

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**January 24, 2006**  
**9:02 a.m.**

**CALL TO ORDER**

Co-Chair Lyda Green convened the meeting at approximately [9:02:28 AM](#).

**PRESENT**

Senator Lyda Green, Co-Chair  
Senator Gary Wilken, Co-Chair  
Senator Fred Dyson  
Senator Bert Stedman  
Senator Lyman Hoffman  
Senator Donny Olson

**Also Attending:** JASON HOOLEY, Staff to Senator Fred Dyson; PETE FELLMAN, Staff to Representative John Harris

**Attending via Teleconference:** From Anchorage: STEVE VAN SANT, State Assessor, Central Office, Division of Community Advocacy, Department of Commerce, Community and Economic Development

**SUMMARY INFORMATION**

SB 54-PROTECTIVE ORDERS FOR SEXUAL ASSAULT

The Committee heard from the bill's sponsor and reported the bill from Committee.

HB 217-FULL & TRUE VALUE OF TAXABLE MUNI PROP.

The Committee heard from the bill's sponsor and the State Assessor, Department of Commerce, Community and Economic Development. A committee substitute was adopted and the bill was held in Committee.

#sb54

CS FOR SENATE BILL NO. 54(JUD)

"An Act relating to protective orders for crimes involving sexual assault or stalking, to notifications to victims of sexual assault, and to mandatory arrest for crimes involving

violation of protective orders and violation of conditions of release; and amending Rule 65, Alaska Rules of Civil Procedure."

This was the third hearing for this bill in the Senate Finance Committee.

JASON HOOLEY, Staff to Senator Fred Dyson, the bill's sponsor, explained that committee substitute, Version 24-LS0132\B would change two provisions. The first being the addition of the words "and sexual abuse" in the bill's title on page 1 line 2. The second change, which was requested by the Department of Public Safety, was the addition of language pertaining to the entry of protective orders into the State's central registry as specified in Sec. 3 page 2 lines 19 through 24.

Mr. Hooley noted that, rather than imposing new procedures in regards to the central registry, the language in Sec. 3 would simply require protective orders to be entered into the central registry.

In response to a request from Co-Chair Green, Mr. Hooley communicated that the rationale for the inclusion of Sec. 3 is included in the analysis section of the Department of Public Safety's February 16, 2005 fiscal note #4.

Co-Chair Green understood the language to relate to peace officers.

Mr. Hooley clarified that the previous committee substitute, Version 24-LS0132\N, had included a new provision that required protective order information to be entered into the registry. The Department of Public Safety suggested that instead of adding a new provision, the language be inserted into an existing Statute to which regulations and procedures regarding such things as domestic violence orders already exist.

9:06:12 AM

Co-Chair Green communicated that the changes included in Version "B" were recommended by the bill's drafter rather than by the Committee.

Co-Chair Wilken moved to adopt committee substitute, Version "B" as the working document.

There being no objection, the Version "B" committee substitute was ADOPTED.

In order to correct recent criticism regarding his position on protective orders, Senator Stedman stated that current protective orders statutes "don't have enough teeth" in them. This is substantiated by the fact that in one recent case, a woman was found dead hours after "a particular person" was released from incarceration. Furthermore, two women with protective orders have died in his Senate district in the past three years. This issue must be addressed. He has worked with both Senator Dyson and Senator Gretchen Guess on this issue.

9:07:45 AM

Senator Stedman stated that he takes "personal offense" to being mischaracterized as someone who "feels that the State's restrictive restraining orders are too restrictive. It is actually just the opposite." He would appreciate his position on this issue to be clarified with the public.

[9:09:01 AM](#)

Senator Dyson stressed that it would be "naïve" for someone to assume that a protective order would insure the safety of the person. "It does not unfortunately." While a protective order would provide another legal tool for arrest in the case of contempt of the order, it would not prevent "the perpetrator from showing up at their door or confronting them in a parking lot." A victim should not interpret a protective order as meaning that they would be safe. However, a victim should have the right to be notified, "in real time, before the conditions of restraint of the alleged perpetrator are changed." While this notification has been statutorily required, sometimes that notification "breaks down in execution."

Senator Dyson stated that Senator Stedman has raised a valid point. While a protective order is a tool that would allow law enforcement to act, "the order in and of itself does nothing in real world, real time to protect the victim from physical violence and/or harassment."

Co-Chair Green observed that several zero fiscal notes accompany the bill. An updated sponsor statement had also been provided.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, CS SB 54(FIN) was REPORTED from Committee with six new fiscal notes: a Department of Corrections zero fiscal

note dated January 17, 2006; a zero fiscal note dated January 18, 2006 from the Office of Public Advocacy, Department of Administration; a zero fiscal note dated January 17, 2006 from the Public Defenders Agency, Department of Administration; a \$4,200 fiscal note dated January 24, 2006 from the Criminal Records and ID Division, Department of Public Safety, a \$10,000 fiscal note dated January 24, 2006 from the Alaska State Troopers, Department of Public Safety; and a zero fiscal note dated January 25, 2006 from the Department of Law

Senator Dyson thanked the Committee, his staff, and the Department of Public Safety for their efforts in developing this bill.

[9:11:59 AM](#)

#hb217

HOUSE BILL NO. 217(title am)

"An Act relating to the determination of full and true value of taxable municipal property for purposes of providing planning assistance to the Department of Education and Early Development and the legislature, calculating funding for education, calculating school district participating shares for school construction grants, and calculating tax resource equalization payments and excluding from that determination the value of property in certain areas detached from a municipality and the value of certain property involved with oil and gas that is not taxed by a municipality."

This was the second hearing for this bill in the Senate Finance Committee.

Co-Chair Green noted that the bill had been held in Committee in order to continue discussion and receive additional information regarding concerns that had been raised.

PETE FELLMAN, Staff to Representative John Harris, the bill's sponsor, explained that additional testimony pertinent to the discussion could be presented by Eddy Jeans, Department of Education and Early Development, Steve Van Sant, State Assessor, and Dan Bockhorst, both with the Department of Commerce, Community and Economic Development.

Co-Chair Green asked for confirmation that Mr. Bockhorst was with the Local Boundary Commission, Department of Commerce, Community and Economic Development.

Mr. Fellman affirmed.

Mr. Fellman stated that this bill would provide "a choice to communities" that are considering forming a borough. "That choice being that, were there a pipeline or gas property in the proposed borough boundaries, their value could be excluded from the overall value of the proposed borough. This would enable proposed boroughs to find other ways to fund a borough that doesn't include property tax." Such alternate taxation methods could include utility and fuel taxes.

Mr. Fellman noted that the State's Assessor, Steve Van Sant, has developed and would be explaining two handouts: "Explanation of 4 mill Equivalency (Local Contribution for Education) For the Proposed Deltana Borough" and "The Full Value Determination" [copies on file].

[9:14:26 AM](#)

STEVE VAN SANT, State Assessor, Central Office, Division of Community Advocacy, Department of Commerce, Community and Economic Development testified via teleconference from Anchorage and explained that the Department utilizes Full Value Determination (FVD) to compare the wealth of different municipalities based on the community's property tax.

Mr. Van Sant exemplified some of the tax methods and tax exemptions that different boroughs have incorporated. Of the 16 boroughs in the State, twelve levy property taxes. The Fairbanks North Star Borough does not levy a personal property tax, however the Municipality of Anchorage does. Fairbanks has exempted the first \$20,000 of residential property, and Anchorage has recently allowed that exemption. The Mat-Su Borough exempts up to \$250,000 of business inventory as well as all business equipment; however, Anchorage does not.

Mr. Van Sant continued that, in order to compare boroughs as "apples to apples and not apples to oranges", a formula, referred to as the "Full Value Determination" has been developed.

Mr. Van Sant explained that the FVD formula utilizes "the total value of a municipality that could be taxed should they decide to levy a property tax". Once that value is determined, the boroughs could be compared. The FVD for each municipality is based "on the full value of all the taxable property within their boundaries". That value is utilized by the Department of Education and Early Development to calculate the municipality's "4-mill equivalency" education contribution.

Mr. Van Sant referred to the handout titled "Explanation of 4 mill Equivalency (Local Contribution for Education) For the Proposed Deltana Borough". The top portion of that handout defines a mill as being "one-one-thousandth of a dollar." Therefore, the minimum local contribution for a \$1,000 property value would be four dollars. The minimum local contribution for a \$100,000,000 property value would be \$400,000.

Mr. Van Sant continued that, as reflected on the lower portion of that handout, the estimated valuation of the proposed Deltana Borough would be \$182,078,000. This area also includes the Pogo Mine, which was valued at \$125,000,000 in 2005. He noted that that value would be expected to double when mine construction is completed in the near future. In addition, the area includes \$194,500,000 in oil and gas property.

Mr. Van Sant pointed out that the "Explanation of 4 mill Equivalency (Local Contribution for Education) For the Proposed Deltana Borough" handout also depicts how the Mandatory Education Contribution (MEC) would be calculated for the proposed Borough. Based on the Borough's \$182,078,000 estimated valuation, the minimum MEC local contribution would be \$728,312. The minimum MEC for the Pogo Mine would be \$500,000. Those two numbers would equate to a minimum MEC obligation of approximately \$1,200,000.

Mr. Van Sant continued that were the oil and gas properties included within its boundaries, the Borough would be required to contribute an additional \$778,000 MEC. It should be noted that the MEC required of the borough on the value of the gas and oil properties within its boundaries would reduce the amount of money the State would receive under its ability to collect 20 mills on the value of oil and gas properties. In other words, were the oil and gas properties excluded from the borough, the revenue the State would collect from the 20 mills on the value of those properties would amount to \$3,900,000. Otherwise, the State's revenue would be lowered to approximately \$3,222,000.

Mr. Van Sant stated that even were the borough to exempt the oil and gas entities from its local property taxes, the borough would be required to replace the \$778,000 MEC through other taxation means. "That's difficult to do if you're talking about a sales tax or utility tax, or whatever it might be. It just doesn't make a whole lot of sense when we talking about what we call 'centrally assessed property'. That's property assessed by the State of Alaska and in this case the State is already getting tax dollars off of it." Therefore, were the oil and gas properties excluded from the Borough's FVD and were no Borough property taxes levied, "this

Legislation is a wash: they don't have to include it in their full value, they don't have to come up with the money, and they're not going to be taking any out of the State's pockets."

Mr. Van Sant continued that were the oil and gas properties included in the Deltana FVD, the total minimum MEC would amount to \$2,000,000. Absent the oil and gas properties, the minimum local MEA would be \$1,200,000.

[9:20:00 AM](#)

Co-Chair Wilken stated that in a recent discussion about the bill, a question arose in regards to borough and first class cities that do not have property taxes. He referred to language in Mr. Van Sant's "The Full Value Determination" handout that states "the full value 'equalizes' the values in all municipalities by measuring the local 'wealth' using the total taxable value as the measuring stick." The Fairbanks North Star Borough has developed a market value system through which to measure the borough's valuation increase or decrease. Thus the Borough's 4-mill obligation calculation could be automatically increased or decreased each year. However, there is no "mechanism in place" through which the Legislature could annually revisit the valuations of the four boroughs that do not levy property taxes. To that point, he suggested that consideration be given to incorporating a measuring mechanism in this legislation.

[9:21:39 AM](#)

Co-Chair Wilken referred to a handout developed by his office titled "Required Local Contribution for Schools Residents of Four Boroughs Elected Alternate Method of Payment - Not by Property Tax". The four communities include the Aleutian East Borough, the Lake & Peninsula Borough, the Denali Borough, and the Northwest Arctic Borough. The handout depicts the 4-mill MEC requirement of those communities' FVD from 1995 through 2006. This handout was accompanied by another handout titled "Required Local Contribution for Schools Residents of Six First Class Cities Elected Alternate Method of Payment - Not by Property Tax". That handout depicted the MEC based on the FVD of Galena, Kake, Hoonah, St. Mary's, Hydaburg, and Tanana. Since the assessed values of many of six first class cities have remained flat over the time period of FY 95 through FY 06, this might be the time to incorporate a system through which to review the FVD of those communities "that have chosen not to have a property tax and ask that the State Assessor go and visit those areas." He noted that Mr. Van Sant had visited the community of Delta in his effort to determine their FVD, their MEC, and "their contribution to government". To that point, he asked Mr. Van Sant

his opinion on this suggestion.

[9:22:49 AM](#)

Mr. Van Sant voiced support for the suggestion; however, he noted that due to the fact that he is the sole staffer in the State Assessor's Office, "It is difficult to get around in the State".

Mr. Van Sant continued that he is currently endeavoring to develop a model through which to determine the FVD of the Lake & Peninsula Borough. "It's just impossible for one person to get around in the State" in addition to having to provide education and training to the different boroughs and conducting FVDs on cities and boroughs. To that point, he shared that a recent request for an additional staff position had been denied.

Mr. Van Sant stated that the Assessors Office must conduct FVDs on 95 cities and boroughs, and "luckily" many, such as the Fairbanks North Star Borough, have their own assessors who conduct the majority of the FVD effort.

[9:24:14 AM](#)

Mr. Van Sant noted however, that other areas, such as the Lake & Peninsula Borough, are difficult to get to on a regular basis. The lack of funding for his Office would be an obstacle.

Co-Chair Wilken asked for an estimate of the number of hours required to develop the Deltana FVD.

Mr. Van Sant responded that, in addition to an untold number of office hours, the effort required "800 man hours in the field".

[9:24:53 AM](#)

Co-Chair Wilken understood therefore that the effort required "between one-third and one-half of a man year".

Mr. Van Sant affirmed. He reminded that the Deltana FVD started "from scratch." This would be the case with numerous others.

[9:25:21 AM](#)

Co-Chair Wilken opined that one of the most interesting pieces of information that Legislators are provided each year is the "Alaska Taxable" book [copy not provided]. That book provides the basic information "about how this State runs their government and the way different areas have chosen through our eleven different ways of

organizing to fund different governments". The creative manners through which this State of 640,000 people has addressed its local needs are "fascinating".

[9:25:47 AM](#)

Co-Chair Wilken shared being fascinated by Mr. Van Sant's work. While the work is difficult to address, the information that has been developed is good and reliable. To that point, he stated that the "potshot" efforts that have been directed at Mr. Van Sant's work "have come up unsuccessful".

Co-Chair Wilken noted that while this is a good bill, this might be "an opportune time" to "up the profile of how we ascertain the values so that all of Alaskans are paying their fair share towards education". Therefore, he requested that the bill be held in Committee in order for this "important discussion" to occur. The determination could be that staff should be added to the Assessor's Office.

[9:26:54 AM](#)

Co-Chair Green commented that, in that case, the fiscal notes would require revision. Further discussion with the bill's sponsor, Mr. Van Sant, the Department of Education and Early Development, and others should transpire.

[9:27:31 AM](#)

Co-Chair Wilken asked Mr. Van Sant to assist the Committee in the development of an appropriate fiscal note. Were it deemed acceptable, it would be formalized.

[9:27:50 AM](#)

Mr. Van Sant affirmed that he would work on that.

With Co-Chair Green's concurrence, Co-Chair Wilken offered to work with Mr. Van Sant and others in developing a committee substitute to address the issue at hand. In anticipation of developing a committee substitute that would be acceptable to the Committee, he asked Mr. Van Sant to work on developing a mechanism through which to determine the FVD on communities throughout the State.

Mr. Van Sant agreed.

[9:28:34 AM](#)

Senator Stedman noted that of the six first class cities identified in Co-Chair Wilken's handout, the small village of Hydaburg might cease to exist in the future due to a decrease in population and there being no economic base. He noted that Kake's population has dropped by one third.

Co-Chair Green observed that that would "change the landscape".

Senator Stedman noted that the community of Kake is over 1000 years old.

[9:30:02 AM](#)

Co-Chair Green asked Mr. Fellman whether the substance of Co-Chair Wilken's comments had previously been considered.

Mr. Fellman replied in the negative.

Co-Chair Green stated that in order to address the concerns that have been raised, further work would be conducted on the bill.

[9:30:33 AM](#)

Senator Olson asked the number of boroughs that have exempted all or a significant portion of their property taxes. He understood that Fairbanks had no personal property tax.

[9:31:17 AM](#)

Mr. Van Sant affirmed that neither Fairbanks nor Valdez levy a personal property tax. The City of Valdez does however levy a tanker tax.

Senator Olson asked for further clarification regarding the exemption of the first \$20,000 of residential property taxes.

Mr. Van Sant communicated that AS 29.45.050 contains a list of optional exemptions allowed to municipalities. One of those would allow a municipality to exempt up to \$20,000 of residential property. The communities of Fairbanks, the City of Valdez, the North Slope, Borough, the Municipality of Anchorage, the Bristol Bay Borough, and the Kenai Borough have allowed this exemption.

[9:32:23 AM](#)

Senator Olson, noting the lack of calls in regards to this bill, specifically asked the sponsor about the "local input" from the communities of Delta and Greely.

[9:32:44 AM](#)

Mr. Fellman responded that this issue has been underway for approximately two years. There has been a lot of discussion. Delta Junction is a community that is fairly split on the issue of forming a borough. However, this legislation "is really an issue of choice"; it would not "force or mandate" that a borough exclude gas and oil properties "from a proposed borough funding mechanism". Therefore, people are against the formation of a borough "don't really care." People who support the formation of a borough have weighed in favor of the bill.

[9:33:58 AM](#)

Senator Olson asked whether the community might be equally split on the issue.

[9:34:06 AM](#)

Mr. Fellman communicated that it would be approximately a 50/50 split even though the community of Delta has changed quite a bit in last few years due to the development of the anti-ballistic missile site.

[9:34:35 AM](#)

Co-Chair Wilken clarified for the record that while the Fairbanks North Star Borough does not have personal property tax, it does have a real property tax. The City has opted to exempt up to \$20,000 off real property taxes.

Co-Chair Green ordered the bill HELD in Committee.

#

**ADJOURNMENT**

Co-Chair Lyda Green adjourned the meeting at [9:35:17 AM](#)