

HOUSE FINANCE COMMITTEE
April 14, 2005
1:54 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:54:53 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Eric Croft
Representative Richard Foster
Representative Mike Hawker
Representative Jim Holm
Representative Mike Kelly
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Reggie Joule

ALSO PRESENT

Representative Max Gruenberg; Representative Norman Rokeberg; Heather Nobrega, Staff, Representative Norman Rokeberg; Heath Hilyard, Staff, Representative Mike Kelly; Pat Davidson, Legislative Auditor, Legislative Audit Division; Doug Wooliver, Administrative Attorney, Alaska Court System; Michael Burns, Chief Executive Officer, Alaska Permanent Fund Corporation; Laura Achee, Alaska Permanent Fund Corporation; James Baldwin, Assistant Attorney General, Department of Law; Peter Naoroz, Staff, Representative Max Gruenberg; Laura Achee, Alaska Permanent Fund Corporation

PRESENT VIA TELECONFERENCE

Dan Dickinson, Director, Tax Division, Department of Revenue, Anchorage; Jim Towle, Executive Director, Alaska Dental Society, Anchorage; Gayle Voightlander, Assistant Attorney General, Department of Law, Anchorage; Jim Gasper, Public Safety Employees Association, Anchorage; Steve Van Sant, State Assessor, Department of Commerce, Community and Economic Development, Anchorage

SUMMARY

HB 27 An Act relating to an optional exemption from municipal property taxes on certain residences of law enforcement officers.

CS HB 27 (FIN) was reported out of Committee with "individual recommendations" and with zero note #1 by the Department of Commerce, Community & Economic Development.

#HB71
HB 71

An Act relating to a credit for certain exploration expenses against oil and gas properties production taxes on oil and gas produced from a lease or property in the state; relating to the deadline for certain exploration expenditures used as credits against production tax on oil and gas produced from a lease or property in the Alaska Peninsula competitive oil and gas area wide lease sale area after July 1, 2004; and providing for an effective date.

HB 71 was POSTPONED.

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HB 103

An Act requiring an actionable claim against the state to be tried without a jury.

CS HB 103 (FIN) was reported out of Committee with a "no recommendation" and with fiscal note #1 by the Alaska Court System and fiscal note #2 by the Department of Law.

HB 169

An Act relating to the educational requirements for certain real estate brokers, associate brokers, and salespersons with new or suspended licenses; and allowing real estate brokers to hire certain experts to review real estate transactions; and providing for an effective date.

CS HB 169 (FIN) was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Commerce, Community & Economic Development.

HB 211

An Act extending the termination date of the Board of Dental Examiners; and relating to dentists and dental hygienists.

CS HB 211 (FIN) was reported out of Committee with a "no recommendation" and with fiscal note #1 by the Department of Commerce, Community & Economic Development.

HB 215

An Act relating to the investment responsibilities of the Alaska Permanent Fund Corporation; relating to regulations proposed and adopted by the Board of Trustees of the Alaska Permanent Fund

Corporation and providing procedures for the adoption of regulations by the board; and providing for an effective date.

CS HB 215 (FIN) was reported out of Committee with a "no recommendation" and with zero note #1 by the Alaska Permanent Fund Commission.

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#HB211

HOUSE BILL NO. 211

An Act extending the termination date of the Board of Dental Examiners; and relating to dentists and dental hygienists.

Representative Foster MOVED to ADOPT work draft #24-LS070\G, Mischel, 4/8/05, as the version of the bill before the Committee. There being NO OBJECTION, it was adopted.

REPRESENTATIVE MIKE KELLY, SPONSOR, stated that HB 211 would provide an extension for the Board of Dental Examiners to June 30, 2011, as recommended by a Legislative Audit #08-20031-04, dated August 5, 2004. The extension would aid in "smoothing out the number of boards and commissions that come under sunset in a particular year".

HB 211 includes changes to the Dental Board statutes, which cleans-up issues for the Board of Dental Examiners. The changes are described:

- Implements continuing education requirements for dental hygienists in an amount of 14 hours for the previous two years.
- Modifies the inspection period for radiological equipment used in dentistry to five years to better accommodate periodic inspections.
- Clarifies qualifications for licensure by more clearly identifying impairment and adds a new section.
- Clarifies the requirements for specialty licensure by requiring that the applicant meet the qualifications for licensure as a dentist in Alaska, and passes an examination given by either the Western Regional Examining Board, the Central Region Dental Testing Service, the Central Region Examining Board or that the applicant meet the qualifications for licensure as a dentist in Alaska and be certified by a specialty certification board, recognized by the American Dental Association.

Representative Kelly summarized that the changes resulting from a joint meeting with representatives from the Division

of Occupational Licensing, Alaska Board of Dental Examiners and the Alaska Dental Society. The changes were discussed with representatives from the Alaska State Dental Hygiene Association.

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HEATH HILYARD, STAFF, REPRESENTATIVE MIKE KELLY, clarified the changes made to the committee substitute. The first change was on Page 2, Line 8, removing "and by" allowing Board clarification. Also, Page 7, Lines 2-9, would allow the Board of Dental examiners to approve any examination deemed appropriate.

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Representative Holm referenced Page 4, Section H, which adds the language regarding conviction of a crime that might adversely reflect the applicant's ability to perform safe dentistry. Mr. Hilyard requested that Mr. Towle testify to address that query.

[2:00:32 PM](#)

JIM TOWLE, (TESTIFIED VIA TELECONFERENCE), EXECUTIVE DIRECTOR, ALASKA DENTAL SOCIETY, ANCHORAGE, responded that the intent was to bring clarity regarding crimes that would not impact one's ability to practice dentistry. He acknowledged that he did not know the full history of the legislation. The language would not directly relate to a dentist's ability or appropriateness to practice. Previously, there was confusion. The legislation provides the Board authority to review and decide whether the situation would impact the dentist's ability to be a good practitioner.

Representative Holm questioned where the line would be drawn and thought the language was "fuzzy".

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Mr. Towle pointed out that the Alaska Dental Society had worked with all interested parties to determine a consensus.

Representative Weyhrauch asked if Section H was a part of the original bill. Mr. Hilyard replied it was as recommended by the Alaska Dental Society.

In response to queries voiced by Representative Weyhrauch, Mr. Towle clarified that specific information was related to the actual practice of dentistry. If someone was convicted, the Board would determine if there had been a history that might impact that person's ability to practice. Such information would not be reported to the National Data Bank.

He added that the original request had come from the Board of Dental Examiners to guarantee that they had proper authority to see the board picture.

Representative Weyhrauch proposed addition of language in Subsection H, following "dentistry", inserting "at the time of application". Mr. Towle was confident that the Board would take any history into consideration. He did not object to the addition of the clarifying language.

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Representative Weyhrauch questioned if the amendment were not adopted, would the Board still take that person's history into consideration. Mr. Towle affirmed.

Vice-Chair Stoltze commented that Section H was unusual language. Mr. Towle noted that when it was drafted, it provided the Board broad authority to be able to determine what affects an individual's ability to be a good dental practitioner. The Board must review and make appropriate decisions. The proposed language would not hamstring the Board, but would be broad enough to guarantee that the Dental Board understands what is appropriate and acts accordingly.

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Representative Weyhrauch referenced Page 1, Section 2, which reduces the number of active hygiene, dental time from 728 to 700 hours and asked why that change was proposed. Mr. Towle thought it was adequate and would be more appropriate. The proposed language originated from the Board.

[2:11:46 PM](#)

Representative Kelly MOVED to REPORT CS HB 211 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 211 (FIN) was reported out of Committee with a "no recommendation" and with fiscal note #1 by the Department of Commerce, Community & Economic Development.

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#HB103

HOUSE BILL NO. 103

An Act requiring an actionable claim against the state to be tried without a jury.

REPRESENTATIVE MIKE KELLY, SPONSOR, stated that HB 103 would make a small but important change to the manner in which claims against the State are adjudicated. The doctrine of "sovereign immunity", originally taken from English common law, is familiar within the legal system. The doctrine precludes the institution of a suit against the sovereign [government] without consent. It is intrinsic to the legal system.

The Alaska State Constitution addresses the issue of sovereign immunity in Article 2, Sec. 21, when it grants the Legislature sole authority to determine the manner in which suits against the State are tried. Without that addition, the language in Article 1, Sec.16, specifically refers to "common law", presupposes that sovereign immunity is absolute in Alaska.

Representative Kelly continued, although HB 103 does change from the current standard of a trial by jury in a claim against the State, it returns to the standard that was in place until 1975. Since that time, there have been a number of cases that have resulted in exorbitant jury awards against the State. HB 103 would accomplish the intent by making a direct statutory change. He urged support of the legislation.

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HEATH HILYARD, STAFF, REPRESENTATIVE MIKE KELLY, offered to answer questions of the Committee.

Co-Chair Meyer inquired if there was concern that a judge would be harsher than a jury. Mr. Hilyard replied that had been considered as a possibility. It has been a long time since there was a trial decision by a judge that there are no statistics available. Representative Kelly interjected that could be the case and might not be inappropriate. He stressed that the bill addresses the "deep pocket" concern of the State and was worried about some jury awards.

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Representative Weyhrauch defended some of the "deep pocket cases of the State". Representative Kelly noted that there were a number of cases cited. He noted that a constituent who is a retired lawyer requested the bill. Representative Kelly mentioned that historically there have been some outrageous rewards.

Representative Weyhrauch asked if the legislation had been geared toward cases in Bethel and Western Alaska and not the ones in the Big Lake fire areas. Representative Kelly responded that his concern was with the smaller ones such as the windsock case.

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In response to further queries by Representative Weyhrauch, Representative Kelly commented that there are four states that do not allow their state to be sued.

GAYLE VOIGHTLANDER, (TESTIFIED VIA TELECONFERENCE), ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, ANCHORAGE, offered to answer questions of the Committee regarding the Department of Law's fiscal note.

Representative Weyhrauch commented on the cases sighted as examples of jury awarding "deep pockets", and inquired how many had actually been paid out. Ms. Voightlander advised that the windsock case continues to be in litigation; the other three have been completed.

Representative Weyhrauch referenced the case sighted in the Bethel verdict and asked if there had been a motion to reduce the amount of that verdict. Ms. Voightlander advised in that case, there have been post trial motions. Also, the search and rescue case was appealed and then cross-appealed. The Department of Law asked for large verdicts from the last few years.

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Vice-Chair Stoltze mentioned an incident in Chugiak in the early 1990's, ultimately, in which that woman received a settlement. He asked how that case would have been affected through the proposed statutory change. Ms. Voightlander explained that case was tried with the State as the defendant. A negotiated settlement amount was determined. If HB 103 had been in effect, a judge rather than the jury of twelve would have deliberated the case.

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DOUG WOOLIVER, ADMINISTRATIVE ATTORNEY, ALASKA COURT SYSTEM, noted that the Courts anticipate a \$16 thousand dollar savings with implementation of the legislation. That amount was determined by figuring out how many jury trials there were in the last five years. There have been approximately 20 cases during that time. He checked all costs associated with those trials, which averaged approximately \$4 thousand dollars per trial.

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Representative Weyhrauch MOVED to ADOPT Amendment #1, adding a new sentence on Page 1, Line 5, "the State may request a jury trial under this subsection". Co-Chair Meyer OBJECTED.

Representative Kelly noted that he did not object to the amendment. Co-Chair Meyer WITHDREW his OBJECTION. There being NO further OBJECTION, Amendment #1 was adopted.

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Representative Kelly MOVED to REPORT CS HB 103 (FIN) out of Committee with individual recommendations and with the accompanying fiscal notes. Representative Croft OBJECTED.

Representative Croft commented that he did not like supporting the taking of people's rights away. There is a reason we have a constitutional right to a jury trial. He maintained that the right to take a case before peers and people not employed by the government, is important. The government has gotten so pervasive; it can determinately affect a person's life. Representative Croft thought it would be un-wise to pass the proposed legislation since it goes against our country's history. He reiterated that he did not support the bill.

Representative Weyhrauch observed that there is a right in this society to a jury trial. A jury is made up of a broad section of people. He sited a case, which he litigated and which he had requested a jury trial. The case ultimately settled with the jury's verdict against the State. There were fees and costs built into that cost. There are instances in which the State will have to pay; however, within the context of a jury trial, there is an appeal process.

The State, currently is immune and cannot award damages against the State. Right now, when a case appears and there is a punitive damage award, the State gets half of that award. He emphasized that sometimes, the State should pay, as there is gross negligence. Sometimes the verdict ends up with the person getting fired. Representative Weyhrauch believed that juried trials usually end up with society benefiting as a whole. He clarified that he does not distrust judges, however, sometimes the State rightfully should pay.

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Vice-Chair Stoltze pointed out his history and voting record for legal reform measures, however was concerned with the proposed legislation. He stated that he respects the intent but was not comfortable with the concept of "deep pockets".

Representative Kelly interjected that the present debate highlights the difficult issue being addressed through the legislation and acknowledged the "heart" of that struggle. He believed that HB 103 was a "good bill" and would save the State money and abuse.

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A roll call vote was taken on the MOTION to MOVE the bill from Committee.

IN FAVOR: Holm, Kelly, Stoltze, Weyhrauch, Foster,
Hawker, Meyer, Chenault
OPPOSED: Moses, Croft

Representative Joule was not present for the vote.

The MOTION PASSED (8-2).

CS HB 103 (FIN) was reported out of Committee with a "no recommendation" and with fiscal note #1 by the Alaska Court System and fiscal note #2 by the Department of Law.

[2:45:11 PM](#)

#HB215

HOUSE BILL NO. 215

An Act relating to the investment responsibilities of the Alaska Permanent Fund Corporation; relating to regulations proposed and adopted by the Board of Trustees of the Alaska Permanent Fund Corporation and providing procedures for the adoption of regulations by the board; and providing for an effective date.

REPRESENTATIVE NORMAN ROKEBERG, SPONSOR, noted that the bill was brought forward by the Alaska Permanent Fund Corporation. He stated that the bill would change the current policy of statutorily limiting the allocation of the agency's portfolio.

Representative Rokeberg referenced Amendment #1, #24-LS0698\A.1, Cook, 4/1/405. (Copy on File). He requested consideration of the amendment, which would provide that the Board of Trustees could go through the rule adoption prior to the effective date of the bill. He reiterated his support of Amendment #1. The Board needs authority in order to be able to start drafting regulations and would happen with passage of the amendment.

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Vice-Chair Stoltze inquired if the amendment would delete the effective date. Reprehensive Rokeberg said it would change the effective date in order to allow for the rule making authority to move forward.

MICHAEL BURNS, CHIEF EXECUTIVE OFFICER, ALASKA PERMANENT FUND CORPORATION, directed his comments to the legislation.

Initially, the fund was limited to a bond portfolio. Overtime, the Legislature loosened those restrictions, creating a statutory list of permissible investments. He noted that that 45 of the 50 states have eliminated the statutory lists and now use the prudent investor rule.

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Mr. Burns provided a handout "Reducing Risk, Increasing Return", and referenced Page 4. (Copy on File). The chart indicates potential risk and return for various portfolios under the Fund's current investment restrictions and under the prudent investor rule. The underlying asset allocations for the main points of the chart are shown. The chart demonstrates that under the prudent investor rule, the Fund could potentially earn the same return as the current portfolio with 3% less risk.

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LAURA ACHEE, ALASKA PERMANENT FUND CORPORATION, offered to answer questions of the Committee.

Representative Rokeberg requested that Mr. Burns explain the impacts on the fixed income portfolio. Mr. Burns advised that in a raising rate environment, the portfolio is very vulnerable to price declines.

Representative Rokeberg added that as interest rates go up, the principle balance is actually loosing money. He asked how the bill allows managing that risk. Mr. Burns responded that addressing the value of the principle, there are a number of "tools" the Corporation might use:

- Absolute return strategy;
- Various hedging; and
- Derivatives.

Mr. Burns mentioned "hard" assets. There are a variety of strategies and combinations of assets that can protect the State against rising rates.

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Representative Holm referenced the prudent investor rule and asked how it relates to the current discussion. Mr. Burns responded that the prudent investor rule was established in 1994. The requirements are "not to be right", instead encouraging a process involving questions and standards.

Representative Holm asked what happens if there are no standards. Mr. Burns replied that it is the process in place, managing oneself and measuring the risks. The

prudent investor rule is about the diligence placed on the controls and how the fund operates. He acknowledged that was vague.

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Representative Holm commented that investing is a form of art. He asked how the Board determines if the standards of the prudent investor rule are being met. Mr. Burns stated that the Board has to measure how things are presented and follow-up on those concerns. The prudent investor rule is a management process tool and a way of doing business. He mentioned the legal components.

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In response to Representative Holm, Mr. Burns pointed out the primary decision the Board makes is determining what the asset allocations are going to be. From there, it is determined who will be responsible for implementing it. He agreed it is a "term of art".

Representative Holm acknowledged he was nervous given concerns managing the Public Employment Retirement System (PERS) and the Teachers Retirement System (TRS).

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Co-Chair Meyer asked if the investment strategy was conservative. Mr. Burns responded it was a very conservative managed fund, consisting of a balance of asset categories and styles for growth and equity in the fund. He emphasized that it is diversified.

Co-Chair Meyer asked if the investment strategies would stay the same through passage of the legislation. Mr. Burns explained that some of the asset categories would replace some of the fixed income categories, which would remove the price swing vulnerability. The private equity deals are hopeful and that the Board would like to expand the private equity type investments.

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Representative Croft inquired the expected return in March 2004. Mr. Burns pointed out that the historical status is a 7.83% return of the picked asset mix. The standard deviation is 10.29%. Representative Croft understood that is an asset mix used to achieve those goals.

Representative Croft referenced Page 5 of the handout, inquiring about the regulatory interest. Mr. Burns noted those are some category potentials.

Representative Croft asked that with a little more risk, was it possible that the Fund could receive higher returns. Mr. Burns replied it is such a small draw on the fund, not like a pension fund and the draw tends to be around 5%. The Board has the patience to stay in a fund for a longer term.

Representative Croft inquired about the relative individual risk. Mr. Burns responded that the Permanent Fund functions as an endowment.

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Mr. Burns spoke to the risk factors and return levels. Representative Croft asked if that was addressed through switching the large cap equities. Mr. Burns said whatever the combination, the intent is to accumulate a portfolio of assets, where performance is not connected to each another. He pointed out that some private equities do not always have a correlation to each another. It is of no concern how each asset performs but instead, how the portfolio performs as a whole.

Representative Rokeberg added that the asset mix can lower the risk.

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Representative Weyhrauch noted a new section of the bill addressing regulation adoption. Mr. Burns discussed that the constitutional amendment, which created the Permanent Fund, describes assets prescribed by law and that the Legislature should grant rule-making authority to the Board of Trustees.

Vice-Chair Stoltze inquired if that could alter the basket requirement amount. Mr. Burns responded that at present, the basket clause is at 10%.

Vice-Chair Stoltze inquired if there was a statutory amount indicating a specific dollar figure. Mr. Burns reiterated it was 10%. The overriding principle will always be the prudent investment rule and one tenant is diversification.

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Representative Croft read from AS 37.13.121: "Mortgages are capped at 15%, real estate investment capped at 15%, CD's and other investments capped at 20%; domestic and non-domestic capped at 55%."

Vice-Chair Stoltze asked if the legislation provides for investing in the gas line proposal. Mr. Burns said that the Permanent Fund would need specific statutory authority to invest in something like that. Vice Chair Stoltze asked if

the language was broad enough to allow for it. Mr. Burns thought it might be depending on the proposed amount.

Representative Weyhrauch pointed out that last year's legislation had an amendment that allowed the Permanent Fund to specifically invest in the gas pipeline. The Senate Finance Committee stripped that clause out.

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Co-Chair Chenault asked if the legislation would provide that hedge funds be used and the 1% Permanent Fund designation. (Testimony inaudible).

Mr. Burns replied that a hedge fund strategy could very well be a part of the legislation. Hedge funds can provide a broad handle. There is no percent at this time on in-State investments. The Board was insulated from political pressure last session by stripping out the clause that members could be removed for "cause". The Board is independent and members have a four-year staggered term. He pointed out that the Board would like to do more in-State investing.

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Representative Hawker added comments toward diversification as mandated by the prudent investor rule and prohibiting the concentration of risk in small environments. Mr. Burns acknowledged it has been a challenge attempting to invest in Alaska because there are only a few projects in the State large enough.

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Representative Rokeberg mentioned investment in the gas pipeline. He thought that a pipeline investment would provide a more fixed income portfolio. He added it could be limited by that investment strategy. Mr. Burns mentioned the categories of the prudent investor rule:

- Diversification,
- Concentration, and
- Determining if it is of an investment grade.

Representative Rokeberg maintained that the only possible way to use any funding above the criteria would be through passage of the proposed legislation. Mr. Burns thought that, however, the process could be addressed such as legislative intent and it would be appropriate.

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Representative Weyhrauch interjected that if the investment meets the prudent investment rule, then the State should invest in it.

Representative Croft pointed out that he could not find a provision within statute that would prevent investing in the pipeline. He thought investing would be limited as it is currently within the 5% market basket. He thought it could be difficult to justify under the prudent investor rule, but saw no restrictions in what could be done through regulation.

Mr. Burns informed members that the Trustees take their fiduciary role seriously. He believed that the limitations of the prudent investor rule could limit pipeline investment.

Representative Kelly stated the proposed legislation is important and understood it would take the decisions from the Legislature and place it with the qualified Board.

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Representative Hawker MOVED to ADOPT Amendment #1, #24-LS0698\A.1, Cook, 4/14/05. (Copy on File). Vice-Chair Stoltze OBJECTED.

Representative Rokeberg explained that Amendment #1 was a housekeeping measure, authorizing the Board to proceed with the regulation rule making it prior to the effective date. Vice-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, it was adopted.

Representative Weyhrauch MOVED to ADOPT Amendment #2, Page 3, Line 8, delete "mailing" and insert "providing". Vice-Chair Stoltze OBJECTED.

Representative Weyhrauch explained that current language does not include other options such as emailing and faxing. The amended language will be broader. Representative Rokeberg supported the change. Vice-Chair Stoltze WITHDREW his OBJECTION, Amendment #2 was adopted.

[3:32:17 PM](#)

Representative Foster MOVED to REPORT CS HB 215 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 215 (FIN) was reported out of Committee with a "no recommendation" and with zero note #1 by the Alaska Permanent Fund Commission.

[3:32:45 PM](#)

#HB169

HOUSE BILL NO. 169

An Act relating to the educational requirements for certain real estate brokers, associate brokers, and salespersons with new or suspended licenses; and allowing real estate brokers to hire certain experts to review real estate transactions; and providing for an effective date.

REPRESENTATIVE NORMAN ROKEBERG, SPONSOR, referenced Page 8.

Representative Kelly MOVED to ADOPT Amendment #4, Page 8, Lines 22-30. Co-Chair Chenault OBJECTED for discussion purposes.

Representative Rokeberg noted that the amendment recommends addition of Section 15.

Co-Chair Chenault clarified that was not Amendment #3. He pointed out that Amendment #3 had been WITHDRAWN.

Representative Kelly repeated the motion to MOVE Amendment #4. Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTIONS, Amendment #4 was adopted.

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Representative Croft MOVED to REPORT HB 169 out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 169 (FIN) was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Commerce, Community & Economic Development.

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#HB27

HOUSE BILL NO. 27

An Act relating to an optional exemption from municipal property taxes on certain residences of law enforcement officers.

REPRESENTATIVE MAX GRUENBERG, SPONSOR, explained that the purpose of the bill was to encourage law enforcement officers to purchase homes and live in areas needing additional police protection. It would allow municipalities to pass an ordinance giving an exemption of up to \$150,000 of assessed valuation on the primary permanent residence of any law enforcement officer who lives in a high crime area.

The bill permits a municipality, by ordinance, to designate areas in which the primary permanent residence owned and occupied by a law enforcement officer would be exempted from taxation up to \$150,000 of the assessed valuation per officer/owner-occupant (up to a maximum of \$300,000 assessed valuation per property.)

Representative Gruenberg pointed out that the ordinance must define "law enforcement officer" and designate specific areas, as either:

- (1) Areas eligible under governmental programs allowing special assistance for urban development, neighborhood revitalization, or law enforcement, or
- (2) Statistically high crime areas.

Representative Gruenberg advised that there would be no cost to the State for the program.

JIM GASPER, (TESTIFIED VIA TELECONFERENCE), POLICE OFFICER, PUBLIC SAFETY EMPLOYEES ASSOCIATION, ANCHORAGE, noted that he represents over 200 municipal police officers throughout the State. He thought that the bill was drafted to provide discretion to the municipalities that want to participate in the program. He stated that it is a good method of advancing the concept of community policing. It could be extended to State police for policing high crime areas. He thought it would be good policy for the State and voiced support for the bill.

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STEVE VAN SANT, (TESTIFIED VIA TELECONFERENCE), STATE ASSESSOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, ANCHORAGE, voiced appreciation to Representative Gruenberg for addressing the concerns of the State Assessor's office. He voiced support for the bill.

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Representative Gruenberg clarified the conceptual Amendment #1, Subsection (s) on Page 1, Line 8 amended to read:

"(s) A municipality may be ordinance designate an area within its boundaries that is an eligible area and exempt from taxation an amount not to exceed \$150,000 of the assessed value of real property within the area [that is] if the property is primarily residential and owned and occupied as the primary permanent place of abode by a law enforcement officer for the entire parcel."

In response to a query by Vice-Chair Stoltze, Representative Gruenberg explained that if the parcel were a zero lot line,

then it would be able to occur. However, if there was a triplex or duplex on the land and it was titled as a single parcel, it could be divided. The most that can be received is \$150,000 dollars.

Representative Kelly asked why would the State want to encourage two police in the same area. Representative Gruenberg responded, they could be a social unit such as a family or two people that were co-tenants.

Representative Kelly thought there could be potential for abuse. Representative Gruenberg replied that at least in the Mountain View area, it would be unlikely to find any properties of that value.

Representative Croft MOVED to ADOPT conceptual Amendment #1. Co-Chair Chenault OBJECTED.

After looking at the printed version of the conceptual amendment, Co-Chair Chenault WITHDREW his OBJECTION. There being NO further OBJECTION, conceptual Amendment #1 was adopted.

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Vice-Chair Stoltze asked about constitutional issues regarding the police department and where they reside. Representative Gruenberg was not aware of anything that could prohibit it in the future. Co-Chair Chenault noted that in his area, it is required that the troopers live within the city limits. He thought that the legislation would help police officers out.

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Representative Kelly suggested adding language: "No more than one exemption for the same property be granted". Representative Gruenberg suggested that if that language was adopted, it would be important to strike the sentence from Lines 8-10.

Representative Kelly MOVED to ADOPT Conceptual Amendment #2.

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Representative Hawker OBJECTED for discussion purposes. He thought that the amendment could put the primary focus on the residential location. He questioned if the exemption should track the property or the people working as law enforcement officers. He mentioned that he wanted to see every law enforcement officer have the option of the proposal.

Representative Croft suggested deleting language on Lines 8-10. Co-Chair Chenault agreed, however, noted that on Line 6, the taxation may not exceed \$150,000 assessed value. He supported one exemption.

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Vice Chair Stoltze recommended inserting the language: "Only one exemption".

[4:00:46 PM](#)

Representative Hawker WITHDREW his OBJECTION to Amendment #2. Representative Gruenberg supported the verbiage proposed by Vice Chair Stoltze.

[4:01:25 PM](#)

Co-Chair Chenault OBJECTED to conceptual Amendment #2 as he foresaw more problems related to marital status and spousal issues.

Representative Croft thought that removal of that sentence could allow the municipalities to decide. He did not think it would do much harm.

Co-Chair Meyer thought that if it was modeled after the senior exemption, it should be consistent. Representative Gruenberg replied that it was modeled after a different statute, AS 29.45.050, regarding the granting of exemptions for same property.

Representative Kelly WITHDREW conceptual Amendment #2.

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Representative Gruenberg requested that the bill drafter insert the language from conceptual Amendment #1 where it is most appropriate.

[4:05:56 PM](#)

Representative Foster MOVED to REPORT CS HB 27 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 27 (FIN) was reported out of Committee with "individual recommendations" and with zero note #1 by the Department of Commerce, Community & Economic Development.
#

ADJOURNMENT

The meeting was adjourned at 4:07 P.M.