

HOUSE FINANCE COMMITTEE
April 12, 2006
8:45 A.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [8:45:49 AM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Mike Hawker
Representative Jim Holm
Representative Reggie Joule
Representative Mike Kelly
Representative Beth Kerttula
Representative Carl Moses
Representative Bruce Weyhrauch

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Representative Paul Seaton; Ben Mulligan, Staff,
Representative Bill Stoltze; Kathie Wasserman, Alaska
Municipal League, Juneau; Katie Shows, Staff, Representative
Paul Seaton

PRESENT VIA TELECONFERENCE

Steve Van Sant, State Assessor, Department of Commerce,
Community and Economic Development, Anchorage; Shane Horan,
Kenai Peninsula Borough; Marty McGee, Assessor, Municipality
of Anchorage

SUMMARY

HB 390 An Act limiting the amount that a municipality may charge for an appeal of a residential real property tax assessment to the municipality's board of equalization.

CS HB 390 (FIN) was reported out of Committee with a "no" recommendation and with zero note #1 by the Department of Commerce, Community & Economic Development.

HB 475 An Act describing contributions to the health reimbursement arrangement plan for certain teachers and public employees; clarifying eligibility for membership in that health reimbursement arrangement plan; relating to the 'administrator' of the Public Employees' Retirement System of Alaska; and providing for an effective date.

HB 475 was HEARD & HELD in Committee for further consideration.

[8:46:43 AM](#)

#HB390

HOUSE BILL NO. 390

An Act limiting the amount that a municipality may charge for an appeal of a residential real property tax assessment to the municipality's board of equalization.

REPRESENTATIVE BILL STOLTZE, SPONSOR, explained that often times, homeowners feel that the value of their home has been wrongly assessed. In order to challenge that assessment, an appeal must be filed with their municipality's board of equalization. Currently, municipalities charge a variety of fees associated with the assessment appeal.

HB 390 would cap the amount a municipality can charge for a homeowner to appeal the assessment on their home at \$10 dollars if the municipality has a population greater than 30,000. The legislation is an attempt to allow homeowners due process in having their home assessed by local government.

[8:50:09 AM](#)

In response to Representative Weyhrauch, Vice Chair Stoltze noted that there are communities that provide some built-in safety valves. A municipality would have the option to charge no fee. Co-Chair Meyer pointed out that Fairbanks does not have a fee and that Anchorage has a sliding scale fee.

[8:51:40 AM](#)

Representative Holm asked if Representative Stoltze's district had a sales tax. Vice Chair Stoltze responded some sections of his district do and some don't.

Representative Holm commented that he was philologically opposed to any property tax. He was curious why any fee was charged to appeal the assessment. Vice Chair Stoltze acknowledged that was his preference, however, had compromised, inserting a \$10 dollar fee.

Co-Chair Meyer thought that the Anchorage Assembly would not support the legislation, seeing it as an unfunded mandate.

[8:55:00 AM](#)

PUBLIC TESTIMONY

KATHIE WASSERMAN, ALASKA MUNICIPAL LEAGUE (AML), JUNEAU, explained that AML opposes HB 390, as such decisions should be left as a matter of local control. Out of 48 municipalities that have property taxing authority, only 3 now charge a fee for property tax appeals. Those municipalities are Ketchikan Gateway Borough, the Municipality of Anchorage (MOA) and the Kenai Borough. The fee is done on a sliding scale based on property value resulting in a fee from \$30 dollars to a high of \$100 dollars. Older citizens are exempt from property tax. She pointed out that appeals result in high costs to the municipalities.

Ms. Wasserman disagreed with statements that the process was "rigged". The amount of appeals has dropped dramatically with the imposition of a fee. Anchorage appeals dropped from a yearly average of 2,500 to 700. The fee affects approximately 1/5th of the population and is reimbursed if the property owner's appeal is successful.

Ms. Wasserman said the Kenai Borough is an entity with taxing authority with a population of 50,000. She wondered if the bill should be reworded to indicate only the Municipality of Anchorage.

[8:58:04 AM](#)

Vice Chair Stoltze said his constituents requested the legislation. The MatSu Borough is now approaching 80,000 residents. He did not believe the bill was a special interest for Anchorage.

[8:58:42 AM](#)

SHANE HORAN, (TESTIFIED VIA TELECONFERENCE), KENAI PENINSULA BOROUGH, stated that the Kenai Borough Assembly instituted a filing fee in 2005, mirroring that of Anchorage with a \$30 dollar fee for property assessed up to \$100 thousand dollars; \$100 for property assessed from \$100 to \$500 thousand dollars and a \$200 fee for property assessed up to \$2 million dollars.

According to the code, if the appeal results in a reduction from the original assessed value or if the appeal is withdrawn before the evidence is due to the Board of Equalization, then the filing fee is refunded.

Additionally, the appeal fee may be waived as a result of one's annual income as provided in the poverty guidelines for Alaska.

Mr. Horan pointed out that the filing fee has reduced the number of appeals and has helped that office become more efficient. The Alaska Statutes note that the burden is on the property owner to prove that their assessment was unequal or over-valued. Their office, as a policy, must inspect every appeal property, address the owners concerns, prepare presentations to the Board of Equalization, and often find the property owner's absent or not the presenting testimony. The fee, as instituted, gives the property owner more ownership in the appeal process. The fee is reimbursed to anyone that wins the appeal, which makes for a reasonable accommodation for the property owners.

Mr. Horan noted that the Borough does offer, through ordinance, the opportunity for anyone an informal meeting with the assessor regarding their assessment. The action has been successful in many of the appeals in an informal format. He stated that the \$10 fee would not be a sufficient deterrent for frivolous appeals. In 2004, there were well over 600 appeals and with the institution of the appeal-filing fee for 2005, there were only 280 appeals.

Mr. Horan noted that the last population estimate for the entire Kenai Borough was 51,250 residents.

Vice Chair Stoltze commended the City of Kenai for a more "enlightened" appeal process. He objected to the use of the term "frivolous", when speaking to someone's property tax.

[9:03:47 AM](#)

Co-Chair Meyer understood that it cost the municipality about \$100 dollars per appeal. Mr. Horan said that was conservatively correct, as they would spend approximately 4 hours on each appeal. Co-Chair Meyer agreed that no one likes to pay property tax and if the fee was free or even \$10 dollars, it could be detrimental to the boroughs. Mr. Horan reiterated that the fee is returned if the homeowner wins the appeal. Last year, the Borough made approximately \$2,300 dollars total from collection of fees.

[9:06:19 AM](#)

STEVE VAN SANT, (TESTIFIED VIA TELECONFERENCE), STATE ASSESSOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, ANCHORAGE, clarified that the beginning fee in Anchorage starts at \$30 dollars for property up to \$100 thousand dollars, and is refundable if the owner wins the appeal. He noted there is an "informal review" process, where the unhappy taxpayer can speak with the assessor about

their assessment. Mr. Van Sant stated that there are many people bypassing the assessor's office and not taking advantage of the informal appeal; the fee encourages the informal review process. He acknowledged that no one likes to be taxed. Mr. Van Sant hoped that the assessor & staff make good judgment; sometimes, however, they do make mistakes. They are experts in their field and the majority of time, are correct, as they know what they are doing given their training.

[9:10:00 AM](#)

Representative Weyhrauch commented on the increased assessment of his own home, pointing out that after contacting the local assessor's office that office was quite helpful and not adversarial and an agreement was made.

[9:11:07 AM](#)

MARTY MCGEE, (TESTIFIED VIA TELECONFERENCE), ASSESSOR, MUNICIPALITY OF ANCHORAGE, advised that the appeal process is designed to addresses issues of value. That is the only thing that the Board of Equalization is empowered to do. Frivolous concerns result when taxpayers attempt to address concerns in a way that it is not designed.

Mr. McGee pointed out that Anchorage had a system that was "badly broken" and sued by the taxpayers. The Courts gave the Municipality a one-year time period to determine a system that works to address appeals. He stated that the tax was implemented to address the appeals and that it has been successful. The taxpayers have not been working with the appraisal staff to resolve those issues and that the filing fee is an essential component making the system work. Over 76% of the fees have been refunded to the taxpayers. He pointed out that an assessor does not have the authority to go inside a property being appraised.

[9:14:09 AM](#)

Co-Chair Meyer asked the cost to the Municipality of Anchorage (MOA) to process an appeal. Mr. McGee thought it was higher than \$100 dollars, indicating they deal with many types of properties. For a home appeal, it is more in the neighborhood of \$200 dollars per appeal. He estimated that their Office was saving the Anchorage taxpayers about \$1 million dollars per year by offering the informal process and fee ladder.

Co-Chair Meyer inquired the year that the fee was put in place. Mr. McGee replied there was no fee in place until 2004. Once the fee was implemented, the appeals decreased significantly. He added that no fee is charged for property review.

Vice Chair Stoltze noted his frustration in his attempts to get the MOA to indicate a position on the bill.

Mr. Van Sant stated that because the number of informal appeals decreased does not mean that the total number of reviews has decreased. In 2004, they reviewed about 2,800 parcels; in 2005, the number of appeals was 667; however, there was 4,100 informal reviews. The process has forced people to use the 40-day review period. In the past, because the taxpayer waited until the last minute, they were forced to file a formal appeal, bringing it into the cost mode.

PUBLIC TESTIMONY CLOSED

[9:18:48 AM](#)

Vice Chair Stoltze claimed he had limited the legislation to residential appeal fees and thought it was a modest proposal.

Co-Chair Meyer MOVED to ADOPT Amendment #1. Vice Chair Stoltze OBJECTED.

Co-Chair Meyer pointed out that currently, a sliding scale exists in Anchorage. The amendment would change the current scale to:

- \$25 as a fee for property assessed to \$99,999
- \$50 as a fee for property assessed to \$100,000-\$499,999
- \$100 as a fee for property assessed to \$500,000-\$1,999,999
- \$200 as a fee for property assessed over \$2,000,000

Co-Chair Meyer noted his time on the Anchorage Assembly, realizing it costs the Municipality to do the assessment work; if no fee is charged, people will file. Co-Chair Meyer acknowledged the steep jump MOA made in 2005 and did not want to see the appraisal ability as a money raiser for the cities.

Vice Chair Stoltze respected the comments made by Co-Chair Meyer, understanding various local challenges but maintained his objection.

Representative Kerttula asked if any other place in the State had a \$200 dollar fee at this time. Mr. Van Sant replied that the fee is based on the value of the property; typically that amount would be a commercial property.

[9:23:19 AM](#)

noted he would respect the decision of the Committee whether to table the bill.

Co-Chair Meyer noted the issue is of enough concern that he would support moving it from Committee.

[9:33:04 AM](#)

Representative Hawker MOVED to REPORT CS HB 390 (FIN) out of Committee with individual recommendations and with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 390 (FIN) was reported out of Committee with a "no" recommendation and with zero note #1 by the Department of Commerce, Community & Economic Development.

[9:33:58 AM](#)

#HB475

HOUSE BILL NO. 475

An Act describing contributions to the health reimbursement arrangement plan for certain teachers and public employees; clarifying eligibility for membership in that health reimbursement arrangement plan; relating to the 'administrator' of the Public Employees' Retirement System of Alaska; and providing for an effective date.

Co-Chair Chenault MOVED to ADOPT work draft #24-LS1685\S, Wayne, 4/11/06, as the version of the committee substitute before the Committee. There being NO OBJECTION, it was adopted.

[9:34:32 AM](#)

REPRESENTATIVE PAUL SEATON, SPONSOR, updated Committee members on the process to date. He stated that HB 475 was a clean up bill to the Retirement Security Act (SB 141) passed in 2005. Due to the length of SB 141, a handful of errors and oversights were made that need to be changed for the transition to Tier IV. HB 475 is a technical bill and intended to include any policy change.

Revisions encompassed in HB 475:

- Clarifies the procedure for an appeal to the Office of Administrative Hearings
- Requires employer to contribute at least the normal cost rate starting in 2008
- Changes the requirements to receive a conditional service benefit

- Clarifies provisions regarding Personnel Employees Retirement System (PERS) and Teachers Retirement System (TRS) death and disability benefits including how those benefits would be funded:
 - Funding death and disability
 - The structure of death and disability benefits
 - The survivor benefit
- Clarifies the eligibility requirements for medical benefits
- Clarifies requirements for non-vested Tier II or Tier III employees who wish to transfer to Tier IV
- Clarifies the basis for calculating employer contribution rates
- Gives regulatory authority to the appropriate party
- Changes the basis for calculating HRA employer contributions to meet the Internal Revenue Service (IRS) tax qualifications
- Definitions
- Disallows employment with National Education Association (NEA) as counting towards Tier IV retirement eligibility
- Establishes provisions for employer termination of participation in the plan
- Clarifies defined benefit and defined contribution components of the plan
- Establishes adherence to IRS limitations

The changes are not absolutely necessary for Tier IV to come on line July 1, 2006. The revisions clarify many aspects of the statutes, providing a benefit both to the plan and members. If changes are not made, many crucial decisions would be left to the Administrator of the plan without proper guidance from the Legislature.

[9:42:19 AM](#)

Representative Weyhrauch noted that the sponsor statement was written to version \L and that the Committee had just adopted version\S. Representative Seaton noted the only substantive change to version\S is located on Page 33, Sections 73 & 77, the contribution amount for death and disability. The amount that employers would have to provide was recalculated; it found that Mercer had not calculated in the Cost-of-Living-Allowance (COLA) over time for those in Tier III.

[9:44:32 AM](#)

In response to Representative Weyhrauch regarding over funding, Representative Seaton explained it was a retroactive date listed on Page 33. The amount was backed-

out and given two years to catch up. He added that the Division of Retirement and Benefits had assured his office that under no circumstance would they allow drawing from over-funded to under-funded status.

[9:47:49 AM](#)

Representative Holm observed the clause that a "period of death" counts toward retirement, questioning what that meant. Representative Seaton replied that it is occupational death and disability and if a member was working for a PERS or TRS employer and died, their heirs would receive the survivor's benefit.

[9:49:22 AM](#)

Representative Seaton observed that the bill would change the requirement to receive a conditional death benefit until 2010, clarifying that the employee could buy-back years.

Representative Kerttula asked the explanation of refunded contributions being creditable. Representative Seaton clarified that after 2010, a member who was in PERS and withdrew their funds and then returns, they would be able to fully buy-back the funds and be eligible for a deferred compensation (DC) plan. They would not be able to do that after 2010. The employee would need the employers consent to buy into a DC plan. If the employee was a Deferred Benefit (DB) employee, they would still be able to buy-back.

KATIE SHOWS, STAFF, REPRESENTATIVE SEATON, explained that there are a number of sections that deal with conditional service benefits. The first one clarifies that the employee has until 2010 to payback service to be where they left off, which represents a large unfunded liability to the system. The intent of SB 141 made that change; HB 475 provides further clarification. The transfer is a separate section.

Representative Kerttula concluded that a member could refund their service until 2010. Ms. Shows clarified that the employee could still do it until 2010. If the service was not refunded, the employee could do it at any time. The buy-back must be initiated before 2010 in order to return to their previous retirement plan if they are reemployed on a PERS or TRS plan.

[9:56:07 AM](#)

Representative Seaton reviewed the death and disability aspect, which looks at funding, structure of the benefits and the survivor benefits. The bill also clarifies the eligibility for medical benefits. The member does not have to be continuously insured for their eligibility.

Representative Kerttula questioned current practice. Representative Seaton observed that the provision pertains to early retirement. He noted that under the new plan, the medical benefits apply at the age of retirement. If the member returns to work, and shows that they were eligible during that period of unemployment, they would still qualify.

Representative Kerttula mentioned the "letter of coverage". Currently, if the person retires early, they receive full medical benefits. Representative Seaton responded that currently, the medical benefits start at retirement age. He added that 75% of all medical expenses are happening on early retirees not on the very elderly.

HB 475 was HELD in Committee for further consideration.
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ADJOURNMENT

The meeting was adjourned at 10:00 A.M.