

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 10, 2006

1:35 p.m.

MEMBERS PRESENT

Senator Bert Stedman, Chair
Senator Gary Stevens, Vice Chair
Senator Thomas Wagoner
Senator Johnny Ellis via teleconference
Senator Albert Kookesh

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 193

"An Act relating to an optional deferral of municipal property taxes on certain primary residences owned and occupied by individuals with incomes at or below federal poverty guidelines for the state."

MOVED CSSB 193(CRA) OUT OF COMMITTEE

SENATE BILL NO. 291

"An Act relating to the municipal harbor facility grant program; and providing for an effective date."

MOVED CSSB 291(CRA) OUT OF COMMITTEE

SENATE BILL NO. 247

"An Act relating to the revenue sharing program; and providing for an effective date."

MOVED CSSB 247(CRA) OUT OF COMMITTEE

SENATE BILL NO. 246

"An Act making a special appropriation from the Alaska capital income fund to the revenue sharing fund; and providing for an effective date."

MOVED CSSB 246(CRA) OUT OF COMMITTEE

SENATE BILL NO. 248

"An Act relating to administrative boroughs; relating to municipal school districts; relating to standards for incorporation of boroughs and unified municipalities; eliminating obsolete provisions relating to a third class borough and making technical changes to statutes relating to regional educational attendance areas; and relating to new borough grants for certain newly incorporated boroughs and unified municipalities."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 291

SHORT TITLE: MUNICIPAL HARBOR FACILITY GRANTS

SPONSOR(s): SENATOR(s) STEDMAN

02/14/06 (S) READ THE FIRST TIME - REFERRALS
02/14/06 (S) CRA, FIN
03/06/06 (S) CRA AT 1:30 PM BELTZ 211
03/06/06 (S) Heard & Held
03/06/06 (S) MINUTE(CRA)
03/10/06 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 247

SHORT TITLE: REVENUE SHARING PROGRAM

SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS BY REQUEST

01/23/06 (S) READ THE FIRST TIME - REFERRALS
01/23/06 (S) CRA, FIN
02/22/06 (S) CRA AT 1:30 PM BELTZ 211
02/22/06 (S) <Bill Hearing Postponed>
03/06/06 (S) CRA AT 1:30 PM BELTZ 211
03/06/06 (S) Heard & Held
03/06/06 (S) MINUTE(CRA)
03/10/06 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 246

SHORT TITLE: APPROP TO REVENUE SHARING FUND

SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS BY REQUEST

01/23/06 (S) READ THE FIRST TIME - REFERRALS
01/23/06 (S) CRA, FIN
02/22/06 (S) CRA AT 1:30 PM BELTZ 211
02/22/06 (S) <Bill Hearing Postponed>
03/06/06 (S) CRA AT 1:30 PM BELTZ 211
03/06/06 (S) Heard & Held

03/06/06 (S) MINUTE(CRA)
03/10/06 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 193

SHORT TITLE: DEFERRAL OF MUNICIPAL PROPERTY TAXES

SPONSOR(s): SENATOR(s) BUNDE

05/04/05 (S) READ THE FIRST TIME - REFERRALS
05/04/05 (S) CRA, FIN
01/30/06 (S) CRA AT 1:30 PM BELTZ 211
01/30/06 (S) -- Rescheduled to 02/08/06 --
02/08/06 (S) CRA AT 1:30 PM BELTZ 211
02/08/06 (S) Heard & Held
02/08/06 (S) MINUTE(CRA)
02/15/06 (S) CRA AT 1:30 PM BELTZ 211
02/15/06 (S) Scheduled But Not Heard
02/22/06 (S) CRA AT 1:30 PM BELTZ 211
02/22/06 (S) Heard & Held
02/22/06 (S) MINUTE(CRA)
03/06/06 (S) CRA AT 1:30 PM BELTZ 211
03/06/06 (S) Heard & Held
03/06/06 (S) MINUTE(CRA)
03/10/06 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 248

SHORT TITLE: ADMINISTRATIVE BOROUGH/BOROUGH GRANTS/

SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS BY REQUEST OF ADVISORY
COMM ON LOCAL GOVT

01/23/06 (S) READ THE FIRST TIME - REFERRALS
01/23/06 (S) CRA, FIN
02/15/06 (S) CRA AT 1:30 PM BELTZ 211
02/15/06 (S) Scheduled But Not Heard
03/08/06 (S) CRA AT 1:30 PM BELTZ 211
03/10/06 (S) CRA AT 1:30 PM BELTZ 211

WITNESS REGISTER

KEVIN RITCHIE, Executive Director
Alaska Municipal League
217 Second Street
Juneau, Alaska 99801

POSITION STATEMENT: Supported the concept embodied in SB 246
and SB 247; testified on version F CS for SB 193 and said that
AML policy is to oppose anything that would take revenue away
from communities; and commented on SB 248

MELANIE MILLHORN, Director

Division of Retirement and Benefits
Department of Administration
PO Box 110200
Juneau, AK 99811-0200

POSITION STATEMENT: Testified on SB 246 and SB 247

VALERIE McCANDLESS, Mayor
City of Wrangell
P.O. Box 531
Wrangell, AK 99929

POSITION STATEMENT: Supported the idea embodied in SB 246 and SB 247

DEBBIE KENUKTOOK, Mayor
City of Koyuk
P.O. Box 53029
Koyuk, AK 99753

POSITION STATEMENT: Testified on SB 246 and SB 247 and supported revenue sharing

SHANE HORAN, Assessor
Kenai Peninsula Borough
144 North Binkley Street
Soldotna, AK 99669

POSITION STATEMENT: Opposed version F CS for SB 193

CLYDE BAXLEY
Anchorage, AK

POSITION STATEMENT: Opposed version F CS for SB 193

AL SUNQUIST
Anchorage, AK

POSITION STATEMENT: Opposed version F CS for SB 193

ART GRISWOLD
Delta Junction, AK

POSITION STATEMENT: Opposed version F CS for SB 193

MARTY McGEE, Assessor
Municipality of Anchorage
4501 South Bragaw
Anchorage, Alaska 99508

POSITION STATEMENT: Provided facts related to version F CS for SB 193

STEVE VAN SANT, State Assessor

Division of Community Advocacy, Department of Commerce,
Department of Commerce, Community & Economic Development
PO Box 110800
Juneau, AK 99811-0800

POSITION STATEMENT: Made clarifications related to version F CS for SB 193

MERYL THOMPSON
Wasilla, AK

POSITION STATEMENT: Opposed version F CS for SB 193

MARIE DARLIN
Capital City Task Force for AARP
Juneau, AK 99801

POSITION STATEMENT: Opposed version F CS for SB 193

MIKE BLACK, Director
Division of Community Advocacy
Department of Commerce, Community & Economic Development
PO Box 110800
Juneau, AK 99811-0800

POSITION STATEMENT: Supported the concept of SB 248

ALAN LEMASTER
Gakona, AK

POSITION STATEMENT: Testified on SB 248

JOHN HOZEY, Representative
Alaska Municipal League Task Force on Borough Formation
Valdez, AK 99686

POSITION STATEMENT: Suggested amendment to SB 248

DAVE TRANTHAM, Council Member
City of Bethel
P.O. Box 1388
Bethel, AK 99559

POSITION STATEMENT: Reported little support for SB 248 in his area

ACTION NARRATIVE

CHAIR BERT STEDMAN called the Senate Community and Regional Affairs Standing Committee meeting to order at [1:35:32 PM](#). Present were Senators Gary Stevens, Thomas Wagoner, Albert Kookesh, and Chair Bert Stedman. Senator Johnny Ellis participated via teleconference.

^#SB291

SB 291-MUNICIPAL HARBOR FACILITY GRANTS

CHAIR BERT STEDMAN announced SB 291, version Y, to be up for consideration.

[1:36:54 PM](#)

He recapped the history of harbor transfers from the state to municipalities. Since the transfers began ten years ago, there's been an ongoing debate regarding the condition under which the harbors were transferred and the amount the state paid the municipalities to assume ownership and operation of those harbors.

To address the issue legislators met with municipal harbor administrators and as a result the Alaska Association of Harbormasters and Port Administrators brought forward a proposal for a 50/50 matching grant program for harbor upgrades and renovations. That would allow municipalities to use the 50 percent state match and other appropriate funds with the provision that other state grant money could not be used.

SB 291 would establish the municipal harbor facility grant fund to which the Legislature would make an annual appropriation from the watercraft fuel tax account and from the state portion of the fisheries business tax. Both sources come from the marine industry so harbor users would generate the revenue for the program. The bill caps the funds that can be used per community per year at \$5 million so that a large community couldn't take all the available funds in any given year. Communities could apply for the capital match for any particular harbor just once. The expectation is that communities would establish, maintain, and run an enterprise fund into perpetuity.

As currently designed the program would run for between 8 and 10 years and at the end of that time the harbors around the state should be up to a fairly good standard.

CHAIR STEDMAN announced that public testimony had previously been taken on SB 291 and he would like a motion to move it from committee.

[1:41:15 PM](#)

SENATOR GARY STEVENS motioned to report CSSB 291(CRA), version Y, with attached fiscal note(s) and individual recommendations. There being no objection, it was so ordered.

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^#SB 246

SB 246-APPROP TO REVENUE SHARING FUND

SB 247-REVENUE SHARING PROGRAM

[1:42:49 PM](#)

CHAIR BERT STEDMAN announced SB 246 and SB 247 to be up for consideration. He noted that public testimony was taken at the previous hearing and that this day the committee would consider committee substitutes (CS) for each bill.

Version Y CS for SB 247 establishes the municipal public employees' retirement system unfunded liability relief account. Version G CS for SB 246 appropriates \$29,300,000 from the general fund to the relief account to make up the difference between what employers will pay in FY07 and the actuarial calculated rate.

At-ease from [1:44:06 PM](#) to [1:45:16 PM](#).

CHAIR STEDMAN asked for a motion to adopt version G.

SENATOR GARY STEVENS moved version G CS for SB 246.

CHAIR STEDMAN objected for discussion purposes. He explained that the Alaska Retirement Management Board ("ARM Board") was created last session to review the issue of the roughly \$6 billion unfunded liability for PERS and to present a report to the Legislature this session. It has asked for additional time to make recommendations regarding long-term solutions.

Employers are required to adhere to a payment schedule to pay off the liability that ticks on as a solution is sought. Because the employers' contribution rate isn't at the rate that the actuaries calculate it ought to be to pay off the liability, a special appropriation is to be established to fund the difference between where municipalities are on their funding schedule and where the actuary requires them to be. The goal is to stop the growth of the unfunded liability until such time as the ARM Board can submit its report and some long-term action is undertaken.

He removed his objection and announced that version G CS for SB 246 was adopted.

[1:49:06 PM](#)

SENATOR GARY STEVENS stated that this combines two important issues and should address a number of problems that communities face.

CHAIR STEDMAN clarified that version G doesn't change the special appropriation from the Alaska Capital Income Fund. That fund is commonly referred to as Amerada Hess and it resides within the Alaska Permanent Fund, but isn't counted toward the annual dividend that citizens receive.

[1:50:37 PM](#)

KEVIN RITCHIE, Executive Director of the Alaska Municipal League (AML), thanked the committee for the work it had done. He advised that AML hadn't had time to give the bill full review, but it would get the information out to municipalities. Obviously, he said, the concept of putting the liability into a holding pattern is significant.

At-ease from [1:51:18 PM](#) to [1:52:14 PM](#).

CHAIR STEDMAN asked for a motion to adopt version Y.

SENATOR GARY STEVENS moved version Y CS for SB 247.

CHAIR STEDMAN objected for explanation purposes. He advised that SB 247 is the revenue sharing bill and state aid for certain municipalities' under-funding of PERS and providing for an effective date. Language in Section 2 on page 3 establishes that in FY07 the funds will be used to make up the shortfalls between the PERS contributions from municipal employers and the actuarial calculated rate for the contributions. The communities that will receive funds are listed on page 3, line 24 through page 5, line 2. Communities that aren't on the list are either funding at the required actuarial calculated rate or they are in a funding surplus. He noted that the under funded amounts range from \$11 for the City of Egegik to a high of \$14,134,590 for the Municipality of Anchorage.

He removed his objection and announced that version Y was adopted.

[1:55:42 PM](#)

MELANIE MILLHORN, Director, Division of Retirement and Benefits, commended Senator Stedman for the work he had done on SB 247, version Y. She recapped the bill and said it provides that appropriations will be made to the various accounts to pay the difference between what the actuary has calculated as their rate to be for FY 07 compared to what their contribution rate is as capped by regulation to AAC 35.900. The division would make the appropriations to the various accounts by January 1, 2007.

CHAIR STEDMAN added if the appropriations aren't made, the money lapses into the general fund.

SENATOR GARY STEVENS referenced the spreadsheet in the packet and asked what the \$204,976 appropriation for the City of Seward represents.

MS. MILLHORN replied it represents the difference between the 24.26 percent actuarial calculated rate found in column 5 and the 18.74 percent employer's FY07 rate found in column 3.

CHAIR STEDMAN asked her to include the 5 percent cap in her explanation.

MS. MILHORN responded a regulation in PERS places a 5 percent annual cap on the contribution rate increase that the board adopts. That regulation is scheduled for repeal, but when the ARM Board adopted the FY07 rate it was operative until repealed. The valuation itself sets forward an average calculated employer rate, but the PERS supplement report that accompanies the valuation has an individual employer calculated rate based on the individual liabilities. She told the committee to note that each liability is different based on the FY07 rate compared to the actuarial calculated rate.

SENATOR GARY STEVENS asked her to use the City of Seward as an example to explain each of the columns in the spreadsheet.

MS. MILLHORN replied column 1 has FY07 estimated earnings. It shows that the City of Seward has a FY07 payroll base of \$3.7 million. Column 2 shows the FY07 rate at 18.74 percent. She noted that the supplement report indicates that the rate is capped at 18.74 percent. Column 3 indicates the actual contribution amount of \$695,880, which is calculated by multiplying column 2 times column 1. Column 4 is the actuarial

calculated rate at 24.26 percent. Column 5 is the required contribution according to the actuarial calculated rate, which is calculated by multiplying column 4 times column 1. Column 6 total is \$204,976, which is the difference between the actual contribution in column 3 and the actuarial required contribution in column 5.

[2:00:54 PM](#)

CHAIR STEDMAN summarized that the City of Seward has an annual payroll of \$3.7 million and it should be contributing \$900,856 per year into the retirement system, but because of the cap it is only contributing \$695,880. Version Y makes up the \$204,976 difference. This is a one-time appropriation because the idea is that by next year there will be a long-term solution.

SENATOR KOOKESH mentioned that the cap would be eliminated.

SENATOR THOMAS WAGONER asked when the cap would be removed.

MS. MILLHORN replied the regulation is scheduled for repeal in the next several months and will impact the FY08 rate.

[2:02:24 PM](#)

KEVIN RITCHIE stated that this is a positive step and he reiterated that AML would get the information out to its members.

[2:03:27 PM](#)

VALERIE McCANDLESS, Mayor of the City of Wrangell, voiced support for the effort represented in SB 246 and SB 247. She said she would follow the legislation to see how it would affect her community.

[2:04:35 PM](#)

DEBBIE KENUKTOOK, Mayor of the City of Koyuk, reported that the city financial situation is bleak and she strongly encouraged the Legislature to reinstate a revenue sharing program.

CHAIR STEDMAN observed that Koyuk isn't the only community in Western Alaska that is facing financial strains in the last several years.

He noted there was no further testimony and asked for motions to move SB 246 and SB 247.

[2:08:49 PM](#)

SENATOR WAGONER motioned to report CSSB 247(CRA), version Y, and attached fiscal note(s) from committee with individual recommendations. There being no objection, it was so ordered.

[2:09:18 PM](#)

SENATOR WAGONER motioned to report CSSB 246(CRA), version G, from committee with individual recommendations. There being no objection, it was so ordered.

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CHAIR STEDMAN called an at-ease from [2:09:42 PM](#) to [2:11:54 PM](#)

^#SB193

SB 193-DEFERRAL OF MUNICIPAL PROPERTY TAXES

CHAIR STEDMAN announced SB 193 to be up for consideration. He reminded members that the committee previously heard the presentation on version F committee substitute (CS). He highlighted the following: AS 29.45.030(b) doesn't provide tax assessors clear direction to exempt properties owned by non-profit religious organizations that are used to house educators in private or parochial schools; individual educators living in their own homes do not benefit; privately owned residences are not applicable; version F only clarifies existing statutes regarding the tax exempt status of properties owned by non-profit religious organizations; version F is appropriate under the original bill because it deals with the same statutory section.

He advised that he would take public testimony even though the committee had previously heard the bill.

SENATOR THOMAS WAGONER asked for a brief at-ease.

[2:13:55 PM](#)

SHANE HORAN, Assessor for the Kenai Peninsula Borough, stated that version F CS for SB 193 would establish an unfunded mandate that could cause the borough to lose between \$20 and \$30 thousand in revenue. The potential loss would be greater if the

various service areas were considered. He expressed the view that the language is broad and might not exclude coaches, for example, who are oftentimes looked upon as educators. He further questioned whether volunteer teachers, substitute teachers, part-time or seasonal teachers might be included. He said he assumed that Sunday school teachers would be excluded. He asked the committee to keep in mind that most educators in private, religious or parochial schools are compensated for their services. Finally, he said, this would be an additional program that would require administering and monitoring.

SENATOR THOMAS WAGONER said this is permissive so it isn't an unfunded mandate.

CHAIR STEDMAN clarified that just one section of the bill is discretionary and that is the original section that allows certain citizens to apply to a municipality for property tax deferral. The other section is new and it cleans up language dealing with non-profit religious organizations.

[2:16:48 PM](#)

CLYDE BAXLEY, Anchorage resident, stated opposition to version F committee substitute (CS) for SB 193 describing it as a huge tax giveaway to the Anchorage Baptist Temple. He urged the committee to return to the original bill as sponsored by Senators Bunde, Dyson and Ellis because the CS opens the floodgates to lawsuits for discrimination against public schoolteachers in favor of private schoolteachers.

MR. BAXLEY asserted that the legislation would violate Article 1, Section 15 of the Alaska State Constitution because it's a special bill for special people. It also violates Article 2 Section 9 and Article 1, Section 1. This is a special act and it only favors teachers working for religious organizations.

Taxpayers around the state are looking for ways to reduce their property taxes and this bill does the opposite, he said. Furthermore the proposed definition of "minister" is designed to expand the list of titles conferred on members of a church organization for the purpose of qualifying properties for a tax exemption. No state criterion governs how a church titles its members so title decisions are left to the principle church leader. That, he said, is a flimsy basis for determining whether or not a church property qualifies for tax-exempt status.

He suggested that if the committee really wants to quiet the complaints from taxpayers then it should amend the statute to make it clear that no church shall be entitled to more than one tax-exempt residence that is occupied by one church leader. Doing so would satisfy the Alaska State Constitution and put to rest the squabbles that have plagued Anchorage for last three years.

MR. BAXLEY urged the committee to return to the original version of SB 193.

CHAIR STEDMAN reiterated that the CS clarified existing statute and it fits under the original version of the bill title.

[2:22:45 PM](#)

AL SUNQUIST, Anchorage, spoke in opposition to version F CS for SB 193. He said that he's aware that many church properties are in violation of existing laws according to the tax assessor and he supports efforts to crack down on what he refers to as "black collar crimes." He stated that the issue before the committee represents an entanglement of church and state and should be resisted.

[2:24:42 PM](#)

ART GRISWOLD, Delta Junction, testified in opposition to version F CS for SB 193. He acknowledged that the area did not have a property tax yet, but that it was a possibility. He noted that the state doesn't currently fund tax exemptions for senior citizens or disabled veterans in the organized boroughs and this bill represents an additional exemption. He reported that in his area there are three major church farms with huge homes that will be completely exempt from taxes if the area is forced into a borough. He said he would like to see legislation that clarifies that religious organizations receive tax exemption on just one building where services are held.

CHAIR STEDMAN asked that the record reflect that Delta Junction does not pay property tax.

[2:27:01 PM](#)

MARTY MCGEE, Assessor for the Municipality of Anchorage, provided the following facts: Anchorage Baptist Temple currently owns 24 pieces of property; 20 of the properties are residences of some kind; 10 of the residences are currently tax exempt; 6

of the residences will soon move to taxable status leaving just 4 residences in exempt status.

If this bill moves forward in its current form it would represent about \$80,000 of tax revenue that would be exempted from income. He emphasized that whenever a property is moved to exempt status, it's the remaining taxpayers who have to make up the lost revenue. With that in mind, he said, the Municipality of Anchorage does not support version F CS for SB 193.

[2:28:46 PM](#)

SENATOR WAGONER asked if there are other parochial schools in Anchorage.

MR. McGEE replied there are about 10 parochial schools, but only Anchorage Baptist Temple has an exempt status issue with regard to housing for teachers. "No other teachers of any kind, in Anchorage, have any exempt status on homes," he said.

SENATOR WAGONER asked if the other parochial schools own any homes.

MR. McGEE replied he couldn't answer directly. The Catholic Church owns a number of homes in Anchorage and he thought all were residences of ministers or church officials. He didn't believe that any of those individuals are educators, but his investigation of all religious exempt property is ongoing.

[2:30:33 PM](#)

STEVE VAN SANT, State Assessor, Division of Community Advocacy, Department of Commerce, Community & Economic Development (DCCED), said he would like to make several clarifications. First the bill really doesn't clarify anything because the Alaska Supreme Court has said that educator's homes are not exempt under statute. As currently written the bill would expand the statutes to include residences of educators, but the meaning of that particular term is somewhat unclear, he said.

He advised that he has been polling assessors across the state to get an idea of what this unfunded mandate might cost other taxpayers and he believes it would be about \$200,000 statewide.

[2:32:10 PM](#)

SENATOR GARY STEVENS referenced the section on tax deferral for primary residences on page 2, line 24 and asked whether a surviving spouse would immediately be responsible for paying the deferred property taxes.

MR. VAN SANT responded it's his understanding that under the existing language the surviving spouse wouldn't have to pay the deferred taxes. Subparagraph (C) on line 24 speaks to combined-income. If one spouse were to pass away the survivor would then fall under subparagraph (C) on line 16, which relates to income that is less than three times the federal poverty level.

[2:33:42 PM](#)

SENATOR ELLIS participated via teleconference from Anchorage. He said he would like to hear Mr. Ritchie with the Alaska Municipal League (AML) comment on version F committee substitute.

[2:34:16 PM](#)

KEVIN RITCHIE, Executive Director for the Alaska Municipal League (AML), thanked the committee and Senator Ellis in particular for asking for an additional hearing to provide opportunity for the assessors to report on the impacts. As a policy, he said, AML is against anything that would take revenue away from communities. He noted that the committee heard from assessors around the state today and he couldn't add to that.

[2:35:02 PM](#)

CHAIR STEDMAN asked for a motion.

SENATOR ELLIS stated that the testimony has been completely one-sided in opposition to version F and he has heard no justification in favor of the most recent change. He reported that he had spoken to Tam Cook about the rules governing his participation via teleconference and that she advised that he is allowed full participation with the exception that he is not allowed to vote on a motion to move a bill from committee.

SENATOR ELLIS moved to return to the original version of SB 193.

At-ease from [2:35:40 PM](#) to [2:36:05 PM](#).

CHAIR STEDMAN acknowledged that he hadn't run into this situation before and asked Senator Ellis if his staff could present any verifying information from Tam Cook.

SENATOR ELLIS replied he spoke with Ms. Cook very recently and she advised that he is allowed to participate, to make motions, and to vote telephonically. He is allowed to object to a motion to move a bill from committee, but he is not allowed to vote on moving the bill.

[2:37:19 PM](#)

CHAIR STEDMAN asked Senator Ellis to repeat his motion.

SENATOR ELLIS motioned for the committee to return from the CS to the original version of SB 193.

CHAIR STEDMAN objected and asked for a roll call vote.

SENATOR ELLIS reiterated that justification is lacking in the public record and the testimony in opposition has been overwhelming. Senator Bunde had a great idea, he said, and he and Senator Dyson signed on as co-sponsors. Public testimony is on my side of the argument, he concluded.

The motion to return to the original version of SB 193 failed with Senator Kookesh and Senator Ellis voting yea and Senator Gary Stevens, Senator Wagoner and Chair Stedman voting nay.

CHAIR STEDMAN called an at-ease from [2:38:41 PM](#) to [2:39:15 PM](#).

[2:39:28 PM](#)

MERYL THOMPSON, Wasilla, testified that in its original form the bill was good, but that he is totally against version F CS for SB 193. This is an attempt to give the Anchorage Baptist Temple a tax break and it's a slippery slope and a can of worms that you're opening up. He could find no support for the bill other than a Baptist Temple official and some of the committee members. He said he would imagine that if this received a proper public hearing you would hear overwhelming opposition because it simply isn't right or fair.

[2:41:20 PM](#)

MARIE DARLIN, Capital City Task Force for AARP, announced that AARP did not support Section 1 of version F CS for SB 193, but it did support the original version. The issue of property tax deferral needs to be addressed and AARP appreciates Senator Bunde's leadership in this area.

[2:44:08 PM](#)

SENATOR WAGONER commented that this is the second or third hearing on the bill so he didn't agree that there hadn't been proper public hearings. He acknowledged that the testimony had been negative and he was surprised that people who supported the amendment hadn't come forward to testify. He noted that the next committee of referral is the Finance Committee and Senator Bunde could deal with it there.

[2:45:07 PM](#)

SENATOR KOOKESH clarified that no action was taken on the bill at the last meeting because people testifying from the LIOs and from off net didn't have a copy of the CS. There had been no public hearing on the new CS, but there was plenty of testimony on the original version.

CHAIR STEDMAN agreed with Senator Kookesh's statement, but that the hearing today was thorough and under no time constraint. He asked for a motion.

[2:45:40 PM](#)

SENATOR GARY STEVENS motioned to report version F CS for SB 193 and attached fiscal note(s) from committee with individual recommendations.

SENATOR KOOKESH objected.

SENATOR ELLIS voiced objection and advised that he had tried to keep an open mind and had been looking forward to someone stepping forward to justify the current changes. That didn't happen, which made him uncomfortable moving the bill forward. He announced that he would remove his name as a co-sponsor if the bill continued in its current form.

CHAIR STEDMAN said he appreciated his position.

SENATOR ELLIS said he would restate his previous comment that if this had been the intent of the majority members on the committee then it would have been more respectful and proper for the CRA Committee to introduce a committee bill rather than taking Senator Bunde's bill.

[2:47:14 PM](#)

SENATOR WAGONER acknowledged that it would be a burden to Anchorage taxpayers to make additional properties tax exempt, but he takes a different view because the parochial schools save municipalities and cities in terms of educational expenditures. At last estimate Kenai had between 600 and 800 parochial students and that is a tremendous burden lifted from the taxpayer, he said.

CHAIR STEDMAN restated the point that the changes in the CS fit under the same section of the statutes.

CHAIR STEDMAN asked the clerk to call the roll.

CSSB 193(CRA), version F, moved from committee with Senators Wagoner, Gary Stevens, and Chair Stedman voting yea and Senator Kookesh voting nay.

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At-ease from [2:49:48 PM](#) to [2:51:38 PM](#).

^#SB248

SB 248-ADMINISTRATIVE BOROUGH/BOROUGH GRANTS/

[2:51:40 PM](#)

CHAIR BERT STEDMAN announced SB 248 to be up for consideration.

[2:52:03 PM](#)

SENATOR GARY STEVENS explained that since the first borough was formed in 1962, 15 additional boroughs have been established so that 43 percent of the land and 87 percent of the population in Alaska falls within the 16 boroughs. Meanwhile, he said, 57 percent of the land and 83,000 people live outside of organized boroughs.

An advisory commission on local government was appointed last session and SB 248 is the result of that commission's recommendations. It creates a new class of borough government called administrative boroughs and it encourages borough formation.

Administrative boroughs would provide an elected assembly that would have powers for planning, platting, and land use regulation. They would also have the power to levy sales taxes, use taxes and fees, but they wouldn't have the power to levy

property tax or to provide education. Any other powers the assembly might adopt would have to be in accordance with Title 29. To cover organizational expenses, SB 248 would provide grants of \$250,000 for the first three years. The money would be used to elect an assembly, establish ordinances and organize an administrative office.

The advisory commission recognizes that a lack of available land, which helps to sustain borough government, is a major hindrance to new borough formation. Therefore, SB 248 would allow boroughs that are unable to select a minimum of 15,000 acres the ability to receive a \$15 million grant and boroughs that do have the ability to select 15,000 acres or more could receive a \$12.5 million grant. Grant funds would only be available to new boroughs that are formed within four years of the effective date. Furthermore, only the interest could be used to run the government; none of the principle could be spent.

Forming an administrative borough is completely voluntary, but doing so would offer the opportunity for sustainability into the future.

[2:56:24 PM](#)

MIKE BLACK, Director of the Division of Community Advocacy, Department of Commerce, Community & Economic Development, stated support for the concept embodied in SB 248 because it's in the state's interest to have regional governments. He advised that borough formation is a voluntary process and in recognition of that, SB 248 provides incentives.

The responsibilities associated with this new form of government are minimal, but the department believes that administrative boroughs will provide a first step or bridge to a higher level of responsibility embodied in 2nd class, 1st class or home rule boroughs. The department further believes that the benefits to the state will far outweigh the costs of the financial incentives offered in SB 248. He noted that administrative boroughs would be prohibited from providing education, but they would have limited powers to tax.

The department believes that SB 248 will remove much of the consistent objection to borough formation that has been seen in the past and will promote formation of regional governments, he concluded.

[3:00:30 PM](#)

SENATOR GARY STEVENS asked Mr. Black if he knows of any region that is considering this transitional phase.

MR. BLACK replied more areas have expressed interest in borough formation since the advisory commission began meeting, but he isn't sure what class of borough the various areas are considering.

SENATOR GARY STEVENS remarked movement toward forming any class of borough would be a step in the right direction.

[3:02:53 PM](#)

ALAN LeMASTER, Gakona, testified that he lives in the unorganized borough and is happy to have the Legislature sit as the assembly. He suggested that SB 248 offers a brighter light than has been seen in the past, but residents of the Copper Valley will probably continue to oppose borough formation at this time.

[3:04:45 PM](#)

SENATOR GARY STEVENS reiterated this is voluntary. SB 248 offers an opportunity and no one will be forced to take advantage of it.

MR. LeMASTER responded there is some apprehension that at the end of the four-year period areas would be forced to form a borough. A major problem in this area, he said, is how to support a borough even with the grant money that's offered. He said the idea that the school board would act as the borough commission is a little scary.

SENATOR GARY STEVENS said he certainly couldn't promise that the area wouldn't be forced into becoming a borough at some time. Many areas were forced into boroughs under the Mandatory Borough Act, but SB 248 doesn't deal with that. With regard to the school board he clarified that the responsibilities of the REAAs wouldn't change under SB 248.

[3:07:26 PM](#)

JOHN HOZEY, City Manager for the City of Valdez, testified as a representative of the Alaska Municipal League (AML) task force on borough formation. He explained that the idea for the task force stemmed from community frustration at not gaining headway

in efforts to incorporate. He listed the following communities that have been unsuccessful in their various attempts to incorporate: City of Toksook Bay, City of Hoonah, City of Valdez, City of Wrangell, City of Petersburg, City of Thorne Bay, City of Cordova, Municipality of Anchorage, Denali Borough, City of Coffman Cove, City of Emmonak, City of Skagway, and City of Klawock.

On behalf of the task force he asked that the committee consider an amendment to SB 248 to address the "stranglehold on the process called the model borough boundaries." The amendment would require that each petition to incorporate be reviewed on merit. It would also expand the authority of the Local Boundary Commission (LBC) to modify petitions to act in the state's best interest.

He asked the committee to keep the amendment language in mind for incorporation in other appropriate legislation in the event that SB 248 doesn't move forward.

[3:11:18 PM](#)

SENATOR GARY STEVENS advised that the commission carefully considered the comments and recommendations that came from the task force and as a result there will be an amendment to SB 248.

[3:12:13 PM](#)

DAVE TRANTHAM, Council Member for the City of Bethel, stated that there is little support for SB 248 in his area. Model borough boundaries don't meet the needs of the people in the area and offer no flexibility, he said. As currently proposed 25 small communities in the Bethel area fall within the model borough boundary and the closest state land is off the road system and about 50 miles away. In this area, he said, it's unlikely that there will ever be a tax base to support an additional tier of government.

[3:15:39 PM](#)

SENATOR GARY STEVENS responded one bill can't solve every problem. SB 248 is optional and it will solve problems for some areas and therefore move the state forward. Perhaps, he said, the discussion of the LBC and model boroughs should take place in another bill.

[3:16:45 PM](#)

KEVIN RITCHIE, Executive Director for the Alaska Municipal League (AML), thanked the legislative members of the advisory commission for the important work that was done.

He stated that AML believes that government that is closest to the people is best because it empowers people at the local level to solve problems and provide self-regulation. As the representative of the task force mentioned, there have been a number of changes to the economy and patterns in Alaska since the model borough boundaries were formed in 1989 so it makes sense to take another look at those boundaries. He said his final point is that the provision for the \$12.5 million and \$15 million grants is truly sustainable revenue sharing. If the money is managed to allow a 4-5 percent annual withdrawal it will naturally adjust for inflation. 5 percent of \$15 million would provide \$750,000 per year and that would be a significant base for providing adequate public services for an area.

CHAIR STEDMAN announced he would hold SB 248 in committee. #There being no further business to come before the committee, Chair Stedman adjourned the meeting at [3:21:26 PM](#)