

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

April 8, 2002  
1:40 p.m.

**MEMBERS PRESENT**

Senator John Torgerson, Chair  
Senator Alan Austerman  
Senator Randy Phillips

**MEMBERS ABSENT**

Senator Georgianna Lincoln  
Senator Pete Kelly

**COMMITTEE CALENDAR**

SENATE BILL NO. 351

"An Act relating to conveyance of tide and submerged land to municipalities."

HEARD AND HELD

SENATE BILL NO. 352

"An Act relating to the assessment of farm or agricultural land for purposes of municipal taxation; and providing for an effective date."

HEARD AND HELD

CS FOR HOUSE BILL NO. 355(CRA)

"An Act relating to the taxation of mobile telecommunications services by municipalities; and providing for an effective date."

MOVED CSHB 355(CRA) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 358(CRA)

"An Act relating to an optional exemption from municipal property taxes for certain land from which timber is harvested and for certain improvements used in or necessary to the harvest of timber; and providing for an effective date."

MOVED CSHB 358(CRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

SB 351 - No previous action to record.  
SB 352 - No previous action to record.  
HB 355 - No previous action to record.  
HB 358 - No previous action to record.

**WITNESS REGISTER**

Wilda Rodman  
Aide to Senate Therriault  
Alaska State Capitol, Room 427  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Introduced SB 352

Steve Van Sant  
State Assessor  
Department of Community & Economic Development  
550 W. 7<sup>th</sup> Ave Suite 1770  
Anchorage, AK 99501-3510  
**POSITION STATEMENT:** Testified on SB 352 and HB 358

Rob Wells  
Director, Division of Agriculture  
1800 Glen Highway Suite 12  
Palmer, AK 99615  
**POSITION STATEMENT:** Testified on SB 352

John Tobin  
3390 Duncan Road  
North Pole, AK 99705  
**POSITION STATEMENT:** Testified on SB 352

Stewart Davies  
1606 Roosevelt Drive  
Fairbanks, AK 99708  
**POSITION STATEMENT:** Testified on SB 352

Ed Arobio  
Division of Agriculture  
P.O. Box 81482  
Fairbanks, AK 00708  
**POSITION STATEMENT:** Testified on SB 352

Amy Erickson  
Aide to Representative Lisa Murkowski  
Alaska State Capitol, Room 408  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Introduced HB 355

Darrell Bell  
No address provided  
**POSITION STATEMENT:** Answered questions on HB 355

Chuck Harlamert  
Juneau Section Chief  
Department of Revenue

P.O. Box 110420  
Juneau, AK 99811-0420  
**POSITION STATEMENT:** Testified on HB 355

Carol Carroll  
Department of Natural Resources  
400 Willoughby Ave.  
Juneau, AK 99801-1724  
**POSITION STATEMENT:** Testified on SB 351

Ron Schonenback  
Department of Natural Resources  
400 Willoughby Suite 400  
Juneau, AK 99801  
**POSITION STATEMENT:** Testified on SB 351

Representative Mike Chenault  
Alaska State Capitol, Room 432  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Sponsor of HB 358

Jeff Jahnke  
Department of Natural Resources  
550 W. 7<sup>th</sup> Ave Suite 1770  
Anchorage 99501  
**POSITION STATEMENT:** Testified on HB 358

Marvin Ross  
Kenai Mapping Director  
**POSITION STATEMENT:** Testified on HB 358

Tim Navarre  
Kenai Peninsula Borough Assembly  
144 North Binkley St  
Soldotna, AK 99669  
**POSITION STATEMENT:** Testified on HB 358

**ACTION NARRATIVE**

**TAPE 02-7, SIDE A**

**CHAIRMAN JOHN TORGERSON** called the Senate Community & Regional Affairs Committee meeting to order at 1:40 p.m. Present were Senators Austerman, Phillips and Chairman Torgerson.

#SB 352

**SB 352-MUNICIPAL TAXATION OF AGRICULTURAL LAND**

WILDA RODMAN, aide to Senator Gene Therriault, read the following

sponsor statement into the record:

The State of Alaska has been careful to recognize that there is a public purpose served when land used for farming and other agricultural activities is classified and restricted for agricultural use. One key element of restricting land for agricultural use is that, so long as it is so classified and restricted, the land should be assessed and taxed at a rate that is based on farm value, rather than on land sales that are often higher than farm value.

The state recognized the need for assessing fee simple land, used for agriculture, on its farm value and provided a farm exemption under AS 29.45.060. The statute did not specifically include state restricted agricultural use lands, since these lands, by definition, could only be used for agriculture. Unfortunately, the assessment of state restricted agricultural lands is subject to rising taxes as local assessors increasingly use comparable sales to assess these lands while ignoring the agricultural value of these restricted use lands.

Often state restricted agricultural use land cannot meet the requirements of AS 29.45.060. Yet, land sold by the state and restricted to agricultural use can only be used for agricultural purposes, therefore precluding other uses of the land. Thus, assessments should be based on the value of the crops that can be produced, not on other perceived values or land sales.

SB 352 re-affirms the public purposes of the state's designation of certain lands for agricultural purposes only. It removes the requirement that owners of agricultural land apply for and receive a determination of agricultural use before receiving the farm exemption assessment provided by AS 29.45.060.

MS. RODMAN said SB 352 is a companion bill to HB 455, which was amended in a House committee. She provided members with copies of the amendment.

SENATOR TORGERSON called for teleconferenced testimony.

STEVE VAN SANT, state assessor, said he was available to answer questions.

CHAIRMAN TORGERSON asked him if he supported the bill as amended in the House.

STEVE VAN SANT replied they didn't oppose it.

SENATOR PHILLIPS asked for the definition of "certain."

MR. VAN SANT replied the amendment applied to page 2, line 5 where "for farm use in accordance with this section" is deleted and "based upon that restricted use" is inserted. The intent was that land restricted to agricultural use would be assessed based on that use. That doesn't mean that it would be based on farm use because the land isn't required to be farmed. Some land is required to be cleared but not farmed so the intent was that those lands would be assessed based on what those lands are selling for.

SENATOR PHILLIPS said he was referring to the title change in the proposed amendment \A.1 in which "certain" replaces "farm or" on page 1 line 1. He asked if this was defined by page 2, line 5.

MR. VAN SANT said the legal department changed the title, but it was referring to the agricultural restricted lands.

CHAIRMAN TORGERSON asked for the status of HB 455.

MS. RODMAN replied it came over to the Senate that day and received referrals to the Community and Regional Affairs and Resources Committees.

CHAIRMAN TORGERSON announced they would take action on HB 455 at a later meeting. They would take testimony on SB 352, but take no action.

SENATOR AUSTERMAN said he didn't find reference to the last sentence of the sponsor statement in the bill.

MS. RODMAN replied, "They receive that determination... where it says, 'This subsection does not apply to a person with an interest in land that is classified...'"

SENATOR AUSTERMAN said he wasn't familiar with agricultural land and was having difficulty reading that out of the bill itself. He then asked whether it referred to the new language at the bottom of page 1 and top of page 2 and that is what removes the requirement.

MS. RODMAN said that is her understanding, but Ed Arobio was on line and could address the question more specifically.

CHAIRMAN TORGERSON replied they would hear from him later.

ROB WELLS, Director of the Division of Agriculture testified in

support of the bill and said they have been working with the assessor's office on this version of the bill. Their support is based on interest from farmers who feel they should not be required to fill out the application for farm use land since they are restricted to agricultural use as conveyed by the state at purchase.

JOHN TOBIN testified via teleconference from Fairbanks in support of SB 352. He testified on HB 455 previously. His land assessment has increased almost 500 percent in the last two years and the added tax burden makes it difficult to make ends meet.

STEWART DAVIES testified via testified teleconference from Fairbanks in support of SB 352. He purchased his land in 2000 knowing it had a restrictive agricultural covenant. His current assessment is at \$400.00 per acre and is based on comparable sales in the borough. They don't acknowledge inherent differences between fee simple title property and agricultural restricted land. Filing yearly for the farm use exemption to get a reduced assessment is redundant since the land already has an agricultural restriction placed on it by the State of Alaska.

SENATOR AUSTERMAN asked why subsection (b) from page 1 couldn't be deleted altogether.

ED AROBIO from the Division of Agriculture explained the statute was originally set up for completely fee simple land that was being used for farming so that is the reason for the other sections of the bill.

SENATOR AUSTERMAN asked again whether subsection (b) couldn't be eliminated.

MR. AROBIO didn't believe they would support that and the borough probably wouldn't either because it applies to other land that is being used for farming as well as the restricted land discussed here.

CHAIRMAN TORGERSON asked Mr. Van Sant for his thoughts on eliminating subsection (b).

MR. VAN SANT said, "First I nearly had a heart attack." The subsection was included to take the pressure off farmers to sell their fee simple farmland to developers by lowering the property taxes. It is quite important.

CHAIRMAN TORGERSON asked him what the assessed value would be on state agricultural land if the bill passed.

MR. VAN SANT replied it would be helpful to give a theoretical explanation. A piece of fee simple land might be assessed at

\$300.00 per acre based on farm use, but have a full value of \$1,000.00 to \$3,000.00 per acre. Then there are state agricultural restricted lands that are selling for \$400 to \$600 per acre that the assessor is assessing at that rate. Some people are under the impression that the assessor is assessing that land at values other than agricultural restricted land. You aren't going to find land that you can buy in large chunks for \$400.00 per acre in this state. That is the assessed value of agricultural restricted land. This is a reiteration that the assessor will assess this land based on the agricultural restricted value of \$400-\$600 per acre or whatever it may be.

CHAIRMAN TORGERSON said his reading is that Section 1 exempts them from subsection (b) then Section 2 subsection (f) is the mechanism for assessing.

MR. VAN SANT agreed, based on the restricted use.

CHAIRMAN TORGERSON said the bill would be held and the committee would act on the companion bill the following week.

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#HB 355

#### **HB 355-MOBILE TELECOMMUNICATIONS TAX**

AMY ERICKSON, staff to Representative Murkowski and the House Labor and Commerce Committee, read the following into the record:

HB 355 is the mobile telecommunications tax. State and local governments tax mobile telecommunication services in a variety of ways. Because of the mobility of wireless equipment determining which state and local taxes apply to a wireless call is complicated. The process of determining wire transaction is commonly referred to as sourcing. In order to create a more uniform system for taxing wireless calls, Congress passed the Mobile Communication Sourcing Act in 2000. States have until August 1, 2002 to conform to the federal act and those failing to conform will be preempted from imposing taxes on most calls made outside of where the customer's primary use occurs, so-called roaming calls.

This bill conforms state law to federal law to clarify that mobile telecommunications services are subject to taxation in the users place of primary use. That is the residential or business address where the customer's use of the mobile service primarily occurs. Passage of

this bill prevents multiply taxation of services, allows the state to appropriately tax wireless calls and eliminates confusion as to where to tax the wireless calls. The bill does not impact the rate of taxes or fees that state's or localities impose on wireless calls or the types of calls subject to taxes. Each jurisdiction with taxing authority will continue to determine whether to tax a call and at what rate.

The Mobile Telecommunication Sourcing Act was crafted by industry, state, local and tax officials and is endorsed by such entities as the National Governors Association, League of Cities, and the Federal Tax Administration.

SENATOR PHILLIPS asked Ms. Erickson if she knew why the Governor from Montana vetoed the legislation.

MS. ERICKSON replied she didn't know the reason but either Darrell Bell or Dan Youmans from AT&T Wireless probably would.

DARRELL BELL responded via teleconference and said the Montana Governor ran for election on a strict no new taxes campaign and she believed some might view her as supporting additional taxes if she signed the bill.

SENATOR PHILLIPS asked how the law is currently being enforced in Alaska or any other state.

MR. BELL explained that the service carrier that is handling the roaming activity is applying the taxes where they have roamed to and remitting them to the local governments. Those charges are then passed on to the home carrier who collects them from the customer. States applying the federal law will forgo revenue from taxes on calls made within their state by visitors, but will gain authority to tax calls made by residents while out-of-state. This makes administration of the taxes much simpler and on a state-by-state basis should be revenue neutral.

He added about 30 states have passes conforming language bills and Montana is the only state that has had a problem.

CHAIRMAN TORGERSON asked where his charges would be taxed if he traveled to Washington and made roaming calls.

MR. BELL explained if he went to Seattle, Washington and placed a call today, the State of Washington would impose a sales tax and

the city of Seattle would impose both a sales tax and a utility tax. The serving carrier would remit the taxes locally and then pass them on to the home carrier who would then apply the taxes to his bill. The charges might be buried in the roaming charges but they would likely be there. Under this bill, all the calls would be taxed to the primary-use taxing jurisdiction. No longer would they be taxing people that roam into the state.

CHAIRMAN TORGERSON asked how it could be revenue neutral.

MR. BELL said the same amount of revenue would be lost from customers roaming into Alaska as would be gained by customers from Alaska roaming outside the state. Another part of the bill is that either the state provides a database or the carrier uses a nine digit zip code identification to enter users into the correct jurisdiction. Additionally, if a customer believes they are being taxed to the incorrect jurisdiction the home carrier must respond to the complaint within 60 days to correct the error.

States that don't pass this type of legislation before August 1, 2002 will lose money because they will no longer be able to tax individuals that roam into the state but have primary use outside the state.

CHAIRMAN TORGERSON asked for confirmation that the bill would be revenue neutral.

CHUCK HARLAMERT, Department of Revenue representative, said at present only local governments impose taxes on the revenues and the bill should be revenue neutral in Alaska. It's a good bill and the state should take every opportunity allowed by the federal government.

SENATOR PHILLIPS made a motion to move CSHB 355(CRA) and attached fiscal note from committee with individual recommendations.

There being no objection, it was so ordered.

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#SB 351

**SB 351-CONVEYANCE OF TIDELANDS TO MUNICIPALITIES**

SENATOR ROBIN TAYLOR read the following into the record:

For too long, coastal municipalities have been denied control of the land within its own boundaries. SB 351

will correct problems in existing law, giving communities more control over some of its more valuable property.

SB 351 makes the transfer of tide and submerged lands to municipalities much easier than is in current law. It requires the commissioner to identify specific land the state may reserve in the public interest or access and transfer the balance to the municipality. From there, local government and the local public can determine how that land is of the most value. In some cases, it will remain wild for its scenic value; in others, it may be developed. In either case, the final decision will be made at the local level. Residents who actually have to live with the results will have easy access and input in the decision making process.

SB 351 also allows the municipality to make selections and receive an answer within an acceptable timeline. For many communities, the selection process has been brought to a "hurry up and wait" status because the department has not made a determination. Often, that is because of the department's workload. This bill corrects that problem by providing for a 90-day timeline for response. This time frame gives the department 90 days to review the request. If there is no objection based on the reasons stated in Section 1, the land is conveyed to the municipality.

Making decisions for local communities on how they conduct their business should not be up to state government. Communities make the best decisions for their community. The public process always works best on a local level. SB 351 will give local governments the ability to best determine how land within its boundaries can and will be used for its residents.

SENATOR TAYLOR said he just received the fiscal note from the Department of Natural Resources and they indicate they are unable to calculate the fiscal impact for the bill. He was sure they would comment further. He said that if a 90-day objection period is not sufficient the department should suggest a timeframe. There are many communities that have never received their land transfers, particularly the tideland transfers. As a policy matter, this situation should be resolved and this is one suggestion.

CHAIRMAN TORGERSON said he wasn't sure 90 days would be workable

either, but for different reasons such as clouded titles. Extending the 90-day timeframe to 180 days and giving reasons for which the commissioner could extend might be workable.

SENATOR PHILLIPS asked Senator Taylor for a specific example from Wrangell or Petersburg and how this could help them.

SENATOR TAYLOR replied one of the biggest problems in his area is the cost of surveying. They were looking for a solution so an industrial complex or processing plant that wanted to locate along the beach would be able to do so. The property might have been transferred in essence, but it has never been surveyed and conveyed so it is still literally held within the state's ownership. Additionally, the Legislature has required that recent conveyances can only be made through a lease while in earlier conveyances the communities could actually sell their tidelands. If someone wants to develop tidelands now, the state requires the proposed developer to survey much more land than they need so the cost is so huge it stops the entire process from moving forward.

SENATOR PHILLIPS asked whether that is internal policy or state law that is driving the state to require the block surveys.

SENATOR TAYLOR thought the reason was that the Legislature had never appropriated enough money for the state to survey the lands. The state put off surveying and is now telling communities they must survey. The new text states that, "Any property conveyed without prior survey must be surveyed and if necessary, resubdivided before its lease, development, or sale." The cost of any required survey and subdivision requirements would be borne by the municipality. He included this language so parcels for a particular project or development could be surveyed without including large tracts that weren't relevant to the project. He thought this would be a way of expediting the process but he too was concerned about the 90 day limit.

CHAIRMAN TORGERSON asked whether this came under the municipal entitlement section.

SENATOR TAYLOR didn't know whether this would be part of their entitlement acre-for-acre.

CHAIRMAN TORGERSON noted that 230 million acres was more than was transferred to local governments in total.

SENATOR AUSTERMAN said municipalities are specifically referred to, but he couldn't tell whether boroughs would also be affected.

SENATOR TAYLOR replied they would be affected if they owned land. He didn't think associations or villages would qualify if they weren't incorporated.

SENATOR AUSTERMAN was concerned about scope because areas without municipalities such as Prince of Wales Island with their mariculture issues could be affected. He wondered whether municipalities could take over the sub leases and deal with those mariculture issues.

SENATOR TAYLOR said Wrangell received most of their tidelands through a conveyance by the state and, at the same time, received all the existing leases that were on those tidelands. There were leases for storage facilities and log storage on tidelands that never went dry. Although there's probably opportunity for the community to modify those leases there hasn't been a pattern to do that because it would affect business stability as much as anything. Leases have been transferred and he's not aware of any problems that have occurred at renewal. However, he agreed the question was valid because it is possible that a municipality could dramatically change a lease upon renewal.

SENATOR AUSTERMAN then questioned how "municipality" would be defined because on Kodiak Island the uplands are refuge and the lower lands are state waters that are leased from the state to set netters.

CHAIRMAN TORGERSON said the city and borough limits are quite well defined. Borough limits might not be completely surveyed but they follow section lines fairly well and city governments follow their own survey lines. He then read, "This section does not enlarge or diminish the general grant land entitlement of a municipality nor is the conveyance of the section counted against the municipalities general land grant."

CAROL CARROLL, Department of Natural Resources representative, read the following statement into the record:

Existing state law (AS 38.05.825) allows DNR to convey state-owned tidelands and submerged lands to municipalities if they are needed for a specific development project or use. The existing law protects the public's right to use and have access across these tidelands for navigation, recreation and other uses (referred to as the public trust doctrine) after conveyance.

The existing law has enabled municipalities to acquire tidelands and submerged lands that are needed for development. Lands have been transferred to Wrangell, Whittier, Anchorage, Lake and Peninsula Borough, Dillingham, Cordova, Valdez, and many other communities under this existing law. DNR is not aware of any particular problem with the existing law and is unsure

why the changes are proposed.

This legislation modifies AS 38.05.825 by removing the requirements for a demonstrated need and specifically would allow municipalities to sell tidelands and submerged lands. It also requires the commissioner to either approve or disapprove an application within 90 days or it automatically would be approved without any public notice or decision by DNR.

DNR strongly opposes this bill as it makes AS 38.05.825, the law allowing conveyances of tidelands to municipalities, unconstitutional and unmanageable.

Section 1 of the bill deletes most of the criteria for approval of conveyances in the existing law, including: that the land must be suitable for occupation and development, that the land be appropriately classified by either a state or municipal land use plan, and that there be a need for the transfer for an existing or proposed project.

Section 1 also adds a provision that the commissioner can only disapprove a municipal application when the state can identify a specific state use or statutory reservation of the land. The only lands with such reservations would be legislatively established areas such as Kachemak Bay State Park, State Game Refuges and Critical Habitat Areas, state ferry terminals and state boat harbors, and a few other sites. This provision would likely result in the conveyance of virtually all tideland and submerged lands within municipalities, an area DNR estimates to be 20 to 30 MILLION acres.

The consequences of such conveyances are staggering. For example, the North Slope Borough could receive title to the surface of all offshore lands in Prudhoe Bay, thereby controlling where and how development occurs on state oil and gas leases that underlay the offshore waters. Many log transfer facilities and aquatic farm sites in Southeast would be under borough, not state, control, with multiple different rules depending on municipal, not state, laws. These are only a few examples.

In addition, such massive conveyances to municipalities in Southeast Alaska would jeopardize the existing Quiet Title Action that the State has filed in the US Supreme Court against the federal government that includes tidelands and submerged land in the Tongass National Forest.

Section 2 requires DNR to approve or disapprove a conveyance within 90 days, or it is automatically approved. Because this provision allows conveyances to be approved automatically after 90 days without public notice as required by the Constitution, DNR believes this section of the bill is unconstitutional. This section also specifically allows municipalities to sell the tidelands. Under federal law and the Alaska Constitution, tidelands and submerged lands are considered Public Trust resources held by the state for the use and enjoyment of all citizens, and Public Trust resources generally cannot be sold. By specifically allowing for the sale of tidelands and submerged lands, this section of the law violates the public trust doctrine.

Because the bill allows virtually all tidelands and submerged lands within municipal boundaries to be conveyed under this bill, shortly after the bill passes, DNR will likely be flooded with applications that it will be unable to process within the 90-day timeframe.

In conclusion, DNR believes that existing law AS 38.05.825 allows the state to transfer tideland and submerged lands to municipalities for a specific development project or use. This authority works as presently defined.

SENATOR AUSTERMAN asked whether the department would be willing to negotiate on the 90 day limit if the bill were to become law.

MS. CARROLL replied she doesn't know what the timeframe would be but it certainly would depend on how many applications were received. She would ask the department what timeframe they could give the committee.

CHAIRMAN TORGERSON suggested she talk with the sponsor since he just received the fiscal note and realized there might be problems.

SIDE B  
2:45 pm

SENATOR PHILLIPS asked whether DNR would need additional staff if the bill were to become law.

MS. CARROLL said she could provide him with information regarding the current staff levels. The fiscal note is indeterminate because they don't know what kind of response they would get from

municipalities. "Twenty to thirty million acres is a lot of land."

SENATOR PHILLIPS asked how many conveyances are currently done in a year.

RON SCHONENBACH with the Department of Natural Resources Division of Mining Land and Water said in Southeast they have entertained applications from eight municipalities since the current bill was passed in 1995. All the municipalities have full management authority for those tidelands. They have a pending application from the Haines Borough and another from the Ketchikan Borough. All others from Southeast have been processed.

SENATOR PHILLIPS asked him to provide the committee with information regarding the rest of the state.

MR SCHONONBACH said he would get that information. The staff that deals with the leases for the rest of the state is covered in the resource allocation development section and are also the ones doing the AS 29 conveyances to municipalities along with the tideland conveyances to municipalities.

SENATOR PHILLIPS commented some community must have complained.

CHAIRMAN TORGERSON announced to bill would be set aside so Ms. Carroll could provide the requested information.

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#HB 358

#### **HB 358-EXEMPTION FROM PROPERTY TAX: TIMBER**

REPRESENTATIVE MIKE CHENAULT, bill sponsor, introduced the bill via teleconference. This would give municipalities an additional tool to lower the threat of fire on spruce bark beetle killed forestland by allowing the option to waive property taxes on roads or other property improvements that facilitate the removal of the timber.

The Kenai Peninsula Borough has approximately 2.2 million acres of spruce forest and 1.1 million of it is affected by the spruce bark beetle infestation. In an effort to mitigate the fire threat, the Kenai Peninsula Borough tried to enact a property tax waiver program but the plan was blocked because state law doesn't allow for such breaks. This bill makes the necessary changes in state law to allow the Kenai Peninsula Borough or other municipalities in a similar situation to help protect themselves without having to take on additional tax liabilities. The tax breaks aren't mandated rather they are an option.

Included in member's packets were copies of the supporting resolution from the Kenai Peninsula Borough and photos of the beetle infestation on the peninsula.

SENATOR PHILLIPS asked whether there was any opposition to the bill.

REPRESENTATIVE CHENAULT replied he wasn't aware of any opposition.

CHAIRMAN TORGERSON asked whether they anticipated that this would affect smaller parcels of land and individual owners.

REPRESENTATIVE CHENAULT thought this would give the borough the opportunity to look at each parcel then make a determination about which lands would be included.

CHAIRMAN TORGERSON wanted it a matter of record what was being exempted from taxation. He wanted examples of "improvements to real property, including personal property affixed to the improvements..."

REPRESENTATIVE CHENAULT replied the improvements would be any roads that were built into parcels to make access to the timber harvest.

CHAIRMAN TORGERSON asked whether they would have to apply for the exemption every year.

REPRESENTATIVE CHENAULT thought that would be a borough decision.

CHAIRMAN TORGERSON asked the state assessor whether the exemption would need to be renewed annually and whether he supported the bill.

STEVE VAN SANT, State Assessor, said this was well deserved and he did support the bill. An assembly grants the exemption and they could set it up with any timeframe they wanted. There would be no requirement from the state to set any particular timeframe.

CHAIRMAN TORGERSON replied it was written that way but he wanted his opinion whether a timeframe was needed.

STEVE VAN SANT said this seems to be an issue where you never know whether the issue will arise again. He rarely supports exemptions, but feels this has merit. It gives municipalities the ability to deal with a dangerous situation.

JEFF JAHNKE, Director of the Division of Forestry and State Forester, testified in support of the bill. Although the value of the affected spruce has declined substantially there are still

three important reasons why the harvest should continue.

1. It reduces the hazard caused by dead and dying trees
2. It encourages reforestation
3. It continues to recover the value that still remains

MARVIN RUSE, Mapping Director of the Spruce Bark Beetle Task Force, testified in support of the bill. The tax incentives might encourage some vacant landowners to become more active in moving the hazard on their land. Two thirds of the Kenai Peninsula is in federal or state ownership so the only opportunity is on private, Native and borough land. They want to encourage the removal of any and all of the hazard.

MR. VAN SANT questioned including "or at risk of being infested" because a municipality that was oil rich could use that as an excuse to exempt lands which could cost the state money from oil and gas revenues. He wanted his concern a matter of record.

CHAIRMAN TORGERSON said he noticed that as well. The bill ought to do what the testimony says it's supposed to, which is to spur the removal of the infested trees or enhance the probability of reforestation. Unfortunately, the bill is silent on that. He encouraged local governments to take this a step further and develop a plan for removal of the risk otherwise there would be no exemption.

MR. VAN SANT said he understood that but unfortunately it doesn't always work that way.

TIM NAVARRE from the Kenai Borough Assembly assured members they would act quickly once the bill is passed and would probably work with Mr. Van Sant. There is much work to be done before they pass an ordinance that covers their intent.

CHAIRMAN TORGERSON said he appreciates that. He likes intent placed in the bill, but this bill just gives authority for tax relief and doesn't accomplish the goals as expressed in the testimony. He didn't intend to amend the bill; local governments would have to do that on their own. If the state assessor sees it's being abused he expects him to bring the matter back before the Legislature and they would repeal the law.

MR. NAVARRE said they would be working diligently to come up with a good ordinance.

There was no further testimony.

CHAIRMAN TORGERSON asked for the will of the committee.

SENATOR PHILLIPS made a motion to move CSHB 358(CRA) and attached

fiscal note from committee with individual recommendations.  
There being no objection, it was so ordered.  
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ADJOURNMENT

There being no further business before the committee, the Senate  
Community and Regional Affairs Committee meeting was adjourned at  
2:40 p.m.