



Afognak Native Corporation

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Dear Governor Walker:

We appreciate your visit to Kodiak on December 21st and Pat Pitney's visit on January 30th to further explore your proposal for balancing the Alaska State budget. Afognak Native Corporation is in support of the majority of your proposals for revenue generation; however, we want to make sure you are aware of the potentially unfair impacts on rural and Alaska Native low-income residents.

We support the [Governor's PFD Protection Plan](#), and encourage legislators to **enact it immediately** so that we don't lose the Permanent Fund Dividend all together, which a delay in action would jeopardize. While we recognize the need to cap the dividend, it's important that legislators recognize how our rural and low-income Alaska Native community members will be disproportionately impacted by this reduction and by some proposed tax increases. We have responded below to each of the tax revenue proposals, with the request that rural and low-income Alaska Native residents are kept in mind. In the Kodiak Island region, a small village such as Port Lions, with a population of 201 (2013), would lose \$215,472 in the first year of the PFD protection plan. As the local economy is mainly comprised of transfer payments with a few City, Tribal and School District jobs, this reduction for a village has a disproportionately high impact compared to a community such as Kodiak where there are multiple established industries that contribute the bulk of the money flowing into the local economy. This must be taken into account when considering other cuts that may also have disproportionately larger impacts on rural communities.

Alaska Native and rural representatives from our region support proposed increases or new taxes, with the following comments or requests:

- Increased [Motor Fuel Tax](#) will have the greatest negative impact on smaller rural community residents and businesses. Most of our supplies and customers come via boat or plane from urban centers; therefore, rural communities are being doubly taxed in order to survive, as the tax occurs at the point of sale and then is reflected in the cost of increased transport as well. Further, transportation for subsistence activities will now become more costly or become prohibitive, which may further impact the State Welfare system. We are further concerned with how this tax will potentially increase government, public safety, and health agency costs for those who make regular visits to provide basic services. It would be helpful if legislators would stipulate that the Motor Fuel Tax be graduated or have a cap stipulation, so that communities that suffer high fuel costs would pay lower taxes. For example, some of our villages are paying over \$7 a gallon for gas, as opposed to the lower costs in urban centers such as Kodiak, which is at \$2.90.
- Increased [Commercial Fishing Tax](#) of 1% is fair, as long as the distribution formula hasn't changed. While commercial fish processors pay the tax, it does impact small boat fishermen who then receive

lower prices per pound. Given the significant reduction in our local commercial fishing fleet due to regulations that favor big business and outside interests, we encourage our legislators to be mindful to help protect this important Alaska industry and the coastal communities who economically and culturally rely on fisheries.

- Increased Tourism Tax on large vessel passengers with voyages over 72 hours is a reasonable taxation strategy that we support. If however, proposals were to also increase bed taxation for lodges or small vessel operations; this would negatively impact our region. Tourism is a central economic small business industry for the Kodiak region. Operators have seen fees double in the past year for licensing, and further taxation of this industry would disproportionately hit rural Alaska.
- Creation of a State Income Tax is a positive and important step toward addressing non-residents who profit on our resources but live out-of-state. Due consideration must be given to ensure that low income residents will not be effected, the minimal impact to other higher income residents is worth the benefit of capturing non-resident revenue.
- Increased revenue in Alcohol and Tobacco Tax (plus a Marijuana Tax) should be directed into the State Welfare system to focus on treatment of substance abuse to address addiction.
- Increased Mining Tax, and Oil and Gas Tax and/or removal of tax incentives should be done immediately, coupled with progress on development of the natural gas pipeline.

We appreciate the care and thought you have put to balancing the Alaska State budget. We are hopeful that you will keep in mind the unique needs of rural and low-income Alaska Native communities, and the potentially disproportionate impacts of budgetary decisions on this population as you seek a balance of increased revenue streams and government department cuts.

We became aware that Governor Walker has budgeted for a possible Alaska State Trooper Drug Investigator position for Kodiak. While the Governor did not label the allocation, he told two of our local Alaska Native Leaders that it's his intent is to fund the Kodiak position. This is great news, but we also understand that it must be passed through the legislature to be finalized. We encourage and request the support of our Kodiak legislators and the continued support of the Governor's office on this very important decision.

Sincerely,



Alisha Drabek, PhD.

Senior Vice President, Community & Government Affairs

Cc:

Gary Stevens, Senator of District P

Louise Stutes, Representative of District 32