

ALASKA STATE LEGISLATURE  
**SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE**

February 28, 2001  
1:35 p.m.

**MEMBERS PRESENT**

Senator John Torgerson, Chair  
Senator Alan Austerman  
Senator Randy Phillips  
Senator Georgianna Lincoln

**MEMBERS ABSENT**

Senator Pete Kelly

**COMMITTEE CALENDAR**

**SENATE BILL NO. 4**

"An Act relating to a mandatory exemption from municipal property taxes for certain residences and to an optional exemption from municipal taxes for residential property; and providing for an effective date."

MOVED CS SB 4 (CRA) OUT OF COMMITTEE

**SENATE BILL NO. 48**

"An Act relating to the determination of full and true value of taxable municipal property for purposes of calculating funding for education and certain other programs; and relating to incorporation of second class boroughs in the unorganized borough and to annexation of portions of the unorganized borough to boroughs and unified municipalities."

HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

SB 4 - See Community & Regional Affairs minutes dated  
2/7/01.

SB 48 - See Community & Regional Affairs minutes dated  
1/31/01, 2/7/01.

**WITNESS REGISTER**

Mary Jackson, staff to Senator Torgerson  
Alaska State Capitol, room 427  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Explained CS (CRA) provisions for SB 48

Kevin Waring  
Chairman, Local Boundary Commission  
Department of Community and Economic Development  
Division of Community and Business Development  
550 W. 7th Ave Ste 1770  
Anchorage, AK 99501-3510

**POSITION STATEMENT:** Commented on SB 48

Pat Poland  
Director, Division of Community and Business Development  
Department of Community and Economic Development  
550 W 7th Ave Ste 1770  
Anchorage, AK 99501-3510

**POSITION STATEMENT:** Commented on SB 48

Steve Van Sant  
State Assessor, Division of Community and Business Development  
Department of Community and Economic Development  
550 W. 7th Ste 1770  
Anchorage, AK 99501-3510

**POSITION STATEMENT:** Commented on SB 48

**ACTION NARRATIVE**

**TAPE 01-07, SIDE A**

Number 001

**CHAIRMAN JOHN TORGERSON** called the Senate Community & Regional Affairs Committee meeting to order at 1:35 p.m. Present were Senators Phillips, Austerman and Chairman Torgerson.

#SB 4

**SB 4-MUNICIPAL PROPERTY TAX EXEMPTION**

The first order of business was SB 4 and Chairman Torgerson had a prepared CS for committee review. The amendment removes section 2, which is the portion of the bill that generated the large fiscal note by increasing the exemption from \$10,000 to \$50,000.

SENATOR PHILLIPS made a motion to adopt the CS and there were no objections.

CHAIRMAN TORGERSON asked for testimony. There was none.

SENATOR PHILLIPS made a motion to move CS SB 4 (CRA) and its zero

fiscal note from committee with individual recommendations. There were no objections.

#

Number 38

#SB 48

**SB 48-MUNICIPALITIES:INCORP/PROPERTY VALUATION**

CHAIRMAN TORGERSON said Mary Jackson would explain the changes the amendment makes to SB 48.

MARY JACKSON, staff to Chairman Torgerson, explained that the first change appears in the title and would now read as follows:

"An Act relating to the determination of full and true value of taxable municipal property for purposes of calculating funding for education and certain other programs, to incorporation of third class boroughs, to incorporation of certain boroughs in the unorganized borough and annexation of portions of the unorganized borough to boroughs and unified municipalities, and to the formation of separate unorganized boroughs; and providing for an effective date."

Section 1 is all new and the language addresses legislative purpose. Subsections (a) and (b) are relevant to newly inserted section 6. Subsection (c) is relevant to new subsections 3 and 5.

Section 2 has no changes.

Section 3 is new and inserts, on page 3, line 4, "or third class" to amend AS 29.05.031(a).

Section 4 has no changes.

Section 5 is a new section and it repeals AS 29.05.031(b), which prohibits formation of third class boroughs.

Section 6 is new and it directs the Department of Community and Economic Development to submit a proposal to the Local Boundary Commission (LBC) by September 30, 2001 to divide the unorganized borough into separate unorganized boroughs, taking into account, for constitutional purposes, population, geography, economy, and transportation. Within the first ten days of the next legislative session, the LBC will submit their recommendations for boroughs.

Section 7 is new and was recommended by Legislative Legal staff. It gives notice to the revisor

r of statutes to change statutes as necessary when the unorganized borough becomes unorganized boroughs.

Number 91

SENATOR AUSTERMAN asked whether the CS changed the intention of creating new boroughs with sufficient tax bases to ensure their ability to collect taxes and pay for their portion of school systems.

MS. JACKSON said it did not; that it adds to the bill by forming boroughs but they are still unorganized until they complete the LBC process.

CHAIRMAN TORGERSON added that the CS removes the prohibition for third class boroughs.

KEVIN WARING, Chairman of the Local Boundary Commission, said that he had just received the amended bill and hasn't reviewed it with commission members so he is commenting for himself.

The commission has previously reported to the legislature that the single unorganized borough doesn't comply with standards outlined in Article 10, section 3 of the Constitution. Adding Section 6, which deals with formation of unorganized boroughs from the unorganized borough will, most probably, bring support from the LBC but he did think that the time frame might be too short when public hearings and additional staff work are considered.

Number 206

He felt less comfortable commenting on restoring the option of creating new third class boroughs without having had the opportunity to consult with the commission members. It is conceivable that they will not support this addition. Constitutional language and Article 10, section 1, says that there is to be a maximum of local self-government and a minimum of governmental units and this implies that boroughs are to be regarded as regional and general-purpose units of governance. The Haines third class borough came from special circumstances in the 1960s. If third class boroughs were formed perhaps making them transitional to a second class would be acceptable.

CHAIRMAN TORGERSON appreciated the comments on third class boroughs but reminded Mr. Waring that the recommendation comes from the commission. Currently the LBC may not recommend creation of a third class borough. However, reinstating this classification recognizes that there may be areas that fall between those that clearly cannot

collect taxes and support a government and should therefore remain unorganized and those able to support a second class form of government.

MR. WARING said he wanted to discuss whether commission members welcome the opportunity to create third class boroughs or feel that they are better served by not having that option. He understands that the LBC wouldn't be required to approve third class boroughs.

CHAIRMAN TORGERSON wanted to make it clear that this provision isn't a mandate for third class borough formation. He also fully appreciated the fact that Mr. Waring couldn't speak for the LBC at this time.

PAT POLAND, Division of Community and Business Development Director for the Department of Community and Economic Development, informed committee members that he had just received the draft bill that morning and would send comments after a full review.

CHAIRMAN TORGERSON said the bill would be held in committee because the CS was finished late the previous day and this didn't provide ample opportunity for review and comment. It would be heard again on March 7. He asked Mr. Poland about his opinion on the time line.

MR. POLAND said his department would probably want to consult with the LBC to determine their comfort level with the model borough boundaries. This would dictate whether the time line is realistic or not.

STEVE VAN SANT, State Assessor with the Department of Community and Economic Development, was asked to explain Section 2 of the bill that deals with full and true value of taxable real and personal property. First, this section allows municipalities or potential municipalities to exclude from valuation, AF4356 (oil and gas) properties within their boundaries if a property tax is not levied. There are some areas of the state that would have to levy a property tax if the oil and gas property was figured into their full and true value and they were required to pay a 4-mil equivalency on that amount. "What that does, is it just takes money out of the state's right pocket and keeps a little for the municipality and puts the remaining back in the state's left pocket. The state actually loses money on that deal." Excluding oil and gas value allows communities the opportunity to look at different types of taxes to come up with the 4-mill equivalency.

New language in Section 2 concerning detachment of areas from a municipality from full and true value determinations stems from the two year funding lag for schools and he has no quarrel with that.

CHAIRMAN TORGERSON asked for a motion.

SENATOR PHILLIPS made a motion to adopt 22-LS0025\S Cook as a working draft for SB 48. There were no objections.

CHAIRMAN TORGERSON said the bill would be heard again on March 7,2001.

#

CHAIRMAN TORGERSON called a short at ease.

CHAIRMAN TORGERSON brought the meeting back to order. He said that he would work with Senator Lincoln and her staff to keep her apprised of changes to the bill and would present any changes she may suggest while she is gone. He plans to hear SB 48, SB 78 and SB 88 on March 7,2001.

The meeting was adjourned at 2:00 p.m.