

# ALASKA AFL-CIO

3333 Denali Street, Suite 125 · Anchorage, Alaska 99503 · 907-258-6284 · Fax 777-7276

VINCE BELTRAMI  
Executive President



JIM DUNCAN  
Secretary / Treasurer

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Chairman Foster and members of the Committee. Thank you for inviting me today.

For the record, I'm Vince Beltrami, President of the Alaska AFL-CIO, the state's largest labor organization, representing somewhere in the neighborhood of 52,000 members. Just a year and a half ago, that number was just north of 55,000. In that same time frame, the state has lost around 9,000 jobs. So about a third of those came out of our ranks, and are fairly evenly split between public sector and private sector workers, in nearly every field imaginable, all around the state.

We are currently suffering through the highest unemployment rate in the country, and the highest we've had in at least two full decades.

As you all know, all too well, we have an approximately \$3 billion budget deficit. The AFL-CIO has been involved in an effort over the past year and a half called the Alaska's Future Coalition. Full disclaimer: I am not here representing the Coalition. However, I'd like to read the mission statement of that group, which includes Alaska's largest businesses, native corporations, unions, and former elected officials from both parties:

**“The Mission of Alaska’s Future is to support the development of a stable and sustainable fiscal plan that will allow the Alaska economy to grow and thrive. Use of permanent fund earnings starting this year is the cornerstone of a fiscal plan that will significantly reduce the deficit, support essential public services and maintain a sustainable dividend and a healthy Permanent Fund. This plan must also include specific policies allowing for responsible budget cuts and new revenue generation and lead to a fully balanced budget. A resolution of Alaska’s fiscal uncertainty will lead to new jobs, increased investment and a growing economy.”**

And while I am not speaking on behalf of that group, this mission statement embodies all that the AFL-CIO supports. I commend the House of Representatives in debating and passing bills this session that meet all those criteria.

Of course, one important point of contention is if enough has been cut, and whether we are anywhere in the neighborhood of having a “right-sized” budget. Several legislators

have said they have trouble rationalizing new revenues when they don't think enough has been cut.

I read in Bradner's Legislative Digest a couple days ago where Brian Fetcher, OMB's policy analyst, attempted to grapple with the size of Alaska's government. He came up with figures that considered state-only spending and landed on a number that stated we are approximately 7% higher than the U.S. average. Fetcher's conclusion: After considering inflation, population growth and the special circumstances, the size and cost of Alaska's state government, is not disproportionate to other states, nor has it changed significantly since before oil began to flow.

Some of you may recall that I ran for state senate in this most recent election. My opponent stated over and over on the campaign trail that the Legislature had cut 40% of the state budget over the past couple years, back to 2006 levels.

Continual cuts won't cause prosperity, but instead puts us on a path of anemic growth and unnecessary uncertainty.

So, I would offer that we are in the neighborhood of a "right-sized" budget at this point. Of course, that is without a decent capital budget to speak of. We have lots of members in the building trades who have left their families behind to work Outside until work picks up in Alaska.

Now I'd like to move on to addressing components of a comprehensive fiscal plan, and just how to meet the needs of an approximate five billion dollar budget.

We absolutely need to diversify our revenue stream - Oil has been great for Alaska's economy, and I'm hopeful it will continue to be. However, to be reliant on just one volatile revenue stream is no way to pursue a sustainable plan, and it has created an environment where many of our citizens don't believe they have any obligation to personally contribute to support the government services they receive. I've never quite seen anything like it. I moved to Alaska 29 years ago from a state, just like most others, that had both a state income tax and a state sales tax.

When it comes to Taxation - Alaskans enjoy the lowest individual tax burden of any citizens in any state.

Only six other states have no income tax. Only four other states have no state sales tax. Only one state in the entire United States has neither. Of course you all know that's us. And we also have the lowest gasoline tax of any state in the country.

Of course, some chime in that we have extraordinarily high property taxes. Not exactly. According to the Tax Foundation, Alaska's property taxes, on average, as a percentage of home values, ranks as 23rd highest, solidly in the middle of the pack.

For over thirty years Alaskans haven't been asked to chip in to support their state government; the ONLY state citizens in the entire United States of America who haven't. And on top of that, for the same period of time, the state has cut every man, woman, and child a check that has averaged about \$1000 a year. So, not only have we paid zero state taxes, we've essentially had a net negative contribution to state finances.

We've been extremely LUCKY. Thanks to the oil that has been pumped out of OUR oil fields, we haven't had to pay one thin dime to the state treasury, except for the lowest gasoline tax in the nation.

Every other time in our short state history when we have been challenged fiscally, we've been saved by rebounding oil prices. But nearly every economic analyst out there has said it isn't going to happen this time. But even if oil were to rebound significantly, it shouldn't be something that is the primary component of fiscal planning, because basing an economy primarily on one volatile commodity, is not sound fiscal planning.

Now that is not to say the oil industry should be let off the hook. There are some seriously unsustainable provisions in our current oil tax policy, but I'm confident that the House and the Senate can find some sensible compromise. I will not take a position however in the oil tax debate, as we have members on both sides of the debate, and I need to respect those boundaries.

But I applaud the House's effort to offer up a complete plan. A plan that is forward looking, that will take Alaska away from this volatile, unpredictable roller coaster that has worked only due to luck. A balanced, diverse plan is predictable and responsible, and will allow the credit rating agencies to restore our previously gold standard credit rating, and it won't be dependent on a fluctuating, unpredictable commodity.

Implementing a broad based revenue such as a progressive income tax doesn't make us socialist. And people who argue that we are slipping into a socialist state, while they happily cash their annual government distribution of wealth, don't seem to grasp the irony. In fact the reddest of red states besides Texas and Wyoming have both state income taxes and state sales taxes.

Now, of course, no one wants to or should pay more in taxes than is "reasonable". To those who argue that it is ridiculous to continue to give us a government check while looking to tax us, they are not acknowledging the \$2.7 billion in income earned by nonresidents last year, who get no PFD. Instituting an income tax, while still distributing a \$1250 or higher dividend, is a way to reimburse Alaskans for the taxes paid. It makes complete sense.

To those who fear Alaskans will leave if a broad-based tax such as an income tax is passed, I have one question: Where do you think they will go? A few very wealthy folks may leave. But where exactly will the average citizen go to be less burdened by taxes?

If SB26 passes, if HB115 passes and if HB 60, the motor fuels tax, passes we will still be the lowest taxed citizens in the entire country. You may say - not true - Wyoming will be lower. Or maybe New Hampshire. Or maybe the Dakotas. However, the average family of four will receive \$5000 in PFD checks annually. Those other states won't. If you factor that in to the equation, average Alaskans will still be taking less out of their pockets than any other citizens in any other state. And yet we will still have the most expensive state in which to deliver services. All in all, it will still be a better deal to live in Alaska than anywhere else in the US.

And remember those building trades workers I mentioned who are traveling to other states Outside to look for work? You know where they're going? California, Oregon, Washington, Nevada, Montana, and the midwest. Most are headed to work in states with high personal taxes. Those states have predictable revenue streams, and people are flocking there, because that is where the work is.

Continuing to push towards a budget with a structural deficit foretells more Alaskans losing their jobs. We've already lost over 9000 jobs in the past year and a half. How many more jobs do we have to lose?

A budget plan that calls for another \$750 million in cuts, and leaves us with an ongoing structural deficit, is simply a recipe for more job loss in all sectors, and is completely antithetical to an economic recovery.

So, what kind of Alaska do you want to leave for your children and your grandchildren? I know what we want.

We want a plan that takes into consideration the needs of our senior citizens, not one that leaves them on the margins.

We want a plan that considers the needs of our children, and adequately prepares them for careers HERE in Alaska. A plan that doesn't force our kids to go to college or trade school Outside because we've gutted our university and vocational schools.

We want a plan that has enough resources to keep our citizens safe and our roads plowed.

We want a plan that helps to grow our economy, not one that causes a mass exodus.

We want good jobs, with decent benefits that support families.

But most of all I want to go fly-fishing all the time in a few years with my wife, daughters, grandkids, and friends - without wondering if I could've done more. Or more importantly, if you could have done more.

I hear from opponents of a comprehensive fiscal plan that it is too much to try and tackle all at once. No it isn't.

And it is certainly not a hard math problem. The solutions are right in front of you. I DO, however, know the politics of it are hard. But THAT is exactly why you were elected.

I always remember a somewhat crochety old electrical contractor who I had to deal with when I was a brand new business agent for the IBEW nearly 20 years ago. He has since passed, but his sons continue to run one of the largest successful electrical contractors in the state. We used to fight and argue, usually respectfully. We were always on the opposite side of the negotiating table but both cared deeply about the success of the electrical industry. He used to always tell me one phrase: "Just do the right thing kid, and things will work out fine."

I appreciate the sometimes thankless job you've all signed up to do. And I know you all have the best interests of the state in mind. And I know it isn't easy. So, just do the right thing. And do it now. We can't afford to wait. And in the end, you'll all be able to say you were the ones that finally fixed the state and put us on a sustainable path to economic prosperity. And Alaskans will thank you.

Thank you for listening.

- Vince Beltrami



