

ALASKA STATE LEGISLATURE  
**SENATE RULES COMMITTEE**  
April 18, 2002  
10:38 a.m.

**MEMBERS PRESENT**

Senator Randy Phillips, Chair  
Senator John Cowdery, Vice Chair  
Senator Rick Halford  
Senator Gene Therriault  
Senator Johnny Ellis

**MEMBERS ABSENT**

None

**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."

APPROVED CSSB 4(RLS) FOR CALENDARING

SENATE BILL NO. 185

"An Act relating to the basis for determining eligibility for and the amount of power cost equalization payments; and providing for an effective date."

APPROVED FOR CALENDARING

**PREVIOUS COMMITTEE ACTION**

SB 4 - See Community & Regional Affairs minutes dated 2/7/01 and 2/28/01, Finance Report dated 4/5/02 and Rules minutes dated 4/20/01 and 4/16/02.

SB 185 - See Finance minutes dated 4/9/02.

**WITNESS REGISTER**

Ms. Wilda Rodman  
Staff to Senator Therriault  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Answered questions about SB 4

Ms. Deb Davidson  
Staff to Senator Donley  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Answered questions about SB 185

**ACTION NARRATIVE**

**TAPE 02-8, SIDE A**  
Number 001

**CHAIRMAN RANDY PHILLIPS** called the Senate Rules Committee meeting to order at 10:34 a.m. Present were Senators Halford, Therriault and Phillips.

#SB 4

**SB 4-MUNICIPAL PROPERTY TAX EXEMPTION**

SENATOR THERRIAULT moved to adopt Version K of SB 4 as the working document of the committee. There being no objection, Version K was adopted.

SENATOR THERRIAULT then explained the change made in Version K. He said that Senator Donley suggested language in the Senate Finance Committee that would limit the availability of the additional property tax exemption in those municipalities with excessive per capita bonded indebtedness. When the provision that allows additional property tax exemption for EMS and fire volunteers was added to the bill, Senator Donley expressed concern that the provision could be a mechanism used by municipalities to do an end run so he wanted the same limiting language placed in that section, which appears on page 2, lines 14-16.

CHAIRMAN PHILLIPS announced that Senator Ellis was present.

SENATOR ELLIS asked for a synopsis of the legislation and whether it is good for senior citizens and bad for municipalities.

SENATOR THERRIAULT said it will have no impact at all on senior citizens. Right now anyone with residential property can take a \$10,000 property tax exemption. Section 1 would allow, after approval by the local voters, increasing that exemption to \$15,000. Section 2 would allow the assembly to grant an additional \$5,000 property tax exemption for a person who is a volunteer fire fighter or EMS provider. He noted multiplying the \$5,000 by the standard millage rate amounts to \$100 to \$200.

SENATOR ELLIS asked if the bill will have any impact on commercial property.

SENATOR THERRIAULT said it could if a local government decided to grant a property tax exemption and then increase the overall millage rate to recoup any loss. However, the potential loss of revenue from the exemption for EMS providers is relatively small. The North Star Borough estimated the cost at about \$25,000. The reason he wanted the overall exemption increase to go to a vote was so that business owners could make their case as to why it should or shouldn't be done.

SENATOR ELLIS asked if the Municipality of Anchorage (MOA) has taken a position on the bill.

SENATOR THERRIAULT replied that right now the MOA does not take advantage of the current \$10,000 exemption.

CHAIRMAN PHILLIPS recognized the presence of Senator Cowdery.

SENATOR HALFORD asked how the exemptions can stack on top of each other.

SENATOR THERRIAULT explained that a municipality can grant up to a \$15,000 exemption per resident.

SENATOR HALFORD remarked:

Okay, so that's the \$15,000 or 20 percent of the assessed value, whichever is less. Then you add the emergency medical service - fire fighting service - and this shows that you can have two individuals compounded so if you have a couple, both of whom are part of the volunteer fire fighting department, which is in many cases the case, you go from \$15,000 to \$25,000 so the size of the exemption is really \$25,000 at the top end - from 10 to 25 thousand. The second question I have is how this affects the formulas where the combined total property assessed valuation triggers a requirement in education - the 4 percent - or any other segment of a state-funding component. Does this take those properties off the calculation or do those values still remain part of the calculation, which requires the local effort?

SENATOR THERRIAULT answered that those mechanisms operate independent of anything in the bill. The bill applies to the amount of property tax that can be assessed on the property and

those formulas operate on the total assessment of the property value.

SENATOR HALFORD asked if the total assessed property value is changed by what you exempt from the taxation on that assessment.

SENATOR THERRIAULT said it is not.

SENATOR HALFORD asked who this will apply to.

SENATOR THERRIAULT said it will apply all across the state. Some municipalities do not take advantage of the current \$10,000 exemption and whether they will take advantage of this bill is unknown. However, it will not be available to the North Slope Borough because of its overall bonded indebtedness.

SENATOR HALFORD asked about Valdez.

SENATOR THERRIAULT said it would be available to Valdez.

SENATOR HALFORD asked if the Mat-Su and Kenai Boroughs apply the \$10,000 exemption.

MS. WILDA RODMAN, staff to Senator Therriault, said that currently the North Slope Borough has a total per capita bonded indebtedness of \$15,000 so it is the only borough that will be affected by that clause. Regarding the Kenai and Mat-Su Boroughs, she said that Bristol Bay, Valdez, Kenai, the North Slope and North Star Boroughs use the existing \$10,000 exemption.

SENATOR THERRIAULT added that some of the municipalities that have chosen not to grant the general residential exemption may take advantage of Section 2, which applies to volunteers, if they are having difficulty attracting volunteers.

There being no further questions, SENATOR THERRIAULT moved to calendar CSSB 4(RLS) at the Chairman's discretion with its accompanying fiscal note that shows a potential loss of \$200,000. He explained the fiscal note assumes that all municipalities will grant the exemptions and increase the overall millage rate on oil and gas properties, lowering the state's take.

SENATOR HALFORD asked if the Finance Committee version estimated a loss of \$714,000.

SENATOR THERRIAULT said that fiscal note applied when the bill allowed the residential property tax exemption to go up to \$30,000. It has been decreased to \$5,000 so the fiscal note decreased substantially.

CHAIRMAN PHILLIPS asked how much it would cost if all communities opted into this program.

MS. RODMAN said she did not know.

SENATOR THERRIAULT said he does not know the cost of the current program to the state treasury.

CHAIRMAN PHILLIPS said he would like to get an answer to that question.

CHAIRMAN PHILLIPS announced that hearing no objections, CSSB 4 (RLS) would be calendared.

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#sb 185

**SB 185-PCE BASED ON HIGHEST COST**

SENATOR COWDERY moved to calendar SB 185 with its accompanying fiscal note at the Chairman's discretion.

SENATOR ELLIS objected.

SENATOR HALFORD said his question pertains to the sponsor statement, and read, "The revisions contained in SB 185 result in slightly higher payments being made to 12 percent of the communities receiving PCE."

MS. DEB DAVIDSON, staff to Senator Donley, sponsor, explained that it has to do with the way PCE payments are calculated. The Regulatory Commission of Alaska (RCA) and the Alaska Industrial Development and Export Authority (AIDEA) have a complicated method of calculating payments. She assumes that the increases are based on the historical usage of the community facilities and residences. She noted that committee members' packets contain a table of information provided by AIDEA that shows the difference of what communities would receive as a whole under the existing program and what they will receive if the bill passes. Some would, in fact, get an increase.

SENATOR THERRIAULT asked if some communities are not PCE-eligible under the current program and pay higher rates than the PCE communities.

MS. DAVIDSON said that is correct.

SENATOR HALFORD asked if that remains the case.

MS. DAVIDSON said she believes that is correct in a couple of instances. She believes some areas within the Copper Valley Electric Association pay close to 20 cents per kilowatt hour and that Kodiak Electric Association pays 16 to 17 cents per kilowatt hour. Even with the revisions, a couple of areas will not be eligible for PCE that would be paying a higher rate. However, this bill will bring the rate closer to the statewide average.

There being no further discussion, the motion to calendar SB 185 carried with Senators Therriault, Cowdery, and Phillips in favor and Senators Ellis and Halford opposed.

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There being no further business to come before the committee, CHAIRMAN PHILLIPS adjourned the meeting at 10:54 a.m.