

ALASKA STATE LEGISLATURE
SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE

April 17, 2002
1:45 p.m.

MEMBERS PRESENT

Senator John Torgerson, Chair
Senator Alan Austerman
Senator Georgianna Lincoln
Senator Pete Kelly

MEMBERS ABSENT

Senator Randy Phillips

COMMITTEE CALENDAR

SENATE BILL NO. 359

"An Act relating to organization grants for mergers, consolidations, or unifications involving third class boroughs."

MOVED SB 359 OUT OF COMMITTEE

HOUSE BILL NO. 312

"An Act relating to the delay of the reduction of supplementary public school funding; and providing for an effective date."

MOVED HB 312 OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 455(CRA)

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

MOVED CSHB 455(CRA) OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 296(CRA)

"An Act relating to mergers and consolidations of municipalities."

MOVED SCS CSHB (CRA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

SB 359 - No previous action to record.
HB 312 - No previous action to record.
HB 455 - No previous action to record.
HB 296 - See CRA minutes dated 4/10/02.

WITNESS REGISTER

Robert Venables
Box 50
Haines, AK 99827
POSITION STATEMENT: Testified on SB 359

Randy Ruaro
Staff to Representative William K. Williams
Alaska State Capitol, Room 515
Juneau, AK 99801-1182
POSITION STATEMENT: Introduced HB 312

Representative Gretchen Guess
Alaska State Capitol, Room 112
Juneau, AK 99801-1182
POSITION STATEMENT: Testified on HB 312

Eddy Jeans
Department of Education &
Early Development
801 W 10th St.
Juneau, AK 99801-1894
POSITION STATEMENT: Testified on HB 312

Peter Fellman
Staff to Representative John Harris
Alaska State Capitol, Room 513
Juneau, AK 99801-1182
POSITION STATEMENT: Introduced HB 455

Steve Van Sant
State Assessor
Department of Community & Economic Development
550 W. 7th Ave Suite 1770
Anchorage, AK 99701-4589
POSITION STATEMENT: Testified on HB 455

ACTION NARRATIVE

TAPE 02-9, SIDE A

CHAIRMAN JOHN TORGERSON called the Senate Community & Regional Affairs Committee meeting to order at 1:45 p.m. Present were Senators Kelly, Austerman and Chairman Torgerson. Senator Lincoln arrived shortly.

#SB 359

SB 359-MUNICIPAL ORGANIZATION GRANTS

CHAIRMAN TORGERSON announced the legislation was introduced at the request of the City and Borough of Haines. It is actually a finance matter on whether or not the state should help defray the cost of mergers and consolidation. The language mirrors what is in existing statute for boroughs to incorporate. There are expenses associated when a municipality "merges up" and the state should probably be a part of that.

ROBERT VENABLES testified on behalf of the Haines City Manager, Marco Pignalberi and the community of Haines. He read the following into the record:

I have lived in Haines since 1984 and have been involved in numerous projects and committees on behalf of the City of Haines, the Haines Borough and the Haines Chamber of Commerce. But the most important community project to date in Haines is consolidation.

For the Haines community, consolidation is the first step toward achieving a home rule government. SB 359 is a measure that will help us transition from two disparate local governments into one home rule government.

Haines has the only third-class borough in the State of Alaska. It was designed as a compromise mechanism to allow for school funding after the citizens of Haines voted three times against forming a first or second class borough. While the third class borough form of government seemed to work for some time, it was just a matter of time before its inadequacies caught up with it. And now, when there is a desire to consolidate the two governments, we find that the task before us is quite daunting.

What has evolved in Haines is two very incompatible systems of government. This community of 2,418 people has two legislative bodies (Assembly & Council), two mayors, two planning commissions (five if you count the two service area boards and the state's responsibility in the outlying areas of the borough) with separate comprehensive plans, two legal systems, two financial systems, two personnel systems and two very different computer systems that do not integrate with each other.

At our local election, last October, the voters elected

new mayors and implemented a city-manager form of government. This has removed many of the contentious personalities and issues that caused consolidation to fail in 1998 by three votes. Our two mayors and city manager have worked hard to forge a spirit of cooperation that better represents the community's best interests. It is the consensus of all our political leaders that one local government can serve Haines better than the current two governments. This holds great promise for the passing of consolidation.

The Local Boundary Commission approved the Haines consolidation proposal last week and the division of elections has scheduled the vote for consolidation to be held on June 25, 2002. Transitional funding will be needed in order to accomplish the consolidation effort in a timely and professional manner. It is a significant challenge to maintain government operations while simultaneously changing every aspect of operations. Our plan is to use consulting expertise to merge our systems of accounting and finance, taxes, legal and code revisions, comprehensive planning, platting and zoning, computers and information technology and personnel.

The consolidation of the Haines Borough and the City of Haines will be in the best interests of the State of Alaska. Having one government in Haines, instead of two, will create efficiencies in the interactions between the State of Alaska and Haines. It will relieve the state government of the responsibility of providing some of the local services while promoting the maximum level of local self-government.

The Local Boundary Commission is on record supporting both the creation of new borough governments and good, sound local governmental units. Current law (AS 29.05.190) provides funding for new boroughs and unified municipalities. A borough consolidated from a third-class borough and a city is not eligible for funds at this time. Many governmental experts believe this to be an oversight.

Both the City of Haines and the Haines Borough have endorsed the consolidation effort and are working together to insure that it has the best chance to succeed. We would ask the committee's assistance in making this hope a reality.

There was no further testimony.

CHAIRMAN TORGERSON asked for the will of the committee.

SENATOR AUSTERMAN made a motion to move SB 359 and attached fiscal notes and individual recommendations.

There being no objection, it was so ordered.

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#HB 312

HB 312-SUPP. PUBLIC SCHOOL FUNDING/YOUTH ACADEMY

RANDY RUARO, legislative staff to Representative William K. William, introduced the legislation. Eddy Jeans was available to answer questions on the fiscal notes and Representative Gretchen Guess was available to answer questions on funding for the Alaska Challenge Youth Academy.

He said he would address Sections 1 and 3 of the bill that have the affect of suspending, for the fiscal year FY 03, the erosion of the supplemental funding floor that was created by SB 36. The reason for the one year suspension is that by next January, the

Legislature should have received a new study of school district cost factors. It is anticipated that the study would provide Legislators with a base of information upon which to make decisions on school funding for FY 04.

Section 3 makes it clear that the suspension of the erosion for FY 03 does not affect the funding reductions that have already been made in FY 00, FY 01 and FY 02.

SENATOR LINCOLN wanted to hear from Representative Guess about the Alaska Youth Academy Challenge Program.

REPRESENTATIVE GRETCHEN GUESS said she helped create Section 2 of the bill. The Youth Academy Challenge Program is run out of the Division of Military and Veteran's Affairs and is a joint program with the federal government to provide educational and vocational services to at-risk youth. These are youths over the age of 16 who have dropped out of school. Their mornings are spent learning basic reading, writing and computing skills to prepare the youths for their GED testing. Afternoons are spent on vocational activities. It is basically a boot camp for youths and has been very successful.

This part of the bill sets up a funding structure. They get a certain number of dollars per student; the federal funding that they receive is subtracted and what is left is the general fund dollar amount that would need to be authorized. They have never

been funded per cadet and this sets up the structure based on the number of cadets in the program.

SENATOR LINCOLN referred to the fiscal note and asked if the \$334,000.00 was general fund dollars. Her second question was whether the Department of Education and Early Development supported that portion of the legislation.

REPRESENTATIVE GUESS replied that Nico Bus from the Department of Military and Veteran's Affairs was available to go over the fiscal note, but she thought \$349,000.00 would be required in addition to the federal allocation. In response to the second question, she said the Department of Education and Early Development is very supportive of the program and recognizes the importance of providing the program stable funding. This isn't a school, it's a program and therefore belongs in the Department of Military and Veteran's Affairs but the school is very supportive.

SENATOR KELLY noted that this is a \$65,000.00 increase over the budget because there were some general funds "taken out of both sides."

SENATOR LINCOLN said, "65?"

SENATOR KELLY replied, "If this budget were to pass. As it sits, the fiscal note is correct, but if the budget were to pass, as is, it would represent about a \$65,000.00 increase."

SENATOR AUSTERMAN said there were two different fiscal notes from the Department of Education and Early Development, both dated the same day, and he wondered whether Mr. Jeans would come forward and briefly explain them.

EDDY JEANS, Finance Manager for the Department of Education, explained there were two fiscal notes because there were two budget components that are affected by the legislation. One is the foundation program that has the \$334,000.00 fiscal note and the second component is the schools for the handicapped where the allocation for the Challenge Youth Program will sit in the department's budget.

SENATOR AUSTERMAN comment inaudible.

SENATOR KELLY question inaudible.

MR. JEANS said he wasn't sure what Senator Kelly meant by "reducing the federal funds" but on the cover of the fiscal note for the Challenge Program you could see the calculation for the entitlement for them and from that they subtracted the dollars that are currently allocated to the federal government for that program to come up with the additional state allocation.

SENATOR KELLY said you're not actually taking away federal funds; you're using that as your formula.

MR. JEANS replied that was correct, it's very similar to the foundation program. They calculate an entitlement then they make adjustments for federal dollars.

CHAIRMAN TORGERSON commented this bill was a finance measure and although he didn't think it had much chance for survival, he didn't think it was appropriate to hold it in this committee.

He asked for a motion.

SENATOR AUSTERMAN made a motion to move HB 312 and attached fiscal notes from committee with individual recommendations.

There being no objection, it was so ordered.

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#HB 455

HB 455-MUNICIPAL TAXATION OF AGRICULTURAL LAND

CHAIRMAN TORGERSON stated this was a companion to Senator Therriault's Senate bill that the committee heard the previous week. Since the House bill came over it overcame the Senate bill.

PETER FELLMAN, staff to Representative John Harris, said HB 455 is the companion bill to SB 352, but there was a slight change made by the House. They worked with the Office of the State Assessor and changed some language on the last page of the bill. They took out the word, "for farm use in accordance with this section." and added, "based upon that restricted use." The assessor thought the bill was acceptable to them with the change.

Alaska already recognizes there are agricultural restricted lands, fee simple lands and agricultural lands that have a covenant in this state. Under this legislation, it would free farmers with agriculturally restricted land from having to apply for the required annual exemption. They are trying to remove the requirement because the land is already restricted in the state and it is cumbersome to fill out an annual request to have the land reassessed.

SENATOR LINCOLN asked for the approximate difference between the current tax assessment and what it would be if this bill were enacted.

MR. FELLMAN replied the assessment would still be made on the value of the land. This will allow people with agricultural

restricted land to go to the borough assessor's office and make a case for valuing their land on its agricultural use not on a fee simple basis.

SENATOR LINCOLN said the bill was intended to reduce the assessment on lands that are used for farms and that would reduce the amount of money collected. She asked what the difference would be because it could have an affect on the borough.

MR. FELLMAN said that would be between the assessor and the people that own the agriculturally restricted land.

SENATOR AUSTERMAN asked for the assessed value of a piece of land used for agricultural purposes if it were appraised [assessed] at \$100,000.00 as fee simple land.

MR. FELLMAN replied the law would stay the same for fee simple land. It requires that if you are using fee simple land as agricultural land, they you make an annual application and the state assessor appraises what you are doing then makes a determination. That wouldn't change under this legislation. This bill would remove the requirement that agriculturally restricted land be evaluated on an annual basis.

CHAIRMAN TORGERSON asked Mr. Van Sant whether he had any comments.

STEVE VAN SANT, State Assessor, explained this bill states that those people with agriculturally restricted lands will no longer have to go to the assessors office each year to fill out paper work to remain in the agricultural tax deferment program. Hypothetically, someone with agriculturally restricted land could have some fee simple land that is worth between 3 thousand and 5 thousand dollars per acre. If that land owner is farming that land and they apply to the assessor on an annual basis for the deferment, it will be assessed in the neighborhood of 400 dollars per acre and the remainder of that is being deferred out of the program. Individuals who have those parcels are paying between 400 and 600 dollars per acre not the 4 thousand to 6 thousand dollars per acre it might be assessed as fee simple.

SENATOR AUSTERMAN said that process is already going on. He wanted assurance this bill only removes the requirement for the annual deferment application.

MR. VAN SANT said that's what it does. Those people with the agriculturally restricted lands wouldn't have to apply annually and they would be assessed on the agriculturally restricted value.

There were no further questions or testimony.

CHAIRMAN TORGERSON asked for the will of the committee.

SENATOR AUSTERMAN made a motion to move HB 455 and attached fiscal note from committee with individual recommendations.

There being no objection, it was so ordered.

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#HB 296

HB 296-MUNICIPAL MERGER AND CONSOLIDATION

CHAIRMAN TORGERSON announced the bill was heard the previous week and since Mr. Waring from the Local Boundary Commission wasn't available to testify, the bill was held. Mr. Waring was again unavailable to comment but members received a copy to his letter to the Chairman dated April 10, 2002 and a copy is in the bill file.

CHAIRMAN TORGERSON called attention to the supplemental packet for HB 296 that contained three amendments. Amendment #1 was pending from the April 10, 2002 meeting. There was discussion about changing the amendment to allow a merger to move forward if one municipality voted to not join in the merger. Proposed amendment #2 would do that.

He asked for a motion to withdraw amendment #1.

SENATOR AUSTERMAN made a motion to withdraw amendment #1. There was no objection.

SENATOR AUSTERMAN made a motion to adopt amendment #2, version \F.4 Cook. There being no objection, amendment #2 was adopted.

CHAIRMAN TORGERSON stated amendment #3, version \F.3 Cook affects applicability. It doesn't affect any petition that is currently pending before the Department of Community and Regional Affairs.

SENATOR AUSTERMAN made a motion to adopt amendment #3, version \F.3 Cook. There being no objection, amendment #3 was adopted.

CHAIRMAN TORGERSON asked for the will of the committee.

SENATOR AUSTERMAN made a motion to move SCS HB 296(CRA).

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 2:10 pm.