

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 5, 2008

3:34 p.m.

MEMBERS PRESENT

Senator Donald Olson, Chair
Senator Albert Kookesh, Vice Chair
Senator Gary Stevens
Senator Joe Thomas
Senator Thomas Wagoner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 182

"An Act establishing a clean elections program in the state."

HEARD AND HELD

SENATE BILL NO. 122

"An Act relating to an optional exemption from municipal property taxes for residential property."

MOVED SB 122 OUT OF COMMITTEE

SENATE BILL NO. 204

"An Act relating to an optional exemption from municipal property taxes for residences of widows and widowers of certain members of the armed forces of the United States; and providing for an effective date."

SCHEDULED BUT NOT HEARD

SENATE BILL NO. 235

"An Act relating to shipping, sending, transporting, or bringing alcohol to a local option area and providing alcohol to others in the local option area, including penalties for violations; relating to furnishing alcohol to a minor and to civil penalties for licensees whose agents or employees furnish alcohol to a minor; relating to manslaughter as a direct result of ingestion of alcoholic beverages brought in violation of a local option prohibition; relating to reports of the court concerning certain

alcohol violations by minors; making conforming amendments; and providing for an effective date."

SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 182

SHORT TITLE: CLEAN ELECTIONS

SPONSOR(S): SENATOR(S) WIELECHOWSKI

05/15/07	(S)	READ THE FIRST TIME - REFERRALS
05/15/07	(S)	CRA, STA, JUD, FIN
01/31/08	(S)	CRA AT 3:30 PM BELTZ 211
01/31/08	(S)	-- MEETING CANCELED --
02/05/08	(S)	CRA AT 3:30 PM BELTZ 211

BILL: SB 122

SHORT TITLE: MUNICIPAL PROPERTY TAX EXEMPTION

SPONSOR(S): SENATOR(S) THOMAS

03/16/07	(S)	READ THE FIRST TIME - REFERRALS
03/16/07	(S)	CRA, FIN
04/19/07	(S)	CRA AT 3:30 PM BELTZ 211
04/19/07	(S)	Heard & Held
04/19/07	(S)	MINUTE(CRA)
02/05/08	(S)	CRA AT 3:30 PM BELTZ 211

WITNESS REGISTER

SENATOR BILL WIELECHOWSKI
Alaska State Legislature
Juneau AK

POSITION STATEMENT: Presented SB 182.

ERIC EHST, Executive Director
Clean Elections Institute
Phoenix AZ

POSITION STATEMENT: Spoke in favor of SB 182 and the success of "clean elections" in Arizona.

TIM JUNE, Chair
Alaskans for Clean Elections
Haines AK

POSITION STATEMENT: Spoke in favor of SB 182 and answered questions about a ballot initiative with similar language.

BROOK MILES, Executive Director
Alaska Public Offices Commission (APOC)
Anchorage AK

POSITION STATEMENT: Presented the estimated costs of SB 182.

PAT LUBY, Advocacy Director
AARP-Alaska
Juneau AK

POSITION STATEMENT: Spoke in favor of SB 182.

STEVE CLEARY, Executive Director
Alaska Public Interest Research Group (AKPIRG)
Anchorage AK

POSITION STATEMENT: Spoke in favor of SB 182.

MICHELLE SYDEMAN, Staff
to Senator Wielechowski
Alaska State Legislature

POSITION STATEMENT: Answered a question regarding SB 182.

GRIER HOPKINS, Staff
to Senator Thomas
Alaska State Legislature

POSITION STATEMENT: Presented SB 122.

JENNIFER YUHAS, Special Assistant
Fairbanks North Star Borough
Fairbanks AK

POSITION STATEMENT: Spoke in support of SB 122.

STEVE VAN SANT, ASSESSOR
Department of Commerce, Community & Economic Development
Anchorage AK

POSITION STATEMENT: Answered questions regarding SB 122.

MARTY MCGEE, Assessor
Municipality of Anchorage
Anchorage AK

POSITION STATEMENT: Spoke in support of SB 122.

LISA VON BARGEN
City of Valdez
Valdez AK

POSITION STATEMENT: Said that Valdez does not yet have a position on SB 122.

ACTION NARRATIVE

CHAIR DONALD OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at [3:34:01 PM](#). Senators Olson, Kookesh, and Wagoner were present at the call to order. Senators Stevens and Thomas arrived later.

SB 182-CLEAN ELECTIONS

CHAIR OLSON announced the consideration of SB 182.

[3:34:43 PM](#)

SENATOR WIELECHOWSKI said a group was pursuing a ballot initiative on this subject. The initiative was initially rejected by the Lieutenant Governor because he said it had two topics, and only one is allowed. An Alaskan cartoon spoofed that there indeed were two topics: clean and elections. He said SB 182 provides for public funding of elections. He referred to candidates for state office who demonstrate a strong base of support and agree to forego most private funding. He said the most important thing is that a person can still privately fundraise. "You have the option of forgoing private fundraising in exchange for public financing." To show the strong base of public support a candidate must get a specific number of \$5.00 qualifying contributions from registered voters in his or her district. For the State House a person needs \$200, for the State Senate it is \$400, and for the governor's race a person needs \$3,000 in qualifying contributions. The one exception to the private fundraising rule is that candidates are allowed to raise a limited amount of seed money to aid in the collection of qualifying contributions. The bill provides for \$1,000 for a house seat, \$2,000 for a senate seat, and \$20,000 for the governor race. Any one contribution cannot exceed \$100. The amounts are based on what it takes to run a campaign in Alaska.

[3:36:54 PM](#)

SENATOR WIELECHOWSKI said a goal of clean elections is to slow down the escalating campaign costs. Primary candidates would receive \$16,000 for the house, \$24,000 for the senate, and the gubernatorial candidates would receive \$250,000. For the general elections, candidates will receive \$24,000 for the house, \$36,000 for the senate, and \$500,000 for the governor's race. If a "clean elections" candidate is outspent by an opponent, he or she receives up to three times that limit to match the opponent's expenditures. The provision provides an incentive for all candidates to participate in the system. He added that political parties can give an extra 10 percent to their

candidates. Candidates without a recognized party receive 70 percent of the limit, while minor party candidates receive full funding. An unopposed candidate will only receive 25 percent of the funding limits. Other states have adopted a similar system. Maine and Arizona use it statewide, "and they've had quite an experience with it."

[3:38:41 PM](#)

SENATOR WIELECHOWSKI said Arizona and Maine have gone through four election cycles, and voters and candidates like the clean elections system - including 80 percent of the public. In Maine, more candidates opt for the system every year. In 2002, 62 percent used it, and in 2006, 81 percent of all candidates used it. More people are voting in Arizona since implementing clean elections. Voter turnout has increased by 34 percent in non-presidential years. The number of campaign contributors has skyrocketed in Arizona -- three times more people have given to gubernatorial races. It opens it up to lower income people to contribute. It is nonpartisan. Arizona elected 22 publicly-funded Republicans and 17 publicly-funded Democrats in 2002, and, in 2006, it was 34 Republicans and 50 Democrats.

[3:40:25 PM](#)

SENATOR WIELECHOWSKI said Arizona has the first publicly-funded governor now. Nine of the eleven public offices are filled with publicly-funded candidates. The concept is to reduce the influence of large donors and increase the influence of voters. It will force a candidate to be out with the voters, as opposed to spending time fundraising. A recent poll showed that 70 percent of Alaskans favored the idea. In 2006, more than \$17 million was spent on campaigns for Alaska state offices. The cost of clean elections depends on the number of candidates. The Supreme Court requires that participation must be voluntary. The fiscal note decreases as more people participate in clean elections because if the "non-clean" candidates raise more money, the others get more public money. He has requested a fiscal note from the Administration for "months and months" and hopes to have one soon.

[3:43:04 PM](#)

SENATOR WIELECHOWSKI said he estimates that it will cost about \$5 million. There is also a citizen's initiative by Alaskans for Clean Elections, and it has collected more than 32,000 signatures. It will likely appear on the August primary ballot. The Division of Elections has to verify the signatures. He gave a quote from Bill Moyers: "People who have more money should be free to buy more cars, more homes, more vacations, and more

gizmos than the rest of us. They should not be able to buy more democracy." That is the goal behind the bill. Every citizen should be able to have an active role in selecting their next legislator. Statistics show that 90 percent of the time the candidate with the most money wins. SB 182 will level the playing field.

[3:44:28 PM](#)

SENATOR WIELECHOWSKI said this is an educational process. It will likely be on the ballot, so if the legislature wants to discuss it and add amendments, this is the time. If it were to pass in August it will be enacted in 2010. He said changes can be made to the legislation so that it fits well in Alaska.

[3:45:42 PM](#)

CHAIR OLSON asked the last time a state implemented this.

SENATOR WIELECHOWSKI said Maine and Arizona passed it about eight years ago. Other states, including New Jersey, Massachusetts, and Connecticut, just recently passed it. Voters typically do it through the initiative process. Connecticut is the first state to do it legislatively.

[3:46:46 PM](#)

SENATOR WAGONER asked about Maine's former restrictions on donations from PACS [Political Action Committees] and corporations. "We've got pretty stringent requirements of what people have to report and also what you can receive from different people and also what you can receive from out of state."

SENATOR WIELECHOWSKI said he will look into it. Someone from Arizona is on line.

ERIC EHST, Executive Director, Clean Elections Institute, Arizona, said the institute is the successor organization to the committee that created Arizona's Clean Elections Act of 1988. Since the 1980s Arizona had limits on contributions from individuals and PACs. They are fairly low, and they were not really changed by the act. The limits exist along with clean elections. In 2008, an individual or PAC can give no more than \$390 to a state legislative candidate. A "super" PAC can give more. Corporations can not give to any candidate race.

[3:49:19 PM](#)

SENATOR STEVENS asked how much was spent in Alaska's last election. People he knows run and spend up to \$100,000 for a

senate seat. Without counting the gubernatorial race, "I would guess we're currently spending a lot more than \$5 million. Can you clarify that?"

[3:50:15 PM](#)

SENATOR WIELECHOWSKI said he estimated that about \$17 million was spent on state elections. "The money that we give is limited," but there isn't a fiscal note yet. He is estimating \$5 million or more. It will depend on how many people participate, and it will be more in gubernatorial years. He expects it to decrease over the years.

SENATOR STEVENS said he is blessed by living in a rural area because he can't purchase television ads if he wanted to. Urban candidates would need more than \$40,000 to run a campaign.

[3:51:45 PM](#)

SENATOR WIELECHOWSKI said one of the goals is to keep costs in check. Candidates should go door to door rather than buy ads. He spent \$147,000 when he ran for his seat. Urban candidates do spend more because of television access. That is what the clean elections system is trying to get away from: the candidate who buys 30-second sound bites. It is hard to get a good grasp of what he or she stands for. It is better to have one-on-one contact like town hall meetings. It will change the way that candidates run, and that is one of the goals of SB 182.

[3:52:39 PM](#)

SENATOR STEVENS said he spent less than his opponent in his first election and won. It would be interesting to know if the person who spends the most money usually wins.

SENATOR WIELECHOWSKI said his statistics are from California where 90 percent of the people who raise the most money win. It is usually the incumbent, who has a fundraising advantage. Four years ago every incumbent that ran in Alaska won. Two years ago about 90 percent won. "If you add more money to the system it helps incumbents, if you take more money out of the system it probably helps incumbents as well." An incumbent can raise any money that is out there more easily, and if there is less money out there, an incumbent has the advantage of the name recognition. Either way is a wash. In Maine and Arizona it has not had the effect of "wiping incumbents out." It simply reduces the mass amount of money spent on elections.

[3:55:08 PM](#)

SENATOR WAGONER said he is from a rural district. In his last primary he raised under \$25,000, and his opponent put \$140,000 into his campaign account. What will the state pay in that case?

SENATOR WIELECHOWSKI said, "If you were a clean elections candidate and your opponent was not ... you would, as a state senator in the general election, be eligible for \$36,000. If your opponent raised more than that, you would get a match up to three times that amount." That is what the state would pay.

3:56:33 PM

SENATOR WAGONER said he is talking about the primary, so it would only be up to three times the primary amount.

SENATOR WIELECHOWSKI said the primary allows for three times \$24,000, or \$72,000.

SENATOR WAGONER said his opponent could continue to raise money. He said to be careful because that does concerns him. He is also concerned about using public money to pay for elections.

3:57:31 PM

SENATOR KOOKESH asked if the initiative process requires a fiscal note.

SENATOR WIELECHOWSKI said the state is preparing one.

SENATOR KOOKESH said under the Frank initiative, the cost is required, so "people would be maybe reluctant to give that kind of money to elect me to be a senator if they knew that it was going to cost the state that much money." He wants to know the costs of the commission and the administrator, as well.

SENATOR WIELECHOWSKI said that is factored in.

3:59:02 PM

TIM JUNE, Chair, Alaskans for Clean Elections, Haines, said when the petition was submitted, the lieutenant governor's office prepared a fiscal note that was attached to all of the petition books. That cost estimate was between \$5 million and \$10 million. His group's estimate is from \$3 to \$5 million. The lieutenant governor's office was calling for two or three full-time and eight part-time employees, which is \$460,000 per year.

4:00:29 PM

BROOK MILES, Executive Director, Alaska Public Offices Commission (APOC), said she will provide a fiscal note.

The committee took a brief at-ease at [4:01:16 PM](#).

[4:01:47 PM](#)

MS. MILES said there will be one high-level accountant overseeing two other accountants. There will be two compliance officers and one administrative assistant. The commission would certify that candidates qualify, and it will disseminate the money. The commission has no experience in giving out money. She said the commission has worked hard on this and will continue to follow it and report estimated costs.

CHAIR OLSON asked how long her office has had to review the numbers that she is presenting.

MS. MILES said, "These numbers are based on the same numbers that we were asked to provide through the petition process - the Office of Budget and Management asked our agency to prepare costs along these lines, so that was back in the late summer." There were some communication breakdowns in preparing this particular fiscal note, but it is not just a last minute guess.

CHAIR OLSON said he is asking about its accuracy.

[4:03:45 PM](#)

MS. MILES said she is sure it reflects those personnel costs.

SENATOR KOOKESH said the fiscal note only covers administration, and he asked about the costs for the candidates.

MS MILES said, "This is just APOC's administration of it." She doesn't know who is responsible for preparing the fiscal note. When trying to determine how much it would cost in a gubernatorial election if every single candidate qualified for the funding, the estimate came to \$10 to \$12 million.

[4:04:51 PM](#)

SENATOR STEVENS asked how much money was spent in 2000.

MS. MILES said she will get back to the committee.

[4:06:02 PM](#)

SENATOR WIELECHOWSKI said the fiscal note doesn't include the cost of elections, and Ms. Miles said \$10-\$12 million. He doesn't think it is that high -- probably \$3-\$12 million.

SENATOR WAGONER said that is quite a range. He wants staff to form estimates based on the initiative.

4:07:07 PM

MR. JUNE said he will work with Chair Olson's staff.

MR. EHST said the information was covered well. There were two purposes to Arizona's clean election system. One was to allow more candidates to run by leveling the playing field between those with money and those without. That was a success; the number of candidates is up by 20 percent, and there are no uncontested statewide races anymore. The other purpose was to reduce the influence of special interests. That is harder to quantify, but a number of legislators "will be happy to tell you that now when the lobbyists come into their office they can listen to the merits of the argument and not worry about whether they are raising the money or not." Some lobbyists say they are happy not to have to raise money for candidates.

MR. EHST said the expense had been a concern, but in the 2006 elections, clean elections cost about \$1.50 per resident or \$9.5 million. The system's constitutionality was questioned, but it won many court cases because it actually increases freedom of speech "because when somebody attacks a clean-elections candidate, they get money to respond to the attack." It has been called the incumbent-protection act, but the number of incumbents has declined somewhat. All statewide seats are contested now, which wasn't true before. The races are a lot closer than they used to be. The system allows credible candidates from a minority party to "run a credible campaign and be available in case the majority party candidate turns out to have a fatal flaw." That has happened, he said. People said it was going to be free money for candidates, but it is not easy collecting those \$5.00 contributions. A number of incumbents have not been able to qualify for the program. A nephew of Barry Goldwater ran for governor, and he barely qualified for the program at the last minute.

4:11:35 PM

MR. EHST said the system is set up so that all finance reports are reviewed by the commission. There are random audits. If anyone violates the system, there are hefty fines that come from the candidate's personal money. The Alaska bill is similar. People are afraid to violate it. One legislator was removed from office for going over 10 percent of the spending limit. One obvious case of abuse involved three 20-something libertarian candidates who all qualified, and they spent most of the money

in nightclubs. They were caught and had to pay back the money and pay fines. One is still a fugitive from justice.

MR. EHST said there was a concern that the system would increase the power of independent expenditure "527" committees. Candidates unable to raise enough money to run their own campaigns would allow these committees to come in and take over everything, but that hasn't happened. "In actuality, the clean-elections system does give participating candidates matching funds to respond to attacks on them that are made by independent expenditure committees." It levels the playing field.

[4:13:21 PM](#)

MR. EHST said the system works amazingly well and is popular - polls show that 83 percent support it. A number of elected legislators in Arizona would never have been able to run.

[4:14:12 PM](#)

TIM JUNE, Chair, Alaskans for Clean Elections, Haines, said his group of Alaskans obtained over 33,000 signatures for an initiative. He expects it to appear on the 2008 ballot. He listed the number of verified signatures from several senate districts. "It is abundantly clear that tens of thousands of Alaskans from every district and from every political persuasion want to afford the people of Alaska the opportunity to vote on this voluntary and alternative system of campaign financing." There may be concerns about the cost, which will be variable. He estimates it to cost between \$3 and \$6 million per year. The lieutenant governor estimated between \$6 and \$11 million. It will take a few election cycles to come into its own, but the higher the candidate participation, the lower the cost to the state. As more candidates participate -- Maine has about 83 percent clean-election candidates -- the less matching is needed.

[4:17:32 PM](#)

MR. JUNE said the total state operating budget is over \$10 billion per year. Legislators are money managers for Alaskans, and if these elected officials can make financial decisions based on merit without considering obligations to wealthy campaign donors and lobbyists, spending \$10 million "is a very worthwhile expense." It is one tenth of one percent of the capital operating budget. A private money manager charges much more. If there had been clean-election legislators voting on Alaska's 2006 petroleum tax, it is very likely that a higher tax rate would have prevailed, increasing state revenues by at least \$2 billion per year. "Just one year's revenue on one vote on one

bill could have paid for every clean-election candidate campaign for every legislative seat and every statewide office for the next 200 years." The current campaign financing system sometimes allows and encourages millions to be spent on special interest projects that directly benefit a campaign donor - not unlike the ongoing investigation of Congressman Don Young's \$10 million appropriation to a road in Florida. Clean elections eliminate this unproductive relationship between elected officials and special interest donors. The clean elections initiative was drafted well before the indictments of Alaska legislators in March 2007. Alaska needs to make significant changes because the briberies and corruption was not discovered by APOC, Alaska's attorney general, the state troopers, or the ethics committee; it was uncovered by the FBI and the federal Department of Justice. Alaskans need to protect its democratic system, and clean elections is the positive step.

[4:20:26 PM](#)

SENATOR STEVENS said he may take advantage of clean elections if this were to pass. He asked if Mr. June said there would have been a higher tax on oil if there had been clean elections.

MR. JUNE suggested that with an unencumbered legislature, a different tax would have prevailed - without getting into the specifics of "influence versus those that have been convicted of bribery." Most votes that a legislator makes have a fiscal cost, and the states with clean elections unencumber legislators from donor and lobbyist influence. An Arizona republican legislator extols the virtues of being able to show a lobbyist to the door with no repercussions; he's responsible to his constituents. Clean elections allows all legislators to act more responsibly and in the best interest of Alaskans.

[4:22:26 PM](#)

SENATOR WAGONER said if this bill passes, it won't make him think all legislators are going to be honest. It is up to the electorate to elect honest legislators. This will not stop an unethical legislator from promoting legislation for personal benefit. That idea should be taken off the table. This is more about giving an equal footing to candidates. "I can buy that argument."

[4:23:59 PM](#)

MR. JUNE said he completely agrees that clean elections will not stop bribery or some of the acts recently witnessed. But it gets to the relationship between large campaign contributors and office holders. He said he has run for office, and he is

familiar with the difficulties fundraising and the implied obligations that some of that fundraising allows. It won't stop bribery but it breaks that politician/large donor relationship from the beginning. That relationship won't start during the campaign, a relationship that may imply an open door once someone is elected. A candidate with personal wealth cannot be blocked from spending his or her own money. There is no constitutional way to do that.

[4:25:59 PM](#)

MR. JUNE looked at the house and senate races of 2004 and 2006, which averaged about \$53,000 across the state. He noted the Anchorage races that use television ads and spend \$60,000 just on a media campaign, and he tried to create a balance. He didn't want to overspend public money, but he wanted to make clean-election candidates competitive. The program will not guarantee there won't be candidates that will outspend an opponent with his or her own money, but it will guarantee others an opportunity to put their foot forward and let the public learn who they are.

CHAIR OLSON asked if SB 182 restricts personal spending.

SENATOR WIELECHOWSKI said a person can't put any of their own money in, same as the initiative.

[4:27:24 PM](#)

PAT LUBY, Advocacy Director, AARP-Alaska, said AARP doesn't contribute to any candidates, but AARP encourages its members to get involved and be informed. He said he called his colleagues in Maine, Arizona, and New Jersey to find out how the clean election system is working out. In places with clean elections more people voted and more got involved - even people who just gave \$5.00 to a candidate began to pay more attention to what that candidate and his or her opponent had to say. AARP endorses that. "We think more and more citizens should get more and more involved in our political process." He thinks many constituents would be delighted with less television ads during elections. SB 182 is a good idea. More people will become involved, and elected officials can spend more time on public policy decisions instead of fundraising. It will be good for all Alaskans.

[4:29:50 PM](#)

STEVE CLEARY, Executive Director, Alaska Public Interest Research Group (AKPIRG), said AKPIRG, with 1,500 members, is very much in favor of clean elections and sees it as a great way to reinvigorate democracy. It will level the playing field,

inspiring more and different people to run for office. Candidates will no longer have to rely on a small number of large donors to fund their campaigns. They will be able to interact more with constituents. Most money spent in political campaigns is used to raise money in the campaign. The bill will free the candidate from that time and expense and allow for a more direct campaign with voters. Corporations will not be able to buy their way into government. Special interest money is taken out of the equation, putting people back in charge of the electoral process. Alaska needs that right now, he said. Clean elections will be a positive step toward political reform. Candidates will be able to present ideas of what is best for Alaska, and that is what the founders of this country and state had in mind.

[4:32:02 PM](#)

SENATOR WIELECHOWSKI said the bill will start a good debate on the topic. He believes clean elections will keep legislators in closer touch with constituents. He said he doesn't have "tremendous illusions that this bill will pass." It will be on the ballot in August, and he suggested fixing this legislatively rather than having it imposed on them by the people.

SENATOR KOOKESH asked for the fiscal note.

MICHELLE SYDEMAN, Staff to Senator Wielechowski, said the administration said APOC will provide it by the next meeting.

[4:34:29 PM](#)

SENATOR STEVENS said the thing he hates the most about running for office is asking friends and family for money. The bill is interesting, but he suggested that the term "clean elections" implies that the other candidates are dirty.

SENATOR WIELECHOWSKI said that is a good point. It is used in other states. He noted that terms like "no child left behind" and the Clean Skies Act do not necessarily reflect the truth.

[4:35:59 PM](#)

CHAIR OLSON said he will hold the bill until further information is available.

SB 122-MUNICIPAL PROPERTY TAX EXEMPTION

The committee took a brief at-ease at [4:36:24 PM](#).

[4:37:43 PM](#)

CHAIR OLSON announced the consideration of SB 122.

SENATOR THOMAS said SB 122 is a simply a tool to allow -- it doesn't mandate [a municipal property tax exemption]. He said municipalities have applied it in various ways. [The bill provides] the opportunity to go from the existing \$20,000 [exemption] up to the \$100,000. "It can be based on a percentage of the property's values, and so it doesn't necessarily mean -- some have overreacted to its impact as what it would mean. Obviously it does cause a replacement in revenue in some cases and possibly the ability or the willingness to have to spread the burden for the cost of local government." Many complain that the cost of local government is on the backs of personal property owners. It has been several years since [the exemption] was adjusted, and when [an adjustment] last passed, he thinks it was unanimous. He said to keep an open mind. "Personal property tax folks are suffering from the high cost of energy." This is "a reasonable method of returning that responsibility to the various communities to allow that relief through a personal property tax exemption."

[4:40:22 PM](#)

GRIER HOPKINS, Staff to Senator Thomas, said SB 122 gives municipalities the option of raising their residential property tax exemption from the current \$20,000 to \$100,000. It doesn't mandate any action by the municipalities. There are 12 boroughs that currently enact property taxes, and he supplied a list of the communities that use the exemption. SB 122 can be used to help offset high energy costs and increasing property tax assessments for homeowners.

[4:41:49 PM](#)

SENATOR STEVENS asked if there is any cost to the state and the position of the Alaska Municipal League (AML).

MR. HOPKINS said there is a letter of support from the AML. The cost to the state will be about \$2 million because oil and gas infrastructure within municipal boundaries is charged a flat 20 mil rate. Fairbanks has TAPS [Trans Alaska Pipeline] running through it with a 14 mil rate going to the municipality and the remaining 6 going to the state. If Fairbanks raised the mil rate to 17, the state would only get 3 mils out of the 20.

SENATOR STEVENS said he doesn't understand.

SENATOR THOMAS restated it.

SENATOR STEVENS asked if would cost the state \$2 million.

SENATOR THOMAS said he thinks it is larger than that.

[4:44:50 PM](#)

CHAIR OLSON asked for the statewide estimates.

JENNIFER YUHAS, Special Assistant, Fairbanks North Star Borough (FNSB), said if all municipalities with oil revenues implemented the maximum exemption, it would cost the state \$2 million. There is a spread sheet prepared by the FNSB. She noted that SB 122 was requested by the borough. If a municipality adopts the exemption without implementing another form of revenue, the mil rate will increase as that burden is shifted to the other property owners. She provided a table showing every municipality enacting up to the \$100,000 exemption. "We would not be creating a deficit where we would come back to the state looking for revenue sharing based on something here. We'd be making up the difference within our own community." If a community lies above the threshold for residential property, which is shown in the second column, "the revenue is made up by those above the threshold, non-residential property owners - meaning vacant lots and businesses, including small businesses -- and the mil rate increases because we've lost the other revenue stream." It would also apply to oil-based revenues, she explained.

[4:46:49 PM](#)

SENATOR STEVENS said he doesn't like taking \$2 million from the state, and asked her to find a way to deal with that.

MR. YUHAS said \$2 million is the greatest burden the state would suffer if every eligible municipality implemented the maximum exemption.

STEVE VAN SANT, ASSESSOR, Department of Commerce, Community & Economic Development, said the amount was \$3 million, which was a statewide worst-case scenario if every community that offers an exemption increased it to \$100,000. It is difficult to calculate because some, like Kenai, offers a flat \$20,000 exemption, and Anchorage offers a percentage up to \$20,000. Valdez has a flat exemption. It is difficult to know what each municipality would do, so a worst-case scenario was provided.

[4:48:28 PM](#)

CHAIR OLSON asked about Kodiak.

MR. VAN SANT said only six municipalities offer the residential exemption: Bristol Bay, Kenai Peninsula, North Slope Borough, Valdez, Anchorage, and Fairbanks. The bill will shift the tax burden. In a small community where there aren't places to shift the tax, it doesn't make sense to implement a bill like this. Anchorage can shift taxes to its numerous commercial properties. The North Slope, Kenai, and Valdez can shift them to oil and gas businesses. Bristol Bay could shift taxation to fishery businesses. The others don't use the exemption now.

[4:49:46 PM](#)

MS. YUHAS said SB 122 was requested to offset FNSB's rising energy and tax costs. Some residents purchased homes four years ago and didn't expect the energy burden and the increasing assessment value of those homes.

CHAIR OLSON said if the exemption increases by five, it shifts the burden "to those other personal property tax owners that are out there and they've got rising costs as well." It concentrates the burden on a smaller cluster of people.

MS. YUHAS said that happens if there is no other revenue stream. She expects that issue to arise during the local election.

CHAIR OLSON asked about the public outcry.

MS. YUHAS said it usually comes from small business associations and chambers of commerce.

[4:51:34 PM](#)

MARTY MCGEE, Assessor, Municipality of Anchorage, expressed support. Any decision to shift taxes will be dealt with on a local basis.

[4:52:11 PM](#)

LISA VON BARGEN, Director, Community and Economic Development, City of Valdez, said Valdez has not taken an official position, but "we are not anticipating shifting any burden at all, so we would not be adding additional mil rate ... to the other taxpayers in our community."

SENATOR STEVENS asked if she would oppose the bill.

MS. VON BARGEN said she cannot speak for Valdez. Valdez now allows for the full \$20,000 exemption, and [under SB 122] would be able to choose any level up to \$100,000. But once legislation like this is passed it is difficult for a local official to say

no to residents. Valdez won't shift the burden because commercial entities can't afford it any more than residents. "It puts our elected officials at a little bit between a rock and a hard place, but other than that, no." She then said the bill will allow for local communities to give tax relief.

4:54:30 PM

CHAIR OLSON asked if she represents Valdez or not.

MS. VON BARGEN said she does, but the council has not taken formal action in support of or against the bill.

SENATOR STEVENS said he would like to hear from AML.

SENATOR THOMAS said there is letter from AML dated April 20, 2007. "Actually we're just returning the right to the people, here, is what it amounts to. We're doing the people's business."

4:56:40 PM

SENATOR WAGONER said he understands AML's stance, but he doesn't like the bill. He used to be a business property owner in Kenai, and he can speak for business owners in the area. They would not be happy if the bill passed and the borough increased the exemption to \$100,000. "That puts an undue burden right on the back of the small business person." It is not easy to make a living as a small business in Alaska. Sometimes you can't give yourself a paycheck. The bill sponsor knows that. You can only put so many burdens on small business people. Wal-Mart and Safeway can afford it, but it will increase the tax burden on a small business with three or four employees and a substantial building. It's not necessary.

4:59:08 PM

SENATOR THOMAS said the outcome is difficult to predict because each community will handle this differently, and those considerations will likely be taken in. The data show varying degrees of how it can be implemented. He understands Senator Wagoner's concern that the burden will automatically shift to one particular source. "I believe that there are a variety of sources." The woman from Valdez said they wouldn't be spreading it out. The reason for the bill is to spread the tax burden in a different fashion.

MS. YUHAS said the council will not be able to act on their own; a municipality election is required.

SENATOR WAGONER said he understands how the bill works. But when you give a person the opportunity to lower their property taxes and put money in their pocket, there's very little concern by that person about the person in the small business who's trying to make a living. The prices of services are going to go up, and one way or other, someone will pay.

[5:01:42 PM](#)

SENATOR KOOKESH moved SB 122 from committee with individual recommendations and attached fiscal note(s).

[5:02:02 PM](#)

SENATOR WAGONER objected.

A roll call vote was taken. Senators Thomas, Kookesh, Stevens, and Olson voted in favor of SB 122 and Senator Wagoner voted against. Therefore SB 122 passed from committee.

The meeting was adjourned at [5:03:16 PM](#).