

# A Good Solution to Our Fiscal Crisis

[Compass piece in Alaska Dispatch, 2-16-17 by Helen Nienhueser](#)

Kudos to Representative Paul Seaton, Representative Neal Foster, the House Finance Committee and the House majority coalition for their proposed solution to Alaska's fiscal crisis! Thank you! Finally we have a solution that looks at the whole problem!

On Friday the House majority introduced House Bill 115, the State Revenue Restructuring Act. This bill would use two major sources for state revenues that together would cover 80% of the state's current 2.7 billion deficit. And it protects the Permanent Fund dividend!

To do this the bill calls for restructuring how the earnings of the Permanent Fund will be used. The annual draw from the Permanent Fund Earning Reserves would be 4.75 % of the market value of the entire fund. This is a safe, conservative figure that will allow the fund to continue to grow in the future. Two-thirds of this draw or 1.52 billion would go to the state's general fund to cover state operations such as education, public safety, and road maintenance/plowing.

The second major revenue source would be a progressive income tax of 15% of your federal tax. This is slightly LESS than we paid in the 1980s.! This would generate an estimated \$655 million annually, part of which will be paid by non residents.. This is fairer than a sales tax because a sales tax hits those who are least able to pay hardest. In addition, most communities other than Anchorage already have a sales tax which would put a double burden on the residents of those communities.

This leaves a remaining deficit of about 500 million, a much

more manageable amount to cover with smart budget cuts (e.g. travel for legislators and state employees?), reduction in oil tax credits, and other taxes such as alcohol, tobacco, and gas.

The remaining third of the draw on the Permanent Fund earnings would go to pay the dividend. The 2018 dividend would start at about \$1100 and would *grow sustainably* over time. Those of us who pay income tax could choose to do so with our dividend, which would cover the tax for many of us.

The House Finance Committee is holding a hearing on HB 115 at 1:30 Friday. You can testify by going to the Legislative Information Office (2<sup>nd</sup> floor, Wells Fargo building, 1500 W Benson Blvd at the corner of Benson and Minnesota ) at 1:15. You can also testify by phone; call 586 9085. Or send written testimony to [Housefinance@akleg.gov](mailto:Housefinance@akleg.gov), with copies to your own legislators (subject line: written testimony HB115)..

Please support this bill! It will ensure an Alaska where our children and grandchildren can stay!