

**ALASKA STATE LEGISLATURE**  
**HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

January 31, 2006

8:07 a.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Co-Chair  
Representative Bill Thomas, Co-Chair  
Representative Pete Kott  
Representative Gabrielle LeDoux  
Representative Mark Neuman  
Representative Sharon Cissna  
Representative Woodie Salmon

**MEMBERS ABSENT**

**COMMITTEE CALENDAR**

HOUSE BILL NO. 334

"An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property."

- MOVED HB 334 OUT OF COMMITTEE

HOUSE BILL NO. 371

"An Act relating to a community dividend program; and providing for an effective date."

- MOVED CSHB 371(CRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 334

SHORT TITLE: MUNICIPAL PROPERTY TAX DEFERRAL/EXEMPTION

SPONSOR(S): REPRESENTATIVE(S) RAMRAS

01/09/06	(H)	PREFILE RELEASED 12/30/05
01/09/06	(H)	READ THE FIRST TIME - REFERRALS
01/09/06	(H)	CRA, FIN
01/31/06	(H)	CRA AT 8:00 AM CAPITOL 124

BILL: HB 371

SHORT TITLE: COMMUNITY DIVIDEND PROGRAM

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/13/06	(H)	READ THE FIRST TIME - REFERRALS
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01/13/06 (H) CRA, FIN  
01/31/06 (H) CRA AT 8:00 AM CAPITOL 124

**WITNESS REGISTER**

JIM POUND, Staff  
to Representative Jay Ramras  
Alaska State Legislature  
POSITION STATEMENT: Presented HB 334 on behalf of Representative Ramras, sponsor.

SALLY SADDLER, Legislative Liaison  
Department of Commerce, Community and Economic Development  
Juneau, Alaska  
POSITION STATEMENT: Presented HB 371 on behalf of the Administration.

KACI SCHROEDER HOTCH, Staff  
to Representative Bill Thomas  
Alaska State Legislature  
POSITION STATEMENT: Presented a committee substitute (CS) to HB 371 on behalf of Representative Thomas.

KEVIN RITCHIE, Executive Director  
Alaska Municipal League  
Juneau, Alaska  
POSITION STATEMENT: Testified in support of HB 371.

BILL ROLFZEN  
Municipal Assistance  
Department of Commerce, Community, & Economic Development  
Juneau, Alaska  
POSITION STATEMENT: Answered questions regarding HB 371.

WAYNE STEVENS, President  
Alaska State Chamber of Commerce  
Juneau, Alaska  
POSITION STATEMENT: Testified in support of HB 371.

**ACTION NARRATIVE**

**CO-CHAIR KURT OLSON** called the House Community and Regional Affairs Standing Committee meeting to order at [8:07:04 AM](#). Representatives Olson, Thomas, LeDoux and Kott were present at the call to order. Representatives Cissna, Salmon and Neuman arrived as the meeting was in progress. Representative Carl Moses was also in attendance.

HB 334-MUNICIPAL PROPERTY TAX DEFERRAL/EXEMPTION

CO-CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 334, "An Act relating to an exemption from and deferral of municipal property taxes for certain types of deteriorated property."

[8:07:12 AM](#)

JIM POUND, Staff to Representative Jay Ramras, sponsor of HB 334, said it is a re-development bill. There are abandoned structures around the state including the McKay building in Anchorage and the Polaris building in Fairbanks, and he said developers are planning to take the basic structure of these sound buildings and change the interiors to condominiums or offices. Current statute allows for tax deferment while the buildings are being refurbished, but the language is not clear when that deferment ends. He noted that the uncertainty hampers the developers' ability to borrow money. The bill will provide certainty by ending the deferment only at the point when a portion or all of the building is transferred from the original developer.

[8:08:27 AM](#)

CO-CHAIR THOMAS asked if communities have that option.

[8:09:00 AM](#)

MR. POUND said yes but HB 334 clarifies existing language, which will provide certainty when going to the bank.

[8:09:35 AM](#)

REPRESENTATIVE LEDOUX noted the change in the date when the deferral may be granted.

MR. POUND said the entire section of the statute has a sunset date, so the date in HB 334 needs to correspond to it.

[8:10:21 AM](#)

CO-CHAIR OLSON asked for testifiers.

[8:10:59 AM](#)

CO-CHAIR THOMAS moved to report HB 334 out of committee with individual recommendations and the accompanying fiscal notes. Hearing no objection, HB 334 was reported out of the House Community and Regional Affairs Standing Committee.

[8:11:19 AM](#)

HB 371-COMMUNITY DIVIDEND PROGRAM

CO-CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 371, "An Act relating to a community dividend program; and providing for an effective date."

CO-CHAIR THOMAS moved to adopt the proposed committee substitute (CS) for HB 371, Version 24-GH2063/G, Cook, 1/28/06, as a working document. There being no objection, Version G was before the committee.

[8:11:42 AM](#)

SALLY SADDLER, Legislative Liaison, Department of Commerce, Community and Economic Development, said HB 371 is the Governor's bill to establish a community dividend program. She said there are 13 revenue sharing bills currently in the legislature, and the administration welcomes the opportunity to work with the legislature to craft one. She noted that HB 371 calls for establishing a community dividend program funded with a reliable sustainable source: an estimated \$27.6 million from the annual earnings of the Alaska Capital Income Fund. The bill calls for base grants to all cities and boroughs under a three-tier process.

MS. SADDLER said that \$10 million would be distributed to cities and boroughs based on their size. Cities with less than 100 residents would receive \$25,000; cities with 100 to 249 residents would receive \$30,000; cities with 250-500 residents would receive \$35,000; cities with more than 500 residents would receive \$40,000; and all boroughs would receive \$50,000. The balance of the \$10 million would be allocated on a per capita basis.

MS. SADDLER said the second part of HB 371 calls for financial incentives for borough organization. It would increase the incorporation grants to areas that organize into boroughs. That would consist of \$1 million for each of the first two years and \$0.5 million in the third year, which would be an increase from current financial incentives of \$300,000, \$200,000 and \$100,000

for each of the first the three years. She said the third part of the bill distributes the remaining funds, which she estimated at \$16.6 million, to organized boroughs on a per capita basis. The community dividend payments could be used for public safety, infrastructure, maintenance, education and fuel, she concluded.

[8:14:26 AM](#)

REPRESENTATIVE SALMON asked if unincorporated villages are included.

[8:14:48 AM](#)

MS. SADDLER said they are not.

[8:14:51 AM](#)

CO-CHAIR THOMAS said that the committee substitute (CS) before the committee includes those villages. He opined that "oil money belongs to the people whether they are unincorporated or not."

[8:15:12 AM](#)

REPRESENTATIVE NEUMAN said the Matanuska-Susitna Borough and the Municipality of Anchorage will use a community dividend for the relief of property taxes, and he asked if the bill could be amended to allow dividends to be used that way.

MS. SADDLER said the committee has the ability to do that.

[8:16:23 AM](#)

KACI SCHROEDER HOTCH, Staff to Representative Bill Thomas, said the CS allows unincorporated communities to receive grants, including Metlakatla, which is a reserve. Another change would give \$25,000 to each community, and a community is defined as a place in the unorganized borough that is not incorporated and has 25 or more individuals residing as a social unit. She noted that that definition has been used in other revenue sharing bills.

[8:17:45 AM](#)

REPRESENTATIVE LEDOUX said she has a number of communities in her district that are in the organized borough but are not

cities. "It seems like my communities are being penalized because they happen to be in a borough."

[8:18:27 AM](#)

MS. HOTCH said that might have been an oversight, and it was not the intent.

[8:18:45 AM](#)

REPRESENTATIVE NEUMAN asked what a reserve is.

MS. HOTCH explained that Metlakatla is an Indian reservation.

REPRESENTATIVE NEUMAN asked if an unorganized city would qualify for this program under the CS.

MS. HOTCH said that is correct.

REPRESENTATIVE NEUMAN offered Conceptual Amendment 1 that would allow municipalities to use the dividend money for property tax deduction.

Hearing no objection, Conceptual Amendment 1 passed.

[8:19:57 AM](#)

REPRESENTATIVE LEDOUX offered Conceptual Amendment 2 to include communities in organized boroughs.

Hearing no objection, Conceptual Amendment 2 passed.

[8:20:41 AM](#)

KEVIN RITCHIE, Executive Director, Alaska Municipal League, said the bill is key for all communities. He provided editorials from the Voice of the Times and the Daily News, saying it shows broad support for the concept. He noted that the priorities of the Alaska Municipal League are in a document before the committee. He said that to provide substantial property tax relief, "you'll probably need something closer to what we have in our priority list, which is about \$75 million, so this is a very good base. Obviously there are other thoughts about adding funding to it to have a very sustainable program, which not only helps small communities, but also provides substantial property tax relief."

[8:22:20 AM](#)

CO-CHAIR THOMAS said all the bills will come together, and "the idea is that we continue to move the ideas forward, and then we will see what happens."

REPRESENTATIVE CISSNA asked for a side-by-side comparison for all the bills.

MR. RITCHIE said the Alaska Municipal League has one.

REPRESENTATIVE NEUMAN asked about Conceptual Amendment 2 that he said adds communities in unorganized areas of the state. He expressed concern that there is a finite amount of funds that would be diluted "by adding all the small communities that are population 25 persons or greater." He said he believes that the committee just added hundreds more communities around the state.

[8:24:47 AM](#)

CO-CHAIR OLSON said Conceptual Amendment 2 just refers to communities within the organized boroughs, but it will add new participants.

MR. RITCHIE said he thinks that "under the old program there are about 75 unincorporated communities receiving assistance under—this is in the CS that you put on the table—so that would be 75 times \$25,000, and then I don't have a number for the unorganized communities within boroughs."

[8:25:41 AM](#)

BILL ROLFZEN, Municipal Assistance, Department of Commerce, Community, & Economic Development, said, depending how one defines them, there are 75 to "well over" 100 unincorporated communities within organized boroughs. He noted that the CS will add about 75 communities within the unorganized boroughs.

CO-CHAIR OLSON asked how the small communities were handled three years ago in municipal assistance.

MR. ROLFZEN said, "Historically only unincorporated communities within the unorganized boroughs received funding directly from the state through revenue sharing or capital matching grants or other such programs."

REPRESENTATIVE CISSNA asked how many communities were included before the CS.

MR. ROLFZEN said about 163 incorporated cities and boroughs, plus Metlakatla.

[8:27:23 AM](#)

MR. ROLFZEN said the qualification language for an unincorporated community to receive the money is similar to that in statute for paying Metlakatla under the safe communities program, "and it's different from the language we used under the old revenue sharing program to pay unincorporated communities." He said with the CS the Native village councils across the state in unincorporated communities will have to form community development corporations and hold annual elections, which is significantly different than the way they were treated in the past. He said the CS uses language that "was specific to Metlakatla in the old programs, not broadly against all the unincorporated communities." He added that, "we used different language when we paid the Native village councils and nonprofit community associations across the state under the unincorporated community aid program under capital matching grants and revenue sharing."

CO-CHAIR THOMAS said, "We tried to be consistent...and still try to pick up some of the smaller villages." He said everyone deserves to share in the oil revenues. He added that somebody is going to take this language and "meld it all anyway."

[8:29:45 AM](#)

REPRESENTATIVE SALMON asked if it would help to add the previous language.

MR. ROLFZEN said that was correct. A slight amendment would be appropriate to pay Metlakatla through this program, "and then if you added one more section that mirrored the old revenue sharing unincorporated community, that would cover all the other 75 to potentially 100 unincorporated [communities] with Native village councils. So they would not have to adopt a charter and so on."

[8:30:34 AM](#)

REPRESENTATIVE SALMON asked about making the aforementioned language Conceptual Amendment 3.

There were no objections, so Conceptual Amendment 3 was treated as moved and passed.

[8:30:48 AM](#)

WAYNE STEVENS, President, Alaska State Chamber of Commerce, said one of the top six priorities for the chamber is sustainable community dividends that use an endowment management method in order to provide tax relief to businesses and families and to assist in providing basic services. He added that the chamber supports the concepts and urges passage of HB 371.

[8:32:27 AM](#)

MS. SADDLER said part of the spirit of this [original] legislation is to provide financial incentives for borough formation and to protect those communities that have taken the responsibility to organize. She said some of the unincorporated communities are not organized in a way that can make them accountable for receiving money. An administrative borough would provide that accountability and help insure a sustainable approach, she stated.

[8:33:41 AM](#)

CO-CHAIR THOMAS said he spent all summer on the administrative borough government and there is an incentive package in it already. He stated that the governor's bill would conflict with that, and added that oil money belongs to all Alaskans regardless of political affiliation. The governor did not participate in the process, and "doesn't know the lack of land for many of the regions, and \$1 million don't get it." He noted that there is already an incentive bill in the legislature, and he thinks it is confusing to put incentives in a revenue sharing bill. "I think that we should be concentrating on community dividends equally, and let the administrative bill...try to go forward," he concluded.

[8:35:58 AM](#)

REPRESENTATIVE CISSNA asked Co-Chair Thomas if he envisions the dividend to be similar to the Permanent Fund Dividend for every man, woman and child—only for communities.

CO-CHAIR THOMAS said yes, and that he worked on a bill for incentives this summer. He stated that oil revenue and Amerada Hess money belong to everybody. He said if the PFD excluded a

political faction, it would be wrong. He said, "We have not introduced the administrative borough on this side because we want to see what it looks like on the Senate side. If they take the incentives out, then we won't introduce the bill on this side. There is no reason to go forward with formation of boroughs unless there's an incentive, and it all revolves around the land." He said some boroughs have 300,000 acres of land, and the Petersburg/Wrangell borough has 2100 acres, "so there is no way they can sustain a government." He said the Glacier Bay borough has 321 acres, and "we've gutted pretty much the primo land in Southeast" with the university taking all the land. He said, "Once people understand the incentive bill, which is the administrative borough bill, they will see what we are trying to do."

[8:39:16 AM](#)

REPRESENTATIVE NEUMAN said the money in this bill is from Amerada Hess money, not from the permanent fund.

[8:39:48 AM](#)

REPRESENTATIVE LEDOUX said she supports the bill as amended.

REPRESENTATIVE NEUMAN moved to report the proposed CSHB 371, Version 24-GH2063/G, Cook, 1/28/06, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 371(CRA) was reported out of committee.

[8:40:32 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at [8:40:40 AM](#).