERTY TAX CREDIT

FY 2003 -FY 2006 Revenue

\$322,075,495	Revenue before credits. From 1997 SOI data.
(\$2,372,395)	Less: Non-resident revenues
\$319,703,100	Tax before credits
67.20%	Statewide Home ownership % from US Census Bureau
\$214,840,483	Potential Tax on homeowners
(\$451,584,776)	Potential Property Tax Credit
\$0	Tax raised from Alaska homeowners
\$104,862,617	Tax raised from Alaska non-homeowners
(\$5,355,584)	Non-homeowner portion of credit for tax paid to other states
\$89,507,033	Tax raised from residents
\$2,372,395	Tax raised from nonresidents
\$2,372,395	Total tax raised from nonresidents.
\$101,878,428	TOTAL TAX RAISED AFTER CREDITS
\$88,216,162	(FY 2004-FY2006) FY 2003 with 1/2 year at 10%-15% and 1/2 year at 15%-20%

Insufficient data to determine who paid personal property taxes. Personal property tax combined with real property tax for this projection.

Insufficient data to determine who paid taxes to other states. Credit tied to homeowner percentage. Homeowner credit for taxes paid to other states not included since property tax credit offsets any revenue from property owners.

Alaska State Legislature

Representative Carl E. Moses



Member
House Finance Committee



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MEMORANDUM

TO: Representative Jeannette James
Chair, House State Affairs Committee

FROM: Representative Carl Moses (C. E. Moses)

DATE: February 4, 2000

RE: HB 138/scheduling

This is a request to hold a committee hearing on House Bill 138: Income Tax on Individuals and Fiduciaries. House Bill 138 is intended to raise revenue for the state of Alaska through a state income tax.

I have enclosed a copy of the bill, sponsor statement and sectional analysis.

I would greatly appreciate your consideration on this request. If you have any questions, please feel free to contact my staff, Pat Walker at 465-4451.

Alaska State Legislature

Representative Carl E. Moses



Member
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Sponsor Statement for House Bill 138

Income Tax on Individuals and Fiduciaries

House Bill 138 is intended to raise revenue for the State of Alaska. With a steadily growing fiscal gap, the time is long overdue for us, as the policy makers of this great state, to take a long hard look at our future.

House Bill 138 implements a state income tax upon the taxable income of every resident, nonresident and part-year resident individual and fiduciary in the state. The tax imposed is determined as a percentage of the taxpayer's entire federal income tax liability. The tax is introduced to the taxpayer on a gradual basis, starting at 5% under \$20,000; 10% over \$20,000 for the first year of implementation, 10%/15% the second year and finally to 15%/20% thereafter.

The tax will be levied only against income earned within the state of Alaska. HB 138 allows credits against the tax for: (a) income sources earned in other states or territories, (b) the amount of any real and personal property paid to a municipality within the state.

Alaska State Legislature

Representative Carl E. Moses



Member
House Finance Committee



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Sectional Analysis of House Bill 138

Income Tax on Individuals and Fiduciaries

Section 1.- Tax on Corporations:

Adds a new subsection (g) imposes an income tax on resident, nonresident, and part-year resident individuals and fiduciaries with income from sources in the state. The tax is determined as a percentage of the federal income tax liability. The tax is introduced to the taxpayer on a gradual basis, starting at 5% under \$20,000; 10% over \$20,000 for the first year of implementation, 10%/15% the second year and finally to 15%/20% thereafter.

(h) uses same filing status as used on the federal return.

Section 2.- Returns and payment of taxes:

Amends current law that applies only to corporations to provide that individuals and fiduciaries are also required to file an income tax return.

Section 3.- Returns and payment of taxes:

Clean up amendment.

Section 4.- Returns and payment of taxes:

Requires a taxpayer to file a copy of their federal tax return with the state return and remit any additional tax and interest due. This section provides for how to comply at the state level with adjustments to the federal income tax returns. Defines "final determination" as referenced in this section.

Section 5.- NEW SECTION: Tax calculation for nonresidents and part-year residents and fiduciaries:

ADAK • AKUTAN • AMCHITKA • ATKA • ATTU • BELKOFSKI • CHERNOFSKI • CHIGNIK • CHIGNIK LAGOON • CHIGNIK LAKE • COLD BAY
DUTCH HARBOR • EGEKIK • FALSE PASS • IGIUGIG • ILIAMNA • IVANOF BAY • KING COVE • KING SALMON • KOKHANOK • KOKHANOK BAY • LEFLOCK
NAKNEK • NELSON LAGOON • NEWHALEN • NIKOLSKI • NONDALTON • PEDRO BAY • PERRYVILLE • PILOT POINT • PORT ALSWORTH • PORT HEIDEN
PORT MOLLER • SAND POINT • SHEMYA • SQUAW HARBOR • SOUTH NAKNEK • ST. GEORGE ISLAND • ST. PAUL ISLAND • UGASHIK • UNALASKA • UNGA

A taxpayer's taxable income is computed only on attributable sources in the state. Allows deductions and adjustments in connection with income that arises in the state.

Section 6.- Income from sources in the state:
Identifies Alaskan sources of income for individuals, fiduciaries, estates and trusts.

Section 7.- Income from sources in the state:
Adds new subsection, a business whose income is partly in the state and partly out of the state, the income from sources in the state is determined under Multistate Tax Compact.

Section 8.- NEW SECTION: Credits against tax:
Identifies state specific credits that are available to individuals and fiduciaries; tax withheld/deducted; income derived from sources in other states, (not to exceed that actual tax paid to the other state); and credit on the amount of any real or personal property taxes paid to a municipality in this state.

Section 9.- Allocation and apportionment:
Clean up amendment.

Section 10.- NEW SECTION: Collection of income at source:
Requires that employers withhold the state income tax from wages paid to employees at a rate determined by the department and then report and remit the tax.

Section 11.- Review and assessment:
Clean up amendment.

Section 12.- Definitions:
For tax purposes this section defines fiduciary, individual, resident, nonresident and clarifies part-year resident.

HB

141

1-LS0669M
Kurtz
4/1/99

MOVED

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 141()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY

Offered:

Referred:

Sponsor(s): REPRESENTATIVES KOTT, Porter, Cowdery, Green

A BILL

FOR AN ACT ENTITLED

1 "An Act providing for preferential voting in federal, state, and local elections;
2 relating to the preparation of ballots; relating to the definition of "political
3 party"; relating to the counting of ballots; and repealing punch-card voting."

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

5 * Section 1. AS 15.13.400(10) is amended to read:

6 (10) "political party" means

7 (A) an organized group of voters that represents a political
8 program and that nominated a candidate for governor who received at least
9 three percent of the total first choice votes cast at any one of the last five
10 preceding general elections for governor; and

11 (B) a subordinate unit of the organized group of voters
12 qualifying as a political party under (A) of this paragraph if, consistent with the
13 rules or bylaws of the political party, the unit conducts or supports campaign
14 operations in a municipality, neighborhood, election district, or precinct;

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* Sec. 2. AS 15.15.030 is amended by adding a new paragraph to read:

(14) The director shall design the ballot to accommodate preferential voting for candidates for the offices of governor and lieutenant governor, for candidates for the legislature, for the offices of President and Vice-President of the United States, and for candidates for the United States Congress. The ballot shall direct the voter to mark candidates in order of preference and to mark as many choices as the voter wishes, but not to assign a particular ranking to more than one candidate.

* Sec. 3. AS 15.15.350 is amended to read:

Sec. 15.15.350. General procedure for ballot count. (a) The director may adopt regulations prescribing the manner in which the [PRECINCT] ballot count is accomplished so as to assure accuracy in the count and to expedite the process.

(b) An [THE] election board shall account for all ballots in its precinct by completing a ballot statement containing (1) the number of official ballots received; (2) the number of official ballots voted; (3) the number of official ballots spoiled; (4) the number of official ballots unused and destroyed. The board shall count the number of questioned ballots and shall compare that number to the number of questioned voters in the register. Discrepancies shall be noted and reported to the director. A [THE NUMBERS INCLUDED IN THE CERTIFICATE PRESCRIBED BY AS 15.15.370. THE ELECTION BOARD SHALL COUNT THE BALLOTS IN A MANNER THAT ALLOWS WATCHERS TO SEE THE BALLOTS WHEN OPENED AND READ. NO] person handling the ballot after it has been taken from the ballot box and before it is placed in the envelope for mailing may not have a marking device in hand or remove a ballot from the immediate vicinity of the polls.

★ (c) [(b)] Ballots may not be counted before 8:00 p.m., local time, on the day of the election.

* Sec. 4. AS 15.15.350 is amended by adding a new subsection to read:

(d) The first choice votes shall be counted first. If a candidate has obtained a majority of the first choice votes, further counting is not necessary. If no candidate has obtained a majority of the first choice votes, then the candidate receiving the least number of first choice votes shall be declared defeated. Ballots cast for this defeated candidate shall be transferred to the next choice candidate marked on each ballot. All

1 candidates with fewer than 25 first choice votes shall be declared defeated and all of
2 their votes transferred to the next choice candidate indicated on each ballot. This
3 process of elimination and transfer shall be continued until one candidate has a
4 majority of the votes or is the sole remaining candidate, or there is a tie vote between
5 all remaining candidates. If a ballot has no more available preferences, that ballot
6 shall be declared void. A ballot assigning a particular ranking to more than one
7 candidate for an office shall be declared invalid when the double ranking is reached.
8 If a ballot skips a ranking, then the next ranking shall be counted. If there is a tie vote
9 between all remaining candidates, the procedures in AS 15.15.460 and AS 15.20.430 -
10 15.20.530 shall be followed.

11 * Sec. 5. AS 15.15.380 is amended to read:

12 **Sec. 15.15.380. Payment of election board members.** The director shall pay
13 each election board member for time spent at election duties, including the receiving
14 of instructions. Election board chairs [CHAIRMEN] and the chair [CHAIRMAN] and
15 members of the absentee ballot review board, questioned ballot review board and
16 state ballot counting review boards shall be paid for time spent at their election duties.

17 The director shall set the compensation to be paid under this section by regulation.

18 * Sec. 6. AS 15.15.440 is amended to read:

19 **Sec. 15.15.440. Dates for opening and closing state ballot counting review.**

20 The state ballot counting review shall begin as soon as practicable after the election
21 is completed and no later than 16 days after an election and shall be continued until
22 completed. The director may designate the hours each day during which the state
23 ballot counting review board is to conduct its ballot counting review. [THE
24 DIRECTOR SHALL CLOSE THE REVIEW WHEN THE DIRECTOR IS SATISFIED
25 THAT NO MISSING PRECINCT CERTIFICATE OF ELECTION WOULD, IF
26 RECEIVED, CHANGE THE RESULT OF THE ELECTION. IF NO ELECTION
27 CERTIFICATE HAS BEEN RECEIVED FROM A PRECINCT, THE DIRECTOR
28 MAY SECURE FROM THE ELECTION SUPERVISORS AND MAY COUNT A
29 CERTIFIED COPY OF THE DUPLICATE ELECTION CERTIFICATE OF THE
30 PRECINCT. IF NO ELECTION MATERIALS HAVE BEEN RECEIVED, BUT
31 ELECTION RESULTS HAVE BEEN RECEIVED BY TELEPHONE, TELEGRAM

1 OR RADIO, THE DIRECTOR SHALL COUNT THE ELECTION RESULTS SO
2 RECEIVED. IF THE DIRECTOR HAS REASON TO BELIEVE THAT A MISSING
3 PRECINCT CERTIFICATE, IF RECEIVED, WOULD AFFECT THE RESULT OF
4 THE ELECTION, THE DIRECTOR SHALL AWAIT THE RECEIPT OF THE
5 CERTIFICATE UNTIL THE CLOSE OF BUSINESS ON THE 15TH DAY AFTER
6 THE DATE OF ELECTION. A CERTIFICATE NOT ACTUALLY DELIVERED TO
7 THE DIRECTOR BY THE CLOSE OF BUSINESS ON THE 15TH DAY AFTER
8 THE ELECTION MAY NOT BE COUNTED AT THE STATE BALLOT COUNTING
9 REVIEW.]

10 * Sec. 7. AS 15.15.450 is amended to read:

11 **Sec. 15.15.450. Certification of state ballot counting review.** Upon
12 completion of the state ballot counting review, the director shall certify the person
13 receiving a majority [THE LARGEST NUMBER] of votes for the office for which
14 that person was a candidate as elected to that office and shall certify the approval of
15 a justice or judge not rejected by a majority of the voters voting on the question. The
16 director shall issue to the elected candidates and approved justices and judges [.] a
17 certificate of their election or approval. The director shall also certify the results of
18 a proposition and other question except that the lieutenant governor shall certify the
19 results of an initiative, referendum, or constitutional amendment.

20 * Sec. 8. AS 15.15.470 is amended to read:

21 **Sec. 15.15.470. Preservation of election ballots, papers, and materials.** The
22 director shall preserve all [PRECINCT ELECTION CERTIFICATES.] tallies [.] and
23 registers for four years after the election. All ballots and stubs may be destroyed 30
24 days after the certification of the state ballot counting review unless an application for
25 recount has been filed and not completed, or unless their destruction is stayed by an
26 order of the court. The director may permit the inspection of election materials upon
27 call by Congress, the state legislature, or a court of competent jurisdiction.

28 * Sec. 9. AS 15.20.082(c) is amended to read:

29 (c) A special state absentee ballot prepared for the state general election or for
30 a state special election shall, if the names of candidates are not yet certified, permit
31 a voter to cast a ballot for all the candidates of a particular political party that expects

1 to have candidates appear on the ballot; for this purpose, the director shall prepare the
2 ballot with party boxes and a blank line for each office to be voted on in that election.
3 The voter may vote for a candidate for that office by writing in the name of a person
4 and marking the box to the right of that name, or the voter may mark one of the party
5 boxes. If the voter puts a mark in a party box for that office, the director shall count
6 the mark as a vote cast for the candidate for that office nominated by that party. If
7 the voter writes in a name for an office, the vote shall be counted as a write-in vote
8 for that office. The director shall count the ballots under AS 15.15.350 [AS
9 15.15.360]. The director shall provide the voter with the names of each candidate
10 appearing on the primary election ballot and the names of any candidates who have
11 qualified by petition to appear on the general election ballot.

12 * Sec. 10. AS 15.20.190(a) is amended to read:

13 (a) Thirty days before the date of an election, the election supervisors shall
14 appoint, in the same manner provided for the appointment of election judges prescribed
15 in AS 15.10.150, district absentee ballot [COUNTING] boards and district questioned
16 ballot [COUNTING] boards, each composed of at least four members. At least one
17 member of each board must be a member of the same political party of which the
18 governor is a member, and at least one member of each board must be a member of
19 the political party whose candidate for governor received the second largest number
20 of votes in the preceding gubernatorial election. The district boards shall assist the
21 election supervisors [IN COUNTING THE ABSENTEE AND QUESTIONED
22 BALLOTS] and shall receive the same compensation paid election judges under
23 AS 15.15.380.

24 * Sec. 11. AS 15.20.201(a) is amended to read:

25 (a) No less than seven days preceding the day of election, the election
26 supervisor, in the presence and with the assistance of the district absentee ballot
27 [COUNTING] board, shall review all voter certificates of absentee ballots received by
28 that date. The review of absentee ballots shall continue at times designated by the
29 election supervisor until completed.

30 * Sec. 12. AS 15.20.201(c) is amended to read:

31 (c) Not later than the 15th day following the day of the election, the district

1 absentee ballot [COUNTING] board shall certify the absentee ballot review.

2 * Sec. 13. AS 15.20.201(d) is amended to read:

3 (d) Absentee ballots received in the office of an election supervisor after the
4 completion of the district absentee ballot [COUNTING] review shall be forwarded
5 immediately to the director by the most expeditious service.

6 * Sec. 14. AS 15.20.203(a) is amended to read:

7 (a) The district absentee ballot [COUNTING] board shall examine each
8 absentee ballot envelope and shall determine whether the absentee voter is qualified
9 to vote at the election and whether the absentee ballot has been properly cast.

10 * Sec. 15. AS 15.20.203(c) is amended to read:

11 (c) Any person present at the district absentee ballot [COUNTING] review
12 may challenge the name of an absentee voter when read from the voter's certificate on
13 the envelope if the person has good reason to suspect that the challenged voter is not
14 qualified to vote, is disqualified, or has voted at the same election. The person making
15 the challenge shall specify the basis of the challenge in writing. The district absentee
16 ballot [COUNTING] board by majority vote may refuse to accept and count the
17 absentee ballot of a person properly challenged on grounds listed in (b) of this section.

18 * Sec. 16. AS 15.20.203(d) is amended to read:

19 (d) The election supervisor shall place all rejected absentee ballots in a
20 separate envelope with the statements of challenge. The envelope shall be labeled
21 "rejected absentee ballots" and shall be forwarded to the director [WITH THE
22 ELECTION CERTIFICATES AND OTHER RETURNS].

23 * Sec. 17. AS 15.20.203(f) is amended to read:

24 (f) The secrecy sleeves shall be drawn from the container, the absentee ballots
25 shall be removed from the secrecy sleeves, and the absentee ballots counted at the
26 times [SPECIFIED IN AS 15.20.201] and according to the rules for determining
27 properly marked ballots specified in regulations adopted by the director [IN
28 AS 15.15.360].

29 * Sec. 18. AS 15.20.205(a) is amended to read:

30 (a) On the second day following the day of the election, the election supervisor
31 or the supervisor's designee, in the presence and with the assistance of the district

1 questioned ballot [COUNTING] board, shall review all voter certificates of questioned
2 ballots received by that date. The review of questioned ballots shall continue at times
3 designated by the election supervisor until completed.

4 * Sec. 19. AS 15.20.207(a) is amended to read:

5 (a) The district questioned ballot [COUNTING] board shall examine each
6 questioned ballot envelope and shall determine whether the questioned voter is
7 qualified to vote at the election and whether the questioned ballot has been properly
8 cast.

9 * Sec. 20. AS 15.20.207(c) is amended to read:

10 (c) Any person present at the district questioned ballot review may challenge
11 the name of a questioned voter when read from the voter's certificate on the envelope
12 if the person has good reason to suspect that the questioned voter is not qualified to
13 vote, is disqualified, or has voted at the same election. The person making the
14 challenge shall specify the basis of the challenge in writing. The district questioned
15 ballot [COUNTING] board by majority vote may refuse to accept and count the
16 questioned ballot of a person properly challenged under grounds listed in (b) of this
17 section.

18 * Sec. 21. AS 15.20.207(d) is amended to read:

19 (d) The election supervisor shall place all rejected questioned ballots in a
20 separate envelope with statements of challenge. The envelope shall be labeled
21 "rejected questioned ballots" and shall be forwarded to the director with the
22 [ELECTION CERTIFICATES AND] other returns.

23 * Sec. 22. AS 15.20.207(f) is amended to read:

24 (f) The secrecy sleeves shall be drawn from the container, the questioned
25 ballots shall be removed from the secrecy sleeves, and the questioned ballots counted
26 at the times specified in AS 15.20.205 and according to the rules for determining
27 properly marked ballots specified in regulations adopted by the director [IN
28 AS 15.15.360].

29 * Sec. 23. AS 15.20.220 is amended to read:

30 Sec. 15.20.220. Procedure for state review. (a) When the director and
31 appointed party representatives have completed the review of ballots cast at the voting

1 precincts, they shall proceed to review the absentee and questioned ballot votes
 2 [CERTIFIED BY THE DISTRICT COUNTING BOARDS. THE REVIEW OF THE
 3 ABSENTEE AND QUESTIONED BALLOT VOTE CERTIFIED BY THE DISTRICT
 4 COUNTING BOARDS SHALL BE ACCOMPLISHED BY REVIEWING THE
 5 TALLIES OF THE RECORDED VOTE TO CHECK FOR MATHEMATICAL
 6 ERROR AND BY COMPARING THE TOTALS WITH THE ELECTION
 7 CERTIFICATE OF RESULTS].

8 (b) The state review board shall review and count absentee ballots under
 9 AS 15.20.081(c) and (h) and questioned ballots that have been forwarded to the
 10 director [AND THAT HAVE NOT BEEN REVIEWED OR COUNTED BY A
 11 DISTRICT COUNTING BOARD].

12 * Sec. 24. AS 15.20.480 is amended to read:

13 Sec. 15.20.480. Procedure for recount. In conducting the recount, the
 14 director shall review all ballots [WHETHER THE BALLOTS WERE COUNTED AT
 15 THE PRECINCT OR BY COMPUTER OR BY THE DISTRICT ABSENTEE
 16 COUNTING BOARD OR THE QUESTIONED BALLOT COUNTING BOARD] to
 17 determine which ballots, or part of ballots, were properly marked and which ballots are
 18 to be counted in the recount, and shall check the accuracy of the original count [, THE
 19 PRECINCT CERTIFICATE] and the review. The director shall check the number of
 20 ballots and questioned ballots cast in a precinct against the registers and shall check
 21 absentee ballots voted against absentee ballots distributed. The director shall count
 22 absentee ballots received before the completion of the recount. For administrative
 23 purposes, the director may join and include two or more applications in a single review
 24 and count of votes. [THE RULES IN AS 15.15.360 GOVERNING THE COUNTING
 25 OF HAND-MARKED BALLOTS AND THE RULES IN AS 15.20.730 GOVERNING
 26 THE COUNTING OF PUNCH-CARD BALLOTS SHALL BE FOLLOWED IN THE
 27 RECOUNT.] The ballots and other election material must remain in the custody of
 28 the director during the recount, and the highest degree of care shall be exercised to
 29 protect the ballots against alteration or mutilation. The recount shall be completed
 30 within 10 days. The director may employ additional personnel necessary to assist in
 31 the recount.

1 * Sec. 25. AS 15.25.060 is amended to read:

2 **Sec. 15.25.060. Preparation and distribution of ballots.** The primary
3 election ballot shall be prepared and distributed by the director in the manner
4 prescribed for general election ballots except as specifically provided otherwise for the
5 primary election. The director shall print the ballot on white paper and place the
6 names of all candidates who have properly filed in groups according to offices filed
7 for and [, WITHOUT REGARD TO] party affiliation. The order of the placement of
8 the names for each office shall be as provided for the general election ballot. Blank
9 spaces may not be provided on the ballot for the writing or pasting in of names.

10 * Sec. 26. AS 15.25.060 is amended by adding a new subsection to read:

11 (b) The director shall include instructions on blanket primary election ballots
12 directing the voter to mark candidates for an office within a single political party in
13 order of preference and to mark as many choices as the voter wishes within a single
14 political party, but not to assign a particular ranking to more than one candidate or to
15 rank candidates from more than one party.

16 * Sec. 27. AS 15.25.100 is amended to read:

17 **Sec. 15.25.100. Placement of nominees on general election ballot.** Except
18 when an election results in a tie vote, [THE] director shall place the name of the
19 candidate receiving a majority [THE HIGHEST NUMBER] of votes for an office by
20 a political party on the general election ballot.

21 * Sec. 28. AS 15.56.060(a) is amended to read:

22 (a) A person commits the crime of unlawful interference with an election if
23 the person

24 (1) induces or attempts to induce an election official to fail in the
25 official's duty by force, threat, intimidation, or offers of reward;

26 (2) intentionally changes, attempts to change, or causes to be changed
27 an official election document including ballots, tallies, and returns;

28 (3) intentionally delays, attempts to delay, or causes to be delayed the
29 sending of [THE CERTIFICATE, REGISTER,] ballots, or other election materials,
30 whether original or duplicate, required to be sent [BY AS 15.15.370]; or

31 (4) is contracted or employed by the state to print or reproduce in any

1 manner an official ballot, and the person knowingly

2 (A) personally appropriates, or gives or delivers to, or permits
3 to be taken by anyone other than a person authorized by the director, official
4 ballots; or

5 (B) prints or reproduces or has printed or reproduced official
6 ballots in a form or with a content other than that prescribed by law or as
7 directed by the director.

8 * Sec. 29. AS 15.60.010(2) is amended to read:

9 (2) "ballot" means a hand-marked ballot [AND A PUNCH-CARD
10 BALLOT];

11 * Sec. 30. AS 15.60.010(20) is amended to read:

12 (20) "political party" means an organized group of voters that
13 represents a political program and that either nominated a candidate for governor who
14 received at least three percent of the total first choice votes cast for governor at the
15 preceding general election or has registered voters in the state equal in number to at
16 least three percent of the total votes cast for governor at the preceding general election;

17 * Sec. 31. AS 29.26.060 is amended by adding a new subsection to read:

18 (d) A municipality may, by ordinance, provide for preferential voting under
19 which voters rank candidates in order of preference, and, if no candidate obtains a
20 majority of first choice votes, votes are transferred in sequential tabulations according
21 to voters' preferences in the manner set out in AS 15.15.350(c).

22 * Sec. 32. AS 15.10.140; AS 15.15.030(12), 15.15.330, 15.15.360, 15.15.370, 15.15.430;
23 AS 15.20.190(b), 15.20.201(b), 15.20.203(g), 15.20.205(b), 15.20.205(c), 15.20.205(d),
24 15.20.207(g), 15.20.590, 15.20.600, 15.20.609, 15.20.610, 15.20.620, 15.20.630, 15.20.640,
25 15.20.650, 15.20.660, 15.20.670, 15.20.680, 15.20.685, 15.20.690, 15.20.700, 15.20.710,
26 15.20.720, 15.20.730, 15.20.740, and AS 15.60.010(24) are repealed.

1-LS0669K
Kurtz
3/25/99

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 141()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES KOTT, Porter, Cowdery, Green

A BILL

FOR AN ACT ENTITLED

1 "An Act providing for preferential voting in federal, state, and local elections."

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

3 * Section 1. AS 15.15.030 is amended by adding a new paragraph to read:

4 (14) The director shall design the ballot to accommodate preferential
5 voting for candidates for the offices of governor and lieutenant governor, for
6 candidates for the legislature, for the offices of President and Vice-President of the
7 United States, and for candidates for the United States Congress. The ballot shall
8 direct the voter to mark candidates in order of preference and to mark as many choices
9 as the voter wishes, but not to assign a particular ranking to more than one candidate.

10 * Sec. 2. AS 15.15.350 is amended by adding a new subsection to read:

11 (c) When counting ballots, the election board shall first count the first choice
12 votes. If a candidate has obtained a majority of the first choice votes, further counting
13 is not necessary. If no candidate has obtained a majority of the first choice votes, then
14 the candidate receiving the least number of first choice votes is eliminated, and the
15 election board shall count the second choice votes of those voters who selected the

1 eliminated candidate as their first choice and add those second choice votes to the first
2 choice votes for the remaining candidates. The election board shall continue this
3 process of elimination until one candidate has a majority of the votes or is the sole
4 remaining candidate, or there is a tie vote between all remaining candidates. If a ballot
5 has no more available preferences, that ballot shall be declared void. A ballot
6 assigning a particular ranking to more than one candidate for an office shall be
7 declared invalid when the double ranking is reached. If a ballot skips a ranking, then
8 the election board shall count the next ranking. If there is a tie vote between all
9 remaining candidates, the procedures in AS 15.15.460 and AS 15.20.430 - 15.20.530
10 shall be followed.

11 * Sec. 3. AS 15.15.360(a) is amended to read:

12 (a) The election board shall count hand-marked ballots according to the
13 following rules: [.]

14 (1) A voter may mark a ballot only by the use of cross-marks, "X"
15 marks, diagonal, horizontal, or vertical marks, solid marks, stars, circles, asterisks,
16 checks, or plus signs that are clearly spaced in the square opposite the name of the
17 candidate the voter desires to designate. In addition, a voter may mark a ballot by
18 the use of roman or arabic numerals that are clearly spaced in one of the squares
19 opposite the name of the candidate that the voter desires to designate.

20 (2) A failure to properly mark a ballot as to one or more candidates
21 does not itself invalidate the entire ballot.

22 (3) [IF A VOTER MARKS FEWER NAMES THAN THERE ARE
23 PERSONS TO BE ELECTED TO THE OFFICE, A VOTE SHALL BE COUNTED
24 FOR EACH CANDIDATE PROPERLY MARKED.

25 (4) IF A VOTER MARKS MORE NAMES THAN THERE ARE
26 PERSONS TO BE ELECTED TO THE OFFICE. THE VOTES FOR CANDIDATES
27 FOR THAT OFFICE MAY NOT BE COUNTED.

28 (5)] The mark specified in (1) of this subsection shall be counted only
29 if it is substantially inside the square provided [,] or touching the square so as to
30 indicate clearly that the voter intended the particular square to be designated.

31 (4) [(6)] Improper marks on the ballot may not be counted and do not

1 invalidate marks for candidates properly made.

2 (5) [(7)] An erasure or correction invalidates only that section of the
3 ballot in which it appears.

4 (6) [(8)] A vote marked for the candidate for President or Vice-
5 President of the United States is considered and counted as a vote for the election of
6 the presidential electors.

7 (7) [(9)] Write-in votes are not invalidated by writing in the name of
8 a candidate whose name is printed on the ballot unless the election board determines,
9 on the basis of other evidence, that the ballot was so marked for the purpose of
10 identifying the ballot.

11 (8) [(10)] Stickers bearing a candidate's name may be affixed to the
12 ballot in place of writing in a candidate's name if write-in votes are otherwise
13 permitted. Stickers may not be issued by members of the election board while serving
14 at the polls. Stickers may not be offered to voters within 200 feet of the polling place.

15 (9) [(11)] In order to vote for a write-in candidate, the voter must write
16 in the candidate's name in the space provided or place a sticker in the space and, in
17 addition, mark the square opposite the candidate's name in accordance with (1) of this
18 subsection.

19 * Sec. 4. AS 15.15.370 is amended to read:

20 Sec. 15.15.370. **Completion of ballot count.** When the count of ballots is
21 completed, and in no event later than the day after the election, the election board shall
22 make a certificate in duplicate of the results. The certificate includes the number of
23 votes cast for each candidate, including the number of votes at each stage of the
24 elimination process, and the number of votes for and against each proposition, yes
25 or no on each question, and any additional information prescribed by the director. The
26 election board shall, immediately upon completion of the certificate or as soon
27 thereafter as the local mail service permits, send in one sealed package to the director
28 one copy of the certificate and the register. In addition, all ballots properly cast shall
29 be mailed to the director in a separate, sealed package. Both packages, in addition to
30 an address on the outside, shall clearly indicate the precinct from which they come.
31 Each board shall, immediately upon completion of the certification and as soon

1 thereafter as the local mail service permits, send the duplicate certificate to the
2 respective election supervisor. The director may authorize election boards in precincts
3 in those areas of the state where distance and weather make mail communication
4 unreliable to forward their election results by telephone, telegram, or radio. The
5 director may authorize the unofficial totaling of votes on a regional basis by election
6 supervisors, tallying the votes as indicated on duplicate certificates. To assure
7 adequate protection, the director shall prescribe the manner in which the ballots,
8 registers, and all other election records and materials are thereafter preserved,
9 transferred, and destroyed.

10 * Sec. 5. AS 15.20.730(b) is amended to read:

11 (b) The computer shall be programmed to count ballots as follows:

12 (1) a vote may be counted only if the punch is clearly spaced in one
13 of the squares [SQUARE] following the name of the candidate the voter desires to
14 select;

15 (2) if there is only one square marked for a team whose names are on
16 separate lines, such as president and vice-president or governor and lieutenant
17 governor, a punch in the square or elsewhere in the rectangle following the names
18 shall be counted for that team;

19 (3) a failure to properly punch a ballot card as to one or more
20 candidates does not itself invalidate the entire ballot;

21 (4) [IF A VOTER PUNCHES FEWER NAMES THAN THERE ARE
22 PERSONS TO BE ELECTED TO THE OFFICE, A VOTE SHALL BE COUNTED
23 FOR EACH CANDIDATE PROPERLY MARKED;

24 (5) IF A VOTER PUNCHES MORE NAMES THAN THERE ARE
25 PERSONS TO BE ELECTED TO THE OFFICE, THE VOTES FOR CANDIDATES
26 TO THAT OFFICE MAY NOT BE COUNTED;

27 (6)] improper marks on the ballots may not be counted and do not
28 invalidate punches for candidates properly made;

29 (5) [(7)] an erasure or correction invalidates only that section of the
30 ballot in which it appears;

31 (6) [(8)] a vote marked for the candidate for President of the United

1 States is considered and counted as a vote for the election of presidential electors.

2 * Sec. 6. AS 15.25.060 is amended to read:

3 Sec. 15.25.060. Preparation and distribution of ballots. The primary
4 election ballot shall be prepared and distributed by the director in the manner
5 prescribed for general election ballots except as specifically provided otherwise for the
6 primary election. The director shall print the ballot on white paper and place the
7 names of all candidates who have properly filed in groups according to offices filed
8 for and [, WITHOUT REGARD TO] party affiliation. The order of the placement of
9 the names for each office shall be as provided for the general election ballot. Blank
10 spaces may not be provided on the ballot for the writing or pasting in of names.

11 * Sec. 7. AS 15.25.060 is amended by adding a new subsection to read:

12 (b) The director shall include instructions on primary election ballots directing
13 the voter to mark candidates for an office within a single political party in order of
14 preference and to mark as many choices as the voter wishes within a single political
15 party, but not to assign a particular ranking to more than one candidate or to rank
16 candidates from more than one party.

17 * Sec. 8. AS 15.25.100 is amended to read:

18 Sec. 15.25.100. Placement of nominees on general election ballot. Except
19 when an election results in a tie vote, [THE] director shall place the name of the
20 candidate receiving a majority [THE HIGHEST NUMBER] of votes for an office by
21 a political party on the general election ballot.

22 * Sec. 9. AS 29.26.060 is amended by adding a new subsection to read:

23 (d) A municipality may, by ordinance, provide for preferential voting under
24 which voters rank candidates in order of preference, and, if no candidate obtains a
25 majority of first-choice votes, votes are transferred in sequential tabulations according
26 to voters' preferences in the manner set out in AS 15.15.350(c).

Alaska State Legislature

House of Representatives

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INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

Sponsor Statement

HB 141 - An Act providing for preferential voting in state and local elections.

Alaska has a history of electing minority candidates who collected a plurality of vote's cast, but not a majority. The most important principle of a democratic form of government is that the majority rules. HB 141 eliminates the possibility of having a minority candidate win an election.

An example of a minority candidate winning an election would be a three-way race in which no candidate received over 50% of the votes cast. HB 141 would allow a voter to prioritize their preferences by ranking each candidate. If no candidate received over 50% of the votes cast, then the candidate with the least votes would be eliminated, and the votes re-tabulated. Using a ranking system in state and local elections would insure that the winning candidate received at least 50% of the votes cast.

The bill goes into some length to explain the procedures necessary to manage a preferential style of voting. It is the sponsor's belief that this is a fairer and more democratic process than our current system. It is requested that HB 141 be debated and passed out.



Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us



Alaska State Legislature

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Alaska State Legislature



House of Representatives

SECTIONAL ANALYSIS

CS FOR SS FOR HOUSE BILL NO. 141

Section 1 and 7: These sections are amended to design voting ballots to accommodate preferential voting, directing the voter to mark candidates in order of preference (1st, 2nd, 3rd) but not to assign a ranking to more than one candidate. These instructions are provided on the ballot itself, for the voter.

Preferential voting ballots will apply to the offices of governor and lieutenant governor, (see HJR 31) for candidates of the legislature, for the offices of President and Vice-President of the United States and for candidates of the United States Congress.

Section 2 and 8: These sections establish the method of counting votes, which is as follows: the election board will make the first counts and if any candidate has obtained a majority of votes (50% plus 1) then no further counting is necessary. If none of the candidates receives a majority on the first count, the candidate receiving the least number of first choice votes is eliminated. The second choice votes will be distributed to the remaining candidates, and the votes will be counted again. This process will be repeated until one candidate has received a majority of votes or two candidates have reached a tie.

Except when an election results in a tie vote, the director shall place the name of the candidate receiving a majority of votes on the general election ballot.

Section 3: This section provides the election board with the rules to follow on counting votes in regards to how the ballots have been marked by the voters. This includes how the ballots are to be marked (punched, checked off, etc.), improper markings, erasures, corrections, write-in votes, and stickers bearing a candidate's name.

Alaska State Legislature



House of Representatives

Section 4: This section is amended to provide a certificate of the results upon completion of the ballot count. This certificate will include the number of votes at each stage of the elimination process, the total number of votes for and against each proposition, and "yes" or "no" on each question. The election board will be directed to send out a copy of the certificate to the director and the register. Duplicate certificates will be sent to respective election supervisors.

This section also authorizes the director to prescribe the manner in which ballots, registers, and all other election records are preserved, transferred and destroyed.

Section 5: This section directs that the computer program, which counts ballots, will count votes by a square punched for a particular candidate or group of candidates. It establishes that a failure to properly punch a ballot card for one or more candidate does not necessarily invalidate the entire ballot, and the computer program shall count all votes which are properly marked.

Section 6: This section amends the preparation and distribution of ballots. The primary election ballot is prepared and distributed by the director for general election ballots, except as specifically provided otherwise for the primary election. Ballots shall be printed on white papers with all the names of the candidates who have properly filed, according to groups and offices. The names shall appear on the ballot without regard to party affiliation, and blank spaces may not be provided on the ballot for write-ins or pasting-in candidates.

Section 9: This section is the enabling portion of the legislation of the bill, which provides that municipalities have a choice whether or not to participate in the preferential voting system.

HOUSE JOINT RESOLUTION NO. 31
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE JUDICIARY COMMITTEE

Introduced: 3/24/99

Referred: Judiciary, Finance

A RESOLUTION

1 Proposing an amendment to the Constitution of the State of Alaska requiring that
2 the Governor be elected by a majority vote if a preferential voting system is
3 provided by law.

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

5 * Section 1. Article III, sec. 3, Constitution of the State of Alaska, is amended to read:

6 **Section 3. Election.** The governor shall be chosen by the qualified voters of
7 the State at a general election. The candidate receiving the greatest number of votes
8 shall be governor but, if a preferential voting system is provided by law, the candidate
9 receiving a majority of votes shall be governor.

10 * Sec. 2. The amendment proposed by this resolution shall be placed before the voters of
11 the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the
12 State of Alaska, and the election laws of the state.

APPENDIX G.

Ballot A.

BALLOTING PAPER

ELECTORAL DISTRICT OF THE MURRUMBIDGEE
Polling day the 2nd day of January 1875

NAMES OF CANDIDATES

THOMAS HODGES MATE

CHARLES DARBY BARDWELL

JOSEPH LEARY

WILLIAM FORSTER

Above is a reproduction of an 1875 Australian ballot from New South Wales. Vermont's adoption of the "Australian ballot" in 1890 was based on this concept of government-printed ballots that listed all qualifying candidates. This replaced the practice in which parties, candidates, employers, and newspapers provided ballots listing only the candidates they endorsed. With minor modifications (such as providing a box to check) Vermont has maintained this kind of balloting up to the present.

Ballot C.


Instructions for Voter

1. Mark your first-choice candidate by filling in the oval next to the candidate's name
2. You may mark a different second choice, and third choice, by filling in the oval in line with each candidate's name, in the columns labeled "second choice," and "third choice."

Rank Your Choices For Governor

	first choice	second choice	third choice
JANE CROSS, Republican	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
STEVEN PICHER, Democrat	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
PAUL TUCKER, Independent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Write in _____	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Ballot B.



BALLOT PAPER
HOUSE OF REPRESENTATIVES
AUSTRALIAN CAPITAL TERRITORY
ELECTORAL DIVISION OF
CANBERRA

Number the boxes from 1 to 6 in the order of your choice.

KELLY, Ros
AUSTRALIAN LABOR PARTY

KELLY, Sally Christine
NATURAL LAW PARTY

MYERS, Peter
AUSTRALIAN DEMOCRATS

TREVETHAN, Mike
ABOLISH SELF GOVERNMENT COALITION

ADAMSON, Greg
ACT GREEN DEMOCRATIC ALLIANCE

STEFANIAK, Bill
LIBERAL

Remember...number every box to make your vote count

Australian Electoral Commission AEC

Above is a sample of a modern Australian ballot used for an IRV election. Australia abandoned the single-choice ballot (still called the "Australian ballot" here) 80 years ago, in favor of preferential voting.

At left, and on the next page, are a few alternative designs for a Vermont IRV ballot.

Ballot D.

Instructions for Voter

- 1 For each office mark your first-choice candidate by marking the box next to the candidate's name
- 2 You may also indicate which candidates are your second choice, third choice, and so on, in case your first choice doesn't win, by writing the numeral "2", "3", and so on in the column labeled "alternate choice #" in line with those candidates' names.
- 3 You may indicate as many or as few alternate choices as you please. Making a second choice cannot help defeat your first choice, making a third choice cannot help defeat your first or second choice, and so on.
- 4 Do not mark the same number choice for more than one candidate running for the same office.

FOR GOVERNOR		first choice	alternate choice #
Mark only ONE first-choice box			
CHRISTOPHER BATES, Brattleboro, Libertarian	<input type="checkbox"/>		2
KAREN MICHAELS, Manchester, Republican	<input type="checkbox"/>		
ANTHONY TOWNSEND, Springfield, Independent	<input checked="" type="checkbox"/>		
SUSAN VANKAMP, Colchester, Democrat	<input type="checkbox"/>		3
Write in _____	<input type="checkbox"/>		

The voter likes Townsend the best, so marks the first-choice box by Townsend's name *

The voter likes Bates second best, so writes a two here

The voter is neutral about VanKamp, but dislikes Michaels, so ranks VanKamp third.

* A voter can write a number "1", or use an "x", a check, or other mark in the first choice box.

Ballot E.

Instructions for Voter

- 1 Vote for your most-preferred candidate by filling in the oval next to that candidate's name in the first-choice column.
- 2 You may indicate a second-choice, and third-choice (in case your first-choice candidate doesn't win) by filling in the oval in line with those alternate candidates' names, in the second-choice, and third-choice columns.

Your <u>FIRST</u> choice for U.S. Senator	1 st	Your <u>SECOND</u> choice for U.S. Senator	2 nd	Your <u>THIRD</u> choice for U.S. Senator	3 rd
DOUGLAS AMBROSE Newport, Democrat	<input type="checkbox"/>	DOUGLAS AMBROSE Newport, Democrat	<input type="checkbox"/>	DOUGLAS AMBROSE Newport, Democrat	<input type="checkbox"/>
SALLY GENOVESE Putney, Vt. Grass Roots	<input type="checkbox"/>	SALLY GENOVESE Putney, Vt. Grass Roots	<input type="checkbox"/>	SALLY GENOVESE Putney, Vt. Grass Roots	<input type="checkbox"/>
SEAN T. O'DELL Burlington, Progressive	<input type="checkbox"/>	SEAN T. O'DELL Burlington, Progressive	<input type="checkbox"/>	SEAN T. O'DELL Burlington, Progressive	<input type="checkbox"/>
PETER J. WHITTEN Richmond, Democrat	<input type="checkbox"/>	PETER J. WHITTEN Richmond, Democrat	<input type="checkbox"/>	PETER J. WHITTEN Richmond, Democrat	<input type="checkbox"/>

Get stacks
add primaries
Also need Const. (2 p.m.)
include elections
local to add
option
Product

HOUSE BILL NO. 141

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES KOTT, Porter, Cowdery

Introduced: 3/17/99
Referred: State Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act providing for preferential voting in state and local elections."**

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

3 *** Section 1. AS 15.15.030 is amended by adding a new paragraph to read:**

4 (14) The director shall design the ballot to accommodate preferential
5 voting for candidates for the offices of governor and lieutenant governor, for
6 candidates for the legislature, and for candidates for the United States Congress. *The*
7 ballot shall direct voters to mark candidates in order of preference and to mark as
8 many choices as they wish, but not to assign a particular ranking to more than one
9 candidate. *MAY use in local elections.*

10 *** Sec. 2. AS 15.15.350 is amended by adding a new subsection to read:**

11 (c) When counting ballots, the election board shall first count the first choice
12 votes. If a candidate has obtained a majority of the first choice votes, further counting
13 is not necessary. If no candidate has obtained a majority of the first choice votes, then
14 the candidate receiving the least number of first choice votes is eliminated, and the
15 election board shall count the second choice votes of those voters who selected the

1 eliminated candidate as their first choice and add those second choice votes to the first
 2 choice votes for the remaining candidates. The election board shall continue this
 3 process of elimination until one candidate has a majority of the votes or is the sole
 4 remaining candidate. If a ballot has no more available preferences, that ballot shall be
 5 declared void. A ballot assigning a particular ranking to more than one candidate for
 6 an office shall be declared invalid when the double ranking is reached. If a ballot
 7 skips a ranking, then the election board shall count the next ranking.

8 * Sec. 3. AS 15.15.360(a) is amended to read:

9 (a) The election board shall count hand-marked ballots according to the
 10 following rules: [.]

11 (1) A voter may mark a ballot only by the use of cross-marks, "X"
 12 marks, diagonal, horizontal, or vertical marks, solid marks, stars, circles, asterisks,
 13 checks, or plus signs that are clearly spaced in the square opposite the name of the
 14 candidate the voter desires to designate. In addition, a voter may mark a ballot by
 15 the use of roman or arabic numerals that are clearly spaced in one of the squares
 16 opposite the name of the candidate that the voter desires to designate.

17 (2) A failure to properly mark a ballot as to one or more candidates
 18 does not itself invalidate the entire ballot.

19 (3) [IF A VOTER MARKS FEWER NAMES THAN THERE ARE
 20 PERSONS TO BE ELECTED TO THE OFFICE, A VOTE SHALL BE COUNTED
 21 FOR EACH CANDIDATE PROPERLY MARKED.

22 (4) IF A VOTER MARKS MORE NAMES THAN THERE ARE
 23 PERSONS TO BE ELECTED TO THE OFFICE, THE VOTES FOR CANDIDATES
 24 FOR THAT OFFICE MAY NOT BE COUNTED.

25 (5) The mark specified in (1) of this subsection shall be counted only
 26 if it is substantially inside the square provided [.] or touching the square so as to
 27 indicate clearly that the voter intended the particular square to be designated.

28 (4) [(6)] Improper marks on the ballot may not be counted and do not
 29 invalidate marks for candidates properly made.

30 (5) [(7)] An erasure or correction invalidates only that section of the
 31 ballot in which it appears.

1 (6) [(8)] A vote marked for the candidate for President or Vice-
2 President of the United States is considered and counted as a vote for the election of
3 the presidential electors.

4 (7) [(9)] Write-in votes are not invalidated by writing in the name of
5 a candidate whose name is printed on the ballot unless the election board determines,
6 on the basis of other evidence, that the ballot was so marked for the purpose of
7 identifying the ballot.

8 (8) [(10)] Stickers bearing a candidate's name may be affixed to the
9 ballot in place of writing in a candidate's name if write-in votes are otherwise
10 permitted. Stickers may not be issued by members of the election board while serving
11 at the polls. Stickers may not be offered to voters within 200 feet of the polling place.

12 (9) [(11)] In order to vote for a write-in candidate, the voter must write
13 in the candidate's name in the space provided or place a sticker in the space and, in
14 addition, mark the square opposite the candidate's name in accordance with (1) of this
15 subsection.

16 * Sec. 4. AS 15.15.370 is amended to read:

17 **Sec. 15.15.370. Completion of ballot count.** When the count of ballots is
18 completed, and in no event later than the day after the election, the election board shall
19 make a certificate in duplicate of the results. The certificate includes the number of
20 votes cast for each candidate, including the number of votes at each stage of the
21 elimination process, and the number of votes for and against each proposition, yes
22 or no on each question, and any additional information prescribed by the director. The
23 election board shall, immediately upon completion of the certificate or as soon
24 thereafter as the local mail service permits, send in one sealed package to the director
25 one copy of the certificate and the register. In addition, all ballots properly cast shall
26 be mailed to the director in a separate, sealed package. Both packages, in addition to
27 an address on the outside, shall clearly indicate the precinct from which they come.
28 Each board shall, immediately upon completion of the certification and as soon
29 thereafter as the local mail service permits, send the duplicate certificate to the
30 respective election supervisor. The director may authorize election boards in precincts
31 in those areas of the state where distance and weather make mail communication

1 which voters rank candidates in order of preference, and, if no candidate obtains a
2 majority of first-choice votes, votes are transferred in sequential tabulations according
3 to voters' preferences in the manner set out in AS 15.15.350(c).

State of Alaska
Summary of Elections That Could Have Yielded Different Results under IRV

1960	WINNER: Republican	President	
1962	WINNER: Democrat	Governor	
1966	WINNER: Republican	Governor	
1968	WINNER: Republican	President	Senator WINNER: Democrat
1972	WINNER: Republican	Representative	
1974	WINNER: Republican	Governor	
1978	WINNER: Republican	Governor	
1982	WINNER: Democrat	Governor	
1986	WINNER: Democrat	Governor	
1990	WINNER: AIP	Governor	
1992	WINNER: Democrat	President	Representative WINNER: Republican
1994	WINNER: Democrat	Governor	
1996	WINNER: Democrat	President	
1998	WINNER: Democrat	Governor	

**A Study of Alaska Elections in which Instant Runoff Voting
Could Have Impacted Results 1960-1998**

Legend: Asterisk denotes winning percentage less than 51%

1960 *			
Percentage	President		
47.9 *		Kennedy	29,809
49.7 *		Nixon	30,953
	Senator		
61.1		Bartlett	38,041
35.2		McKinley	21,937
	Representative		
53.9		Rivers	33,546
41.0		Rettig	25,517
1962 *			
	Governor		
49.3 *		Egan	29,627
45.0 *		Stepovich	27,054
	Senator		
56.2		Gruening	33,827
5.		Stevens	24,354
	Representative		
53.0		Rivers	31,953
44.0		Thomas	26,638

1964			
	President		
64.3		Johnson	44,329
33.3		Goldwater	22,930
	Representative		
50.7		Rivers	34,950
47.2		Thomas	32,556

1966 *			
Percentage			
	Governor		
47.6 *		Egan	32,065
49.2*		Hickel	33,145
		Grasse	1,084
	Senator		
73.1		Bartlett	49,289
23.6		McKinley	15,961
	Representative		
47.3 *		Rivers	31,867
50.5 *		Pollock	34,040

1968 *			
	President		
41.7 *		Humphrey	35,411
44.2 *		Nixon	37,600
		Wallace	10,024
	Senator *		
43.0 *		Gravel	36,527
35.6 *		Rasmuson	30,286
16.6 *		Gruening	14,118
	Representative		
43.3		Begich	36,785
51.3		Pollock	43,577

1970			
	Governor		
1.4		Anderson	1,206
51.3		Egan	42,309
45.2		Miller	37,264
	Senator		
39.3		Kay	32,456
58.1		Stevens	47,908
Percentage			
	Representative		
53.5		Begich	44,137
43.6		Murskowski	35,947
1972			
	President		
33.4		McGovern	32,967
56.1		Nixon	55,349
7.0		Schmits	6903
	Senator		
22.1		Guess	21,791
75.2		Stevens	74,216
	Representative *		
42.3 *		Begich	41,750
29.6 *		Yeung	29,192
1974 *			
	Governor		
46.0 *		Egan	45,381
46.2 *		Hammond	45,602
4.8		Vogler	4740
	Senator		
55.1		Gravel	54,361
39.4		Lewis	38,914
	Representative		
44.9		Hensley	44,280
52.3		Young	51,641

1976			
	President		
38.3		Carter	49,058
55.9		Ford	71,555
	Representative		
26.7		Hopson	34,194
65.4		Young	83,722

1978 *			
Percentage	Governor		
19.7 *		Croft	25,656
38.2*		Hammond	49,580
12.0		Kelly	15,656
02.0		Wright	2463
25.8 *		Hickel	33,555
	Senator		
22.8		Hoess	29,574
71.5		Stevens	92,783
	Representative		
42.5		Roget	55,176
53.0		Young	68,811
1980			
	President		
25.7		Carter	41,842
52.9		Reagan	86,112
	Senator		
44.2		Gruening	72,007
51.7		Murkowski	84,159
	Representative		
24.5		Parnell	39,922
70.1		Young	114,089

1982 *			
	Governor		
36.2*		Fink	72,291
14.5*		Randolph	29,067
45.1 *		Sheffield	89,918
1.6		Vogler	3,235
	Representative		
26.0		Carlson	52,011
64.3		Young	128,274
1984			
Percentage	President		
2.9		Bergland	6,378
29.0		Mondale	62,007
64.9		Reagan	138,377
	Senator		
27.5		Havelock	58,804
68.9		Stevens	146,919
	Representative		
2.8		Begich	6,068
53.2		Young	113,582
1986 *			
	Governor		
46.5 *		Cowper	84,893
5.		O'Brannon	1,050
41.9 *		Sturgelewski	76,515
5.4		Vogler	10,013
2.7		Hickel	4,958
1.0			1,969
	Senator		
1.7		House	3,161
53.5		Murkowski	97,674
	Representative		
2.2		Breck	4,182
57.7		Young	101,799

1988			
	President		
58.6		Bush	119,251
35.6		Dukakis	72,584
5.		Fulani	1,024
4.		La Rouche	816
4.		Paul	957
	Representative		
35.3		Gruenstein	71,881
59.2		Young	120,595
1990 *			
	Governor		
38.3*		Hickel	75,721
30.4*		Knowles	60,201
4.		O'Callaghan	942
25.8*		Sturzelewski	50,991
	Senator		
30.9		Beasley	61,152
63.6		Stevens	125,806
	Representative		
46.4		Devens	91,677
50.1		Young	99,003

1992 *			
	President		
39.0*		Bush	102,000
29.9 *		Clinton	78,294
1.		Fulani	330
5.		Gritz	1379
1.		Hagelin	433
1		LaRouche	469
5.		Marrou	1,378
28.1 *		Perot	73,481
1.		Phillips	377
	Senator		
7.6		Jordan	20,019
48.6		Murkowski	127,163
31.3		Smith	82,065
	Representative		
39.1*		Devens	102,378
42.7 *		Young	111,848
1994 *			
	Governor		
40.2 *		Campbell	87,118
12.8 *		Coghill	27,838
40.4 *		Knowles	87,701
	RECOUNT		
40.2 *		Campbell	87,151
40.4 *		Knowles	87,693
	Representative		
31.4		Smith	68,172
9.8		Whitmore	21,277
54.7		Young	118,537

1996 *			
	President		
9.		Browne	2,276
32.7 *		Clinton	80,380
50.0 *		Dole	122,746
2.		Hagelin	729
3.		Nader	7597
10.7		Perot	26,333
3.		Phillips	925
	Senator		
9.7		Obermeyer	23,977
72.5		Stevens	177,893
11.8		Whittaker	29,037
	Representative		
1.		Grames	413
34.7		Lincoln	85,114
2.		Nemec	5,017
56.6		Young	138,834
1998			
	Governor		
17.8		Lindauer	39,331
61.5		Metcalf	13,540
51.2		Knowles	112,879
19.2		Sullivan	4,238
30.1		Jacobsson	6,618
	Senator		
32.1		Gottlieb	7,126
19.7		Sonneman	43,743
22.7		Kohlhaas	5,046
74.4		Murkowski	165,227
	Representative		
62.5		Young	139,676
34.5		Duncan	77,232
26.5		Grames	5,923

Alaska State Legislature House of Representatives

COMMITTEES
JUDICIARY COMMITTEE, CHAIR
RULES
MILITARY & VETERANS AFFAIRS
UTILITY RESTRUCTURING
ETHICS

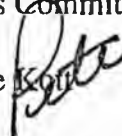


INTERIM:
10928 EAGLE RIVER RD., SUITE 141
EAGLE RIVER, AK 99577

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801

Memorandum

TO: Representative Jeanette James, Chairman
House State Affairs Committee

FROM: Representative Pete Kott 

SUBJECT: Request for Hearing, HB 141

DATE: March 18, 1999

I request that HB 141, an act providing for preferential voting in state and local elections, heard as soon as possible. Enclosed with this request is the following:

- Current version of the bill
- Sponsor statement

A sectional analysis is being prepared. Additional information and teleconference requirements will be provided by 9:00 AM the day before the hearing.



Representative Pete Kott

JUNEAU OFFICE (907) 465-3777 TOLL FREE 1-800-861-KOTT(5688) FAX (907) 465-2819
EAGLE RIVER OFFICE (907) 694-8944 FAX (907) 694-8945 E-MAIL: representative_pete_kott@legis.state.ak.us



Not Workable:

① Can't do this "at precinct level"
on election night.

There are 453 precincts -

Needs to be at District level.

② Handwritten ballots won't work.

③ Can't do a fiscal note.

John Lombard - & Gayle F.

11/30/99



ALASKA STATE LEGISLATURE

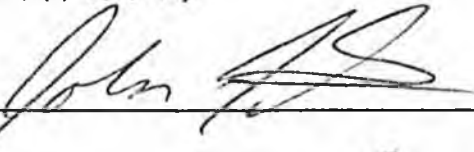
Please enter into the record my testimony to the HSTA

Committee on HB 141 Committee Name
Bill / Subject Dated 3/30/99

I would like to speak in support of HB 141. It appears to be one way of saving everyone money by eliminating Primaries & Runoff elections. Preferential voting would also, I think, lure voters back to the polls by allowing them to have the option of voting their conscience rather than having the illusion of voting for the lesser of two evils.

Let's face it the two party system is if not dead at least dying. Alternative parties are proliferating. We need a balloting system that reflects today's reality not yesterday's pipe dreams.

SIGNED:

John Fields 
Testifier

Alaskan Independence Party (Vice-Chair)
Representing

2050 Resolution Road Fols 99712
Address / Phone Number

496-1790

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 24, 1999

FURTHER REFERRALS:

Finance

Date of Committee Action: 4/1/99

The STATE AFFAIRS Committee considered:

SSHB 141

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 141

PREFERENTIAL VOTING

"An Act providing for preferential voting in state and local elections."

recommend it be replaced with the following committee substitute CS SS HR 141 the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS. (Dept/Date)

fiscal note(s) Forthcoming

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<u>Jennette James</u>				X
<u>Barry Kestel</u>		X		
<u>John Cobble</u>			X	
<u>Paul Davis</u>				X
<u>Bill Hudson</u>			✓	

CHAIR'S SIGNATURE Jennette James



Alaska State Legislature

Please enter into the record my testimony to the House/ State Affairs
committee name
committee on HB 141, dated 4/1/99
bill/subject

I support HB 141, ... Though it may confuse people due to its technicalities the idea and spirit is good. It legitimizes third party candidates... (50% of Alaskans are 3rd party or non-partisan). It also insures a majoritarian winner. It would improve the quality of Political Debate. & Negative Campaigning would decline... also.

Signed:

Eric Spindore

Testifier

Representing (Optional)

P.O. Box 56

Chugiak

Address

688-4096

Phone No.



COVER SHEET

Anchorage Legislative Information Office
Office - (907) 269-0111 Fax - (907) 269-0229

To: House State Affairs

Atten: Rep Jome Fax: _____ Phone: _____

From: _____ Phone: _____

Instructions: Written (T) on HB 141

Sent: _____ Date: 4/1 Time: _____

Disposal of Original: Discard: _____ Hold for Pickup: _____

Number of Pages: 2 (counting cover sheet)

Transmitted by: Jome

School Committee

for Term of Two Years

Instructions to Voters

MARK YOUR CHOICES BY FILLING IN THE NUMBERED OVALS ONLY

Fill in the number one (1) oval next to your first choice; fill in the number two (2) oval next to your second choice; fill in the number three (3) oval next to your third choice, and so on. You may fill in as many ovals as you like.

Fill in no more than one oval per candidate. Fill in no more than one oval per column.

To mark a write-in candidate, fill in a numbered oval next to the name you have written, showing your choice as a number for a candidate.

If you spoil this ballot, return it for cancellation to the election officer in charge of the ballots and get another from such officer.

CANDIDATE FOR SCHOOL COMMITTEE

Only one vote per candidate.
Only one vote per column.

ALFRED B. FANTINI, 4 Canal Park	CANDIDATE FOR RE-ELECTION	(1) (2) (3)	(4) (5) (6)	(7) (8)
JOSEPH G. GRASSI, 95-1/2 Spring Street	CANDIDATE FOR RE-ELECTION	(1) (2) (3)	(4) (5) (6)	(7) (8)
ROBIN A. HARRIS, 23 Hews Street		(1) (2) (3)	(4) (5) (6)	(7) (8)
DAVID P. MAHER, 120 Appleton Street	CANDIDATE FOR RE-ELECTION	(1) (2) (3)	(4) (5) (6)	(7) (8)
SUSANA M. SEGAT, 94 Wendell Street	CANDIDATE FOR RE-ELECTION	(1) (2) (3)	(4) (5) (6)	(7) (8)
DENISE SIMMONS, 188 Harvard Street	CANDIDATE FOR RE-ELECTION	(1) (2) (3)	(4) (5) (6)	(7) (8)
CHARLES L. STEAD, SR., 40 Clifton Street		(1) (2) (3)	(4) (5) (6)	(7) (8)
ALICE L. TURKEL, 12 Upton Street	CANDIDATE FOR RE-ELECTION	(1) (2) (3)	(4) (5) (6)	(7) (8)
WRITE-IN		(1) (2) (3)	(4) (5) (6)	(7) (8)
WRITE-IN		(1) (2) (3)	(4) (5) (6)	(7) (8)
WRITE-IN		(1) (2) (3)	(4) (5) (6)	(7) (8)
WRITE-IN		(1) (2) (3)	(4) (5) (6)	(7) (8)
WRITE-IN		(1) (2) (3)	(4) (5) (6)	(7) (8)
WRITE-IN		(1) (2) (3)	(4) (5) (6)	(7) (8)

DO NOT USE RED TO MARK BALLOT

City Council

for Term of Two Years

Instructions to Voters

**MARK YOUR CHOICES
BY FILLING IN THE
NUMBERED OVALS ONLY.**

Fill in the number one (1) oval next to your first choice; fill in the number two (2) oval next to your second choice; fill in the number three (3) oval next to your third choice, and so on. You may fill in as many choices as you please.

Fill in no more than one oval per candidate.

Fill in no more than one oval per column.

To vote for a write-in candidate, fill in a numbered oval next to the name you have written, showing your choice as a number for a candidate.

If you spoil this ballot, return it for cancellation to the election officer in charge of the ballots and get another from such officer.

CANDIDATE FOR CITY COUNCIL

Only one vote per candidate. Only one vote per column.

JOHN ADAMS	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
JOHN QUINCY ADAMS	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
JAMES BUCHANAN	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
MILLARD FILLMORE	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
ULYSSES S. GRANT	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
WILLIAM HENRY HARRISON	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
RUTHERFORD B. HAYES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
ANDREW JACKSON	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
THOMAS JEFFERSON	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
ANDREW JOHNSON	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
ABRAHAM LINCOLN	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
JAMES MADISON	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
JAMES MONROE	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
FRANKLIN PIERCE	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
JAMES K. POLK	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
ZACHARY TAYLOR	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
JOHN TYLER	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
MARTIN VAN BUREN	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
GEORGE WASHINGTON	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
WRITE-IN _____	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
WRITE-IN _____	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
WRITE-IN _____	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
WRITE-IN _____	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
WRITE-IN _____	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
WRITE-IN _____	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
WRITE-IN _____	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
WRITE-IN _____	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)

DO NOT USE RED TO MARK BALLOT

Each voter represented by letters.

52 voters

SCENARIO 1 - EVERYONE VOTES a 1, a 2, and a 3

<u>Party:</u>	<u>MODRIGHT</u>	<u>MODLEFT</u>	<u>FLAT EARTH</u>	<u>NEO NAZI</u>
<u>Voters:</u> (ROUND 1)	mm rr ww nn ss xx oo tt yy pp uu zz <u>qq vv</u> 14	v aa ff w bb gg x cc hh y dd ii z ee jj <u>kk</u> ll <u>17</u>	k p u l q m r n s <u>o t</u> 11	a f b g c h d i <u>e i</u> 10

<u>(ROUND 2) Add:</u>	<u>MODRIGHT</u>	<u>MODLEFT</u>	<u>FLAT EARTH</u>
	<u>h</u> 1 <u>+14</u> 15	i <u>j</u> 2 <u>+17</u> 19	a f b g c d <u>e</u> 7 <u>+11</u> 18

<u>(ROUND 3) Add:</u>	<u>MODLEFT</u>	<u>FLAT EARTH</u>
	uu vv ww xx yy <u>zz</u> 6 <u>+19</u> 25	ll qq mm rr nn ss oo tt <u>pp</u> 9 <u>+18</u> 27

THIRD HIGHEST VOTE GETTER WINS - Many Mod rights 3rd choice.

SCENARIO 2 - Many mod rights and mod lefts only have first choices.

<u>Party:</u>	<u>MODRIGHT</u>	<u>MODLEFT</u>	<u>FLAT EARTH</u>	<u>NEO NAZI</u>
<u>Voters:</u>				
(ROUND 1)	mm rr ww	v aa ff	k p u	a f
	nn ss xx	w bb gg	l q	b g
	oo tt yy	x cc hh	m r	c h
	pp uu zz	y dd ii	n s	d i
	<u>qq vv</u>	z ee jj	<u>o t</u>	<u>e j</u>
	14	kk	11	10
		<u>ll</u>		
		17		

<u>Party:</u>	<u>MODRIGHT</u>	<u>MODLEFT</u>	<u>FLAT EARTH</u>
(ROUND 2) Add:	<u>h</u>	i	a f
	1	<u>j</u>	b g
	<u>+14</u>	2	c
	15	<u>+17</u>	d
		19	<u>e</u>
			7
			<u>+11</u>
			18

<u>Party:</u>	<u>MODLEFT</u>	<u>FLAT EARTH</u>
(ROUND 3) Add:		uu
		vv
		ll
	<u>ww</u>	<u>mm</u>
	1	4
	<u>+19</u>	<u>+18</u>
	20	22

(xx, yy, zz had only 1st choice)

(nn, oo, pp, qq, rr, ss, tt, had only 1st choice)

Third choice wins, still no majority.

Alaska State Legislature



House of Representatives

CS for SS for HB 141 (NEW) SECTIONAL ANALYSIS

- Section 1:** Defines "political party".
- Section 2:** This section adds a paragraph which designates the director to design the ballot to accommodate preferential voting.
- Section 3:** This section permits the director to adopt whatever regulations necessary to expedite the manner in which precinct ballot counts are accomplished.
- This section also says that the election board shall account for all ballots in its precinct by completing a ballot statement which contains the number of ballots received, the number of ballots voted, spoiled, unused and destroyed.
- This section provides that a watcher shall be allowed to see the ballots when opened and read. Also, ballots may not be counted before 8:00 pm on the day of the election.
- Section 4:** This section is amended to prescribe the manner in which candidates who receive the least first choice votes (specifically write-in candidates who receive less than 25 votes) are eliminated, and how the second choice votes are to be distributed thereafter.
- Section 5:** This section provides for payment of election board members, who will be paid both for election duties and training.
- Section 6:** This section sets timelines for opening and closing state ballot counting review, as to accommodate election workers.
- Section 7:** This section provides instruction for the certification of state ballot counting review.
- Section 8:** This section regards the preservation of election ballots, papers and materials and sets timelines for said items.

Alaska State Legislature



House of Representatives

- Section 9:** This section provides for a special state absentee ballot, which provides instructions for what to do if the names of the candidates are not yet certified.
- Section 10:** This section sets forth the manner and time in which absentee ballot boards are composed, and sets for the rules for how those boards are to be constructed. The district boards shall assist election supervisors and shall receive the same compensation as paid to election judges.
- Section 11:** This section provides no less than seven days preceding the day of the election to review all voter certificates of absentee ballots received by that date.
- Section 12:** This section provides a timeline for certifying the absentee ballot review.
- Section 13:** This section provides that the absentee ballots received will be forwarded to the director.
- Section 14:** This section gives the district boards authority to determine whether or not absentee ballots have been properly cast.
- Section 15 and 16:** These sections provide the proper grounds for challenging any absentee votes.
- Section 17:** This section outlines the ballot counting process in relation to secrecy sleeves.
- Section 18 and 19:** This section provides that on the second day following the election day, the election supervisor or designee, along with the director, shall review all voter certificates of questioned ballots. The district board shall determine whether the questioned ballot has been properly cast.
- Section 20 and 21:** This section provides for the review of any questioned or challenged ballots.

Alaska State Legislature



House of Representatives

"Rejected questioned ballots" shall be forwarded to the director with other returns.

- Section 22:** This section provides for the review of questioned ballots after removal from the secrecy sleeves.
- Section 23:** This section provides a procedure for state review and how all ballot reviews shall be accomplished.
- Section 24:** This section provides the procedure for recount of ballots.
- Section 25:** This section defines the preparation and distribution of ballots for the primary election.
- Section 26:** This section instructs the director to include instructions on a blanket primary election ballot.
- Section 27:** This section specifies rules for placement of nominees on a general election ballot.
- Section 28:** This section is amended to deal with fraud, setting forth the definitions for "a person who commits the crime of unlawful interference with an election."
- Section 29:** This section defines "ballot" as both hand-marked and punch-card.
- Section 30:** This section amends the definition of "political party."
- Section 31:** This section is amended, adding a sub-section to provide preferential voting for municipalities.
- Section 32:** This section repeals numerous statutes, essentially that the actual voting procedures as set forth above, are left to the discretion of the division of elections, to carry forth as they see fit.