

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

April 20, 2006

9:03 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**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 265

"An Act increasing the total amount of bonds and notes that the Alaska Municipal Bond Bank Authority may have outstanding; and providing for an effective date."

- MOVED SB 265 OUT OF COMMITTEE

HOUSE BILL NO. 429

"An Act reestablishing the Department of Community and Regional Affairs; relating to the Department of Commerce, Community, and Economic Development and to the membership of various boards and commissions; and providing for an effective date."

- MOVED HB 429 OUT OF COMMITTEE

HOUSE BILL NO. 299

"An Act relating to and increasing the municipal property tax exemption on residences of certain seniors and others; and providing for an effective date."

- MOVED CSHB 299(CRA) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 265

SHORT TITLE: BONDS OF BOND BANK AUTHORITY

SPONSOR(s): SENATOR(s) STEDMAN

02/03/06 (S) READ THE FIRST TIME - REFERRALS  
02/03/06 (S) CRA, FIN  
02/15/06 (S) CRA AT 1:30 PM BELTZ 211  
02/15/06 (S) Heard & Held  
02/15/06 (S) MINUTE(CRA)  
02/22/06 (S) CRA AT 1:30 PM BELTZ 211  
02/22/06 (S) Moved SB 265 Out of Committee  
02/22/06 (S) MINUTE(CRA)  
02/23/06 (S) CRA RPT 3DP  
02/23/06 (S) DP: STEDMAN, WAGONER, STEVENS G  
03/08/06 (S) FIN AT 9:00 AM SENATE FINANCE 532  
03/08/06 (S) Moved SB 265 Out of Committee  
03/08/06 (S) MINUTE(FIN)  
03/09/06 (S) FIN RPT 4DP 1NR  
03/09/06 (S) DP: WILKEN, GREEN, HOFFMAN, STEDMAN  
03/09/06 (S) NR: BUNDE  
03/22/06 (S) TRANSMITTED TO (H)  
03/22/06 (S) VERSION: SB 265  
03/24/06 (H) READ THE FIRST TIME - REFERRALS  
03/24/06 (H) CRA, FIN  
04/13/06 (H) CRA AT 9:00 AM CAPITOL 124  
04/13/06 (H) -- Meeting Canceled --  
04/20/06 (H) CRA AT 9:00 AM CAPITOL 124

BILL: HB 429

SHORT TITLE: RESTORE DCRA AND DCED  
SPONSOR(s): REPRESENTATIVE(s) CROFT

02/06/06 (H) READ THE FIRST TIME - REFERRALS  
02/06/06 (H) CRA, L&C, FIN  
03/21/06 (H) CRA AT 8:00 AM CAPITOL 124  
03/21/06 (H) Heard & Held  
03/21/06 (H) MINUTE(CRA)  
04/20/06 (H) CRA AT 9:00 AM CAPITOL 124

BILL: HB 299

SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTION  
SPONSOR(s): REPRESENTATIVE(s) KOHRING

05/04/05 (H) READ THE FIRST TIME - REFERRALS  
05/04/05 (H) CRA, STA  
03/23/06 (H) CRA AT 8:00 AM CAPITOL 124  
03/23/06 (H) -- Meeting Canceled --  
04/04/06 (H) CRA AT 8:00 AM CAPITOL 124  
04/04/06 (H) Heard & Held; Assigned to Subcommittee

04/04/06 (H) MINUTE(CRA)  
04/20/06 (H) CRA AT 9:00 AM CAPITOL 124

**WITNESS REGISTER**

KIM CARNOT, Staff  
to Senator Bert Stedman  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Presented SB 265 of behalf of Senator Stedman, sponsor.

THOMAS BOUTIN, Deputy Commissioner  
Department of Revenue  
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding SB 265.

SHANE HORAN, Assessor  
Kenai Peninsula Borough  
Soldotna, Alaska

POSITION STATEMENT: Testified in opposition to HB 299.

STEVE VAN SANT, State Assessor  
Division of Community Advocacy  
Department of Commerce, Community, & Economic Development  
Anchorage, Alaska

POSITION STATEMENT: Answered questions regarding HB 299.

CHARISSE MILLETT, Staff  
to Representative Vic Kohring  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Presented HB 299 on behalf of Representative Kohring, sponsor.

VICKI HAMILTON, City Clerk  
City of Craig  
Craig, Alaska

POSITION STATEMENT: During hearing of HB 299, testified that the City of Craig would prefer to maintain the current \$150,000 property tax exemption and reinstate the payments from the state that help supplement the [revenues lost] due to this exemption.

KEVIN RITCHIE, Executive Director  
Alaska Municipal League  
Juneau, Alaska

POSITION STATEMENT: During hearing of HB 299, expressed the need for municipalities to have the ability to review Version Y.

**ACTION NARRATIVE**

**CO-CHAIR KURT OLSON** called the House Community and Regional Affairs Standing Committee meeting to order at [9:03:28 AM](#). Representatives Salmon, Thomas, Olson, Kott, Cissna, LeDoux, and Neuman were present at the call to order. Representative Eric Croft was also in attendance.

SB 265-BONDS OF BOND BANK AUTHORITY

CO-CHAIR OLSON announced that the first order of business would be SENATE BILL NO. 265, "An Act increasing the total amount of bonds and notes that the Alaska Municipal Bond Bank Authority may have outstanding; and providing for an effective date."

KIM CARNOT, Staff to Senator Bert Stedman, Alaska State Legislature, explained that SB 265 seeks to increase the bond authority of the Alaska Municipal Bond Bank (Bond Bank) from its current statutory cap of \$500 million to \$750 million. The Bond Bank's authority was last increased in 2003 from \$300 million to \$500 million. She further explained that the Alaska Municipal Bond Bank helps municipalities by lowering the borrowing costs for the participants. The aforementioned is accomplished by pooling bond issues, creating economies of scale, and leveraging the borrowing power and credit worthiness of the state. Since its inception in 1975, it has helped Alaska communities secure over \$800 million in financing for public works projects. During that same time, the Bond Bank has returned \$26.9 million in excess earnings to the state. This year, the Bond Bank will return a \$652,000 dividend to the citizens of Alaska. She informed the committee that last year the Bond Bank issued \$123 million in bonds to Alaska communities and through that process saved those communities \$16.7 million in issuance and interest costs. For example, Bond Bank funds have been used for school construction, harbor improvements, hospitals, and road construction in various communities in the state. Ms. Carnot concluded by relating that the Bond Bank has approximately \$80 million in pending applications and only \$50 million in borrowing capacity. Therefore, without the proposed increase "we" will not be able to take advantage of the program.

[9:06:07 AM](#)

REPRESENTATIVE NEUMAN turned attention to the analysis on the fiscal note and asked whether the funds from the Bond Bank come from the general fund.

[9:06:40 AM](#)

THOMAS BOUTIN, Deputy Commissioner, Department of Revenue, replied no, the funds come from bond proceeds and bond earnings. He pointed out that the Alaska Municipal Bond Bank has one employee who is also the state debt manager. Most of the costs, he specified, of the Bond Bank are issuance costs, bond counsel, financial advisor, occasion trustee, and printing costs.

[9:07:08 AM](#)

CO-CHAIR THOMAS moved to report SB 265 out of committee with individual recommendations and the accompanying fiscal notes. Hearing no objections, SB 265 moved from the House Community and Regional Affairs Standing Committee.

[9:08:01 AM](#)

HB 429-RESTORE DCRA AND DCED

CO-CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 429, "An Act reestablishing the Department of Community and Regional Affairs; relating to the Department of Commerce, Community, and Economic Development and to the membership of various boards and commissions; and providing for an effective date."

CO-CHAIR THOMAS moved to report HB 429 from committee with individual recommendations and the accompanying fiscal notes. Hearing no objections, HB 429 moved from the House Community and Regional Affairs Standing Committee.

[9:08:35 AM](#)

HB 299-MUNICIPAL PROPERTY TAX EXEMPTION

CO-CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 299, "An Act relating to and increasing the municipal property tax exemption on residences of certain seniors and others; and providing for an effective date."

REPRESENTATIVE KOTT moved to adopt the committee substitute (CS) to HB 299, labeled 24-LS0823\Y, Cook, 3/31/06, as a work draft. Hearing no objections, Version Y was before the committee.

[9:09:38 AM](#)

SHANE HORAN, Assessor, Kenai Peninsula Borough, said he has not seen the new language and would like the committee to get back to him.

STEVE VAN SANT, State Assessor, Division of Community Advocacy, Department of Commerce, Community, & Economic Development, said he is available for questions.

REPRESENTATIVE KOTT, speaking as the chair of the subcommittee that put forth Version Y, explained that Version Y increases the tax exemption for senior citizens to \$250,000, grandfathered in those who currently receive the exemption, and instituted a needs-based system for [new entrants to the system].

CHARISSE MILLETT, Staff to Representative Vic Kohring, Alaska State Legislature, speaking on behalf of the sponsor, specified that under Version Y the exemption was increased to \$250,000 for widowers and disabled veterans, those who currently receive the exemption are grandfathered into the system, and from 2007 forward there is a needs-based provision. She pointed out that there are two levels of needs-based requirements such that there are requirements for the \$150,000 exemption level and the \$250,000 exemption level. The exemption mirrors the senior care exemption language and thus those who meet the requirements for senior care will receive the \$250,000 exemption. Those with double the income for the senior care exemption will receive \$150,000 exemption.

[9:12:13 AM](#)

REPRESENTATIVE CISSNA related her understanding that the changes [encompassed in Version Y] are based on AS 47.45.320(a)(3), which is the senior care program. She recalled questions with regard to those who qualify for the program now and what would happen to those who don't qualify under the needs-based system. She also recalled questions regarding who manages the program and the costs of the program.

[9:13:35 AM](#)

MS. MILLETT explained that those who would be grandfathered in would be those who have applied for and are already receiving the exemption. In further response to Representative Cissna, Ms. Millett clarified that those who are receiving the \$150,000 exemption today will continue receiving the exemption, but after 2007 those turning 65 years of age would have to meet a needs-based requirement.

[9:14:48 AM](#)

MR. VAN SANT related his understanding that the exemption would be handled on the local level and will require the local assessor's office to review a senior's Internal Revenue Service (IRS) tax returns in order to determine if he/she meets the income eligibility qualifications. He pointed out that the changes refer to an individual's income as opposed to household income, which is of concern. He recalled that when this program first began in the 1970s, there was a household income criteria. He related his further understanding that those individuals currently receiving the exemption will continue to receive the \$150,000 exemption. However, he questioned what would happen if an individual in the aforementioned situation sells his/her property and moves to another location. He then related his understanding that those disabled veterans [receiving the current exemption] would automatically receive the \$250,000 exemption.

[9:17:19 AM](#)

MR. VAN SANT, in response to Representative Cissna, explained that the senior exemption is for seniors 65 years or older. In the 1980s, the widows/widowers and disabled veterans were added to the exemption. The current statute specifies that if a widow/widower of a participant is 60 years old, he/she could continue to receive the exemption. The same thought process was utilized for disabled veterans. However, the language for the seniors was adopted, which is problematic. Mr. Van Sant pointed out that most of the recent disabled veterans are much younger than 65 and under current law, the widow/widower would not receive the exemption until he/she reached age 60. He also pointed out that statute specifies that once the widow/widower remarries, the exemption ends. Therefore, in most cases the widow/widower of a disabled veteran will never be able to take advantage of the exemption due to his/her young age.

[9:19:34 AM](#)

MS. MILLETT clarified that the current widow/widower requirement wasn't changed in the legislation, although the amount was increased.

[9:20:12 AM](#)

MR. VAN SANT, in response to Representative LeDoux, directed the committee's attention to AS 47.45.320(a)(3) and the following income requirements: \$20,913 for a single person, \$28,053 for two people.

REPRESENTATIVE SALMON related his understanding that this exemption only applies to one property.

MS. MILLETT confirmed that the exemption only applies to the primary residence.

[9:21:10 AM](#)

VICKI HAMILTON, City Clerk, City of Craig, mentioned that the City of Craig is the only community on Prince of Wales Island that collects property tax. Therefore, an increase in the property tax exemption would impact the local economy. Ms. Hamilton related that the City of Craig would prefer to maintain the current \$150,000 property tax exemption and reinstate the payments from the state that help supplement the [revenues lost] due to this exemption.

KEVIN RITCHIE, Executive Director, Alaska Municipal League, said he just read Version Y, which he characterized as "scary" because of the lack of knowledge with regard to the impacts. He highlighted that whenever an exemption is changed, someone else benefits or pays at the local level. He referred to the aforementioned as [cost] shifting. Furthermore, around the state there is discussion about changing senior benefits. Without involving municipalities, a fire storm could be created. Mr. Ritchie expressed the need to study this proposal and all of the [potential] impacts to provide to the communities for response. He mentioned his hope that there would be a substantial hearing process. "The reason it will go locally is because municipalities still, of course, have the authority to maintain the program at a higher level and so that issue will get moved down the line a bit if this bill were to pass out right now," he said. Mr. Ritchie highlighted that property taxes are an issue for many people, young and old, and a good revenue sharing program would have the biggest impact on taxes and it helps everybody.

[9:25:07 AM](#)

REPRESENTATIVE LEDOUX asked if in the long run this proposal will result in more money going to municipalities because it phases out the senior exemption that isn't based on need.

MR. RITCHIE related his understanding that those who currently receive the exemption will continue to receive it, the exemption for disabled veterans will increase to \$250,000, and those turning 65 after the passage of HB 299 would receive the exemption based on his/her income. Mr. Ritchie again urged the committee to provide municipalities time to review this proposal.

[9:26:39 AM](#)

CO-CHAIR THOMAS posed a situation in which those reaching age 65 who are retired face property tax increases of 15 percent and can't make ends meet. He mentioned the desire to have these individuals live in their home rather than in an assisted care facility. He expressed the need to show a little sympathy.

[9:29:06 AM](#)

REPRESENTATIVE CISSNA inquired as to the percentage of the municipalities that have property tax.

MR. RITCHIE answered that it's around 35 communities, which is most of the people of the state. He noted that there are small Bush communities that don't have a property tax base. In further response to Representative Cissna, Mr. Ritchie said that most every large community has a property tax. He estimated that probably 90 percent of the state's citizens are subject to a property tax.

MR. VAN SANT specified that 12 out of 16 boroughs levy a property tax. The four boroughs that do not are the Northwest Arctic Borough, the Denali Borough, the Lake and Peninsula Borough, and the Aleutians East Borough. Furthermore, 13 of the cities in unorganized boroughs also levy a property tax. However, the largest second class city, Bethel, doesn't levy a property tax. He noted his agreement with Mr. Ritchie that about 90 percent of the population of the state is subject to a property tax.

[9:31:19 AM](#)

REPRESENTATIVE LEDOUX noted her agreement that there ought to be sympathy for elder individuals and disabled veterans, but this would be an unfunded mandate.

MR. HORAN requested that communities be given time to digest this legislation. He opined that the main concern for the Kenai Peninsula Borough is in regard to the mandatory exemptions and the unfunded mandate. He then reminded the committee that the Kenai Peninsula Borough has an unlimited exemption for senior citizens and disabled veterans. This month, the mayor proposed capping the exemption at \$200,000, and also offered the hardship exemption such that the senior or disabled veteran would pay no more than 2 percent of his/her gross household income for property taxes. However, that failed introduction and at the next meeting there were proposed scenarios such that the first \$150,000 would be based on one's eligibility for the permanent fund and Kenai's exemption over that \$150,000 would be based on two years residency and an absence of no more than 90 days. He mentioned that Kenai has a growing senior citizen and disabled veteran population. He concluded by again requesting time for the municipalities to review HB 299.

CO-CHAIR THOMAS asked if those in Kenai who [qualify for the exemption] and own a home outside of the state are allowed to receive Kenai's exemption.

[9:34:37 AM](#)

MR. HORAN replied yes, adding that the individual must live [in the Kenai home] for at least 183 days and that home must be the individual's primary residence and permanent place of abode.

REPRESENTATIVE SALMON indicated the need to increase the household income thresholds as specified in AS 47.45.320(a)(3) in order to keep up with [the current standard of living].

MR. HORAN confirmed that the Kenai Peninsula Borough is the only municipality in the state with a property tax exemption beyond the \$150,000 state-mandated exemption.

[9:36:28 AM](#)

REPRESENTATIVE CISSNA informed the committee that she has an amendment addressing her concerns. She inquired as to the will of the committee today in order to determine whether she should move the amendment today.

[9:37:35 AM](#)

CO-CHAIR OLSON related that originally the intent was to move the legislation from committee, but it would be a disservice to the communities to not allow them time to review it. Therefore, he announced that HB 299 would be held until next week.

[9:37:59 AM](#)

REPRESENTATIVE CISSNA reminded the committee that she has been visiting communities and reviewing local economies, which has uncovered the importance of senior and veteran populations to communities. All of the communities with which she has spoken are struggling to survive and at the same time, the state is trying to determine whether the removal of revenue sharing is permanent or temporary. If it's permanent, the legislature has to help communities determine how they can survive. She highlighted that for many communities property tax is the only way in which it can obtain funds.

[9:39:49 AM](#)

REPRESENTATIVE CISSNA expressed the need for the committee to review the Alaska Municipal League's stance on HB 299. She then emphasized the need to ensure that as many communities as possible are allowed to remain healthy.

[9:40:26 AM](#)

The committee took a brief at-ease.

[9:40:46 AM](#)

CO-CHAIR OLSON informed the committee that if it intends on moving HB 299, it will have to do so today because the committee can't hear House Bills next week. Therefore, he indicated that the legislation could be tweaked in the next committee of referral, the House State Affairs Standing Committee.

REPRESENTATIVE CISSNA opined that each committee has a responsibility and HB 299 fits in this committee. "We're striking at the very basic infrastructure of communities across the state and I think it would be a great disservice to move this," she further opined.

CO-CHAIR OLSON recalled that Representative Cissna was a member of the subcommittee on HB 299.

REPRESENTATIVE CISSNA said, "I never knew of a meeting."

[9:42:13 AM](#)

REPRESENTATIVE CISSNA moved Amendment 1, labeled 24-LS0823\Y.1, Cook, 4/19/06, which read:

Page 1, lines 6 - 13:

Delete all material.

Insert "permanent place of abode by a (1) resident 65 years of age or older; (2) disabled veteran; or (3) resident at least 60 years old who is the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection, is exempt from taxation on the first \$200,000 [\$150,000] of the assessed value of the real property. A municipality may, in case of hardship, provide for exemption beyond the first \$200,000 [\$150,000] of assessed value in accordance with"

Page 2, lines 7 - 27:

Delete all material.

Insert "AS 44.62.560 - 44.62.570."

Page 3, line 9:

Delete "(a)"

Page 3, lines 11 - 14:

Delete all material.

CO-CHAIR THOMAS objected.

[9:42:45 AM](#)

REPRESENTATIVE CISSNA explained that Amendment 1 would return the property tax exemption program to its present configuration, but increase the exemption to \$200,000, which is what some municipalities are thinking of doing. Amendment 1 would maintain the provisions for disabled veterans and widows and widowers, but it wouldn't link it to the senior citizen model.

[9:43:54 AM](#)

REPRESENTATIVE LEDOUX surmised then that the only difference between Amendment 1 and Version Y is that Amendment 1 would

implement a \$200,000 exemption rather than a \$250,000 exemption and would eliminate the needs-based criteria. She questioned whether eliminating the needs-based criteria would be worse for municipalities.

REPRESENTATIVE CISSNA said that as long as it is linked to the current model such that the participants have to submit their tax returns, the number of workers are increased in each municipality. As Mr. Van Sant testified, at this point there is no knowledge as to the costs, she noted. She said that there are other details that have not been fleshed out and someone will need to figure that out.

[9:45:10 AM](#)

A roll call vote was taken. Representatives Cissna and Salmon voted in favor of Amendment 1. Representatives Kott, LeDoux, Neuman, Olson, and Thomas voted against it. Therefore, Amendment 1 failed to be adopted by a vote of 2-5.

[9:46:03 AM](#)

CO-CHAIR THOMAS moved to report CSHB 299, Version 24-LS0823\Y, Cook, 3/31/06, out of committee with individual recommendations and the accompanying fiscal notes.

REPRESENTATIVE CISSNA objected.

A roll call vote was taken. Representatives Salmon, Kott, LeDoux, Neuman, Olson, and Thomas voted in favor of reporting CSHB 299, Version 24-LS0823\Y, Cook, 3/31/06, out of committee. Representative Cissna voted against it. Therefore, CSHB 299(CRA) was reported out of the House Community and Regional Affairs Standing Committee by a vote of 6-1.

#### **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:47 a.m.