

SENATE FINANCE COMMITTEE
February 21, 2008
9:08 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at [9:08:10 AM](#).

MEMBERS PRESENT

Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas
Senator Fred Dyson

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair

ALSO PRESENT

Senator Bill Weilechowski; Michelle Sydeman, Staff, Senator Bill Wielechowski; Kim Garner, Director, Division of Finance, Department of Administration; Gary Superman, self, Kenai; Jennifer Yuhas, Special Assistant to Mayor, Fairbanks North Star Borough; Senator Gene Therriault; Ernest Prax, staff Senator Therriault, Representative Gruenburg, Representative Mike Chenault, Michelle Sydemen, Staff to Senator Wielechowski; Grier Hopkins, staff, Senator Joe Thomas; Steve Van Sant, State Assessor, Department of Commerce Community Economic Development Ernest Prax, Staff, Senator Gene Therriault

PRESENT VIA TELECONFERENCE

Sandra Fabry, State Government Affairs Director, Americans for Tax Reform; Chris Nelson, Alaska for Tax Reform; Steve Cleary, Executive Director, Alaska Public Interest Research Group (AKPIRG); Steve Van Sant, State Assessor, DCCED; Tammie Wilson, Fairbanks; Susan Hernandez, Fairbanks Tammie Wilson, North Pole; Susan Hernandez, Fairbanks

SUMMARY

SB 201 "An Act relating to the establishment and maintenance of an Internet website providing public finance information; and identifying the information to be available on the Internet website."

SB 201 was HEARD and HELD in Committee for further consideration.

SB 122 "An Act relating to an optional exemption from municipal property taxes for residential property."

SB 122 was heard and HELD in Committee for further consideration.

SB 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."

SB 204 was heard and HELD in Committee for further consideration.

HB 67(FIN) am "An Act relating to a mandatory exemption from municipal property taxes for certain college property, to a mandatory exemption from municipal property taxes for residences of certain widows or widowers, and to optional exemptions from municipal property taxes for property of certain fraternal organizations and for certain residences of law enforcement officers; and providing for an effective date."

CS HB 67 (FIN) am was heard and HELD in Committee for further consideration.

9:08:27 AM

#sb122

SENATE BILL NO. 122

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

SENATOR BILL WEILECHOWSKI, sponsor, explained SB 201, Alaska Open Government Act. The legislation mandates a free, searchable website that provides Alaskans with easy access to detailed and comprehensive information on state spending. He asserted that this will encourage better understanding of state operations and, ultimately, reduce waste and ensure that funds are directed to the state's most important needs. He informed the Committee that in 2006 President Bush signed into law the Federal Funding Accountability and Transparency Act. The Act calls for the creation of a searchable website (www.federalspending.gov) of federal contracts and grants over \$25,000.00. He underlined that the legislation was

introduced by a bipartisan team of 4 United States Senators including: Senator John McCain and Barack Obama. In 2007, five states (Kansas, Texas, Oklahoma Minnesota and Hawaii) passed similar legislation mandating an on-line data base outlining state expenditures. Efforts are underway in 14 other states to adopt a similar mandate. Senator Weilechowski referenced the handout showing examples of websites in Texas, Virginia and Missouri. He said that the states with the information websites had large numbers of citizens using the site with Missouri reporting as many as one million hits. He underlined the importance of placing the provision in statute so it is not affected by political changes in leadership. He added that placing the provision in statute gives the Legislature a say in what may or may not be on the website. He informed the Committee that SB 201 has a zero fiscal note.

Co-Chair Stedman addressed page 3, line 10: "shall be available October 1, 2009". He asked why the date is so far in the future.

Senator Weilechowski responded that the Governor provided the timeline. Previous committees urged the Administration to have the website finalized before any action was taken on the bill. He did not object to changing the date. He acknowledged that the Governor's office has a website up and running and that it could evolve into something more polished.

Senator Huggins asked what the difference was between the Governor's website and the proposed in the bill.

[9:15:20 AM](#)

MICHELLE SYDEMEN, STAFF TO SENATOR WIELECHOWSKI, explained that the Governor's website, Checkbook Online, only lists some expenditures, but none of the revenue information outlined in SB 122. She deferred to Kim Garner for further clarification. Co-Chair Stedman noted that most of the information is already available. Senator Weilechowski said the information is available, but the information would be consolidated on the website to provide a clearer understanding for the public. Co-Chair Stedman said the Legislature is working toward a more easily interpreted process.

[9:17:28 AM](#)

Senator Thomas noted the difficulties of communicating the future revenue forecast and state expenses to the public. He asked Senator Weilechowski if the website would help provide understanding to the public, given the complexity of the variables involved.

Senator Weilechowski said that the website would help in providing a level of understanding to the public about future revenue and expenditures. He noted several ways in which other states expressed the information on their websites. There are many ways to explain where the state revenue comes from and how it is spent.

Senator Dyson felt it would also be helpful to have the state's outstanding liabilities on the website.

[9:19:37 AM](#)

Co-Chair Stedman agreed that both assets and liabilities should be represented.

Senator Dyson emphasized the importance of clarifying for the public, the value/erosion of the dollar over time. He commended the Sponsor for his efforts and underlined the importance of establishing the provision in statute.

Senator Elton asked about the language on page 2 regarding receipts and expenditures. He expressed frustration with the difference between the amount collected and the cost of operations within the Division of Motor Vehicles (DMV) licensing. He thought the amount taken in was three times the amount spent. He asked if the disparity between what is collected and what is spent would be reflected in the information on the website.

[9:21:47 AM](#)

Ms. Sydeman, answered that the bill, as written, would not require that information, but thought the idea worth exploring. She noted that the Administration is attempting to keep costs down by working within the capabilities of the State's central accounting system.

[9:22:32 AM](#)

KIM GARNERO, DIRECTOR, DIVISION OF FINANCE, DEPARTMENT OF ADMINISTRATION, added that the relationship of expenditures to funding source is clear in the budget process and not so clear in the accounting system. Most appropriations have multiple funding sources, which means an allocation process is necessary to match the expenditure to the dollar amount collected. Attempting to clarify what DMV collects and what is expended is far more complicated than the first version of Checkbook Online that is currently available to the Division. Checkbook Online does not include some expenditures of the State and certain confidential information. She explained that the Department of Law would need to do an analysis on the confidential information. The provision requires the information be aggregated, which is not possible with the current system. She noted that as

confidential information comes available, the detail will be added or a summary will be provided.

Ms. Garnero stated that revenues are not on the website, but will be by the end of the fiscal year. She went on to explain that the Alaska Data Enterprise Reporting System (ALDER) is the first step in replacing aging accounting payroll systems. She observed that ALDER is a reporting system data warehouse that is taking legacy information from the accounting system to a reporting system. The payroll information is not yet in ALDER, but will be by the end of the year. How much payroll detail will be added to the website is yet to be determined. She clarified that the zero fiscal note is based on using Excel to meet the requirements on line 5, page 3, with no need to purchase additional software. She said both the press and the public have provided positive feedback on the user friendly aspect of the website.

Co-Chair Stedman asked about the detail of payroll information. Ms. Garnero said the payroll piece was not even at the design stage of how detailed it would be.

[9:27:16 AM](#)

Senator Elton asked if the Administration could track the number of hits to the website. Ms. Garnero agreed tracking the number of hits would be useful, though she did not know if it was being done.

Senator Huggins noted the value of tracking particular indicators of government growth; number of people and authorized positions by year. He wondered if the provision intends to provide citizens with the ability to track such information thru the website.

[9:28:05 AM](#)

Ms. Garnero said some information is available on the web in a comprehensive annual report. The report tracks trends over the years.

Senator Huggins felt that the information should be in a condensed form to aid understanding of what transpires over time.

Senator Dyson noted the importance of representing impacts of the supplemental budget over calendar and fiscal years. He also noted capital and operating costs are often unclear.

Ms. Garnero said the beauty of using the state's accounting system is that it is categorized by payments made, not by legislation that authorized the expenditure.

[9:30:17 AM](#)

Senator Olson asked why there is a zero fiscal note if the compilation of information is required. Ms. Garnero said the information is currently managed through Excel. There are no costs associated because the software is already available for processing information. There is financial impact only if there is a need to purchase software. She reiterated that the ALDER system will allow for the retrieval and accounting of 25 years worth of data.

Co-Chair Stedman assumed that by using Excel, the public can download information more readily. Ms. Garnero agreed and noted that there has been a great deal of positive support for the website.

[9:31:18 AM](#)

Co-Chair Stedman asked if a person wanted to research a payment made to the State by British Petroleum, within a specific month, would that be available as a specific number or an aggregate number.

Ms. Garnero said the plan now is to present revenues by type not by source. She further noted that revenues are not tracked as clearly as expenditures are. That information would come from the Department of Revenue (DOR) and may or may not be confidential.

Co-Chair Stedman asked if he understood correctly that the number would be an aggregate rather than specific.

[9:32:40 AM](#)

Ms. Garnero responded that the revenue information would be by category not by payee.

Co-Chair Stedman asked if the detail on expenses could be broken down per individual employee of the State.

Ms. Garnero reiterated that only non-payroll expenses equal to or greater than \$1000 would be provided on the website. The level of payroll information that would be available is yet to be determined.

Co-Chair Stedman noted that the legislature does receive a report that provides payroll information regarding salaries for the higher positions within the executive branch as well as the legislative branch. Ms. Garnero noted that the Division of Finance produces that report. Senator Thomas asked if the \$1000 threshold is for any non-payroll payment to any state employee.

[9:34:09 AM](#)

Ms. Garnero noted she was uncertain if payroll parameters are the same as the non-personnel services, parameters. With non-personnel services the attempt was to cut the number of vendors down to an amount that could be presented in Excel.

Co-Chair Stedman asked if the website allows a subcontractor to look up payments of \$1000 paid out to general contractors. Ms. Garnero said that was correct.

Senator Elton concluded from the discussion that there is currently no ability to track expenses under \$1000. He provided an example of a state employee traveling frequently with accrued expenses exceeding \$1000 in total. Ms. Garnero responded that in order to track and compile that information, hundreds of man hours are required. Senator Elton noted the travel expense information for the executive branch and the legislative branch is already available. He asked if providing the information is just a matter of data entry.

[9:36:35 AM](#)

Ms. Garnero reiterated that the manual aggregation of information is time consuming. She said the information is not retrievable in an automated fashion from the accounting system.

Senator Elton assumed that detailed employee travel information could be obtained through the Legislative Affairs Agency or the executive branch.

Ms. Garnero also pointed out that the Travel and Compensation Report is on the Checkbook Online website.

Co-Chair Stedman wondered where the line was between the amount of information provided for clarity and when too much information becomes convoluted.

[9:37:49 AM](#)

Ms. Garnero said Checkbook On-line is what is currently being used to meet the research needs regarding any entity the State makes payments too. With regards to debt loads and revenue projections, the Comprehensive Annual Financial Report is a great resource. She further noted that the budget system produces helpful reports for more strategic planning objectives.

Co-Chair Stedman noted that the reports mentioned are used regularly by the legislature. He emphasized the challenges of reviewing data and thought that the financial reports could be quite daunting for the general public and even some

staff. He reiterated the desire for a user friendly information base for true understanding of the financials of the state.

Ms. Garnero recommended reading the management discussion and analysis section of the financial report. She explained that a high level executive overview of financial statements and the significant events for the year are provided within the report.

[9:41:42 AM](#)

Co-Chair Stedman made a point that it is very easy to get lost in the complexity of detailed financial reports. He emphasized the importance of providing information in a format that is easily understood by the general public.

Ms. Garnero believed the website had potential for being a communication tool for citizens in understanding the fiscal health of the State.

Co-Chair Stedman said he would speak to the sponsor about his concerns.

SANDRA FABRY, STATE GOVERNMENT AFFAIRS DIRECTOR, AMERICANS FOR TAX REFORM (Testified via teleconference), testified in support of SB 201 and noted the letter of support from Americans for Tax Reform (copy on file.) She explained that she had been working with lawmakers to move towards providing transparency in government. She said SB 201 is about providing taxpayers with a consolidated place to get well-rounded state government finance information. She quoted Ralph Nadar and noted his support for the concept. She further pointed out that the movement transcends party lines at both the federal and state level. She noted the large percentage of citizens that supported the creation of the website in other states.

[9:49:12 AM](#)

CHRIS NELSON, ALASKANS FOR TAX REFORM (Testified via teleconference), spoke in support of SB 201 noting the importance of one, easily accessible information website on state operations and finances. He maintained that this provision is an important step and urged that Committee to move SB 201.

STEVE CLEARY, EXECUTIVE DIRECTOR, ALASKA PUBLIC INTEREST RESEARCH GROUP (AKPIRG) (Testified via teleconference), spoke in support SB 201 noting the unique ability to unite all sides of the political spectrum. He further underlined the importance of enabling citizens to be actively involved in government.

[9:52:24 AM](#)

Co-Chair Stedman asked Ms. Garnero if the information would be readily available to citizens. He asked specifically if the number of state employees requested to be added to the budget could be accessed through the website. Ms. Garnero said the information is not available on the Division's accounting system. The number of employees is a part of the statistical data within the financial statement. Co-Chair Stedman said he understood the report was available. He wanted to make the point that by having understandable, accessible information online, there is greater potential for a clearer understanding of government operations and finances.

[9:54:07 AM](#)

Senator Weilechowski concluded his comments by noting that there is bipartisan support for SB 201. He purported that in order for the citizenry to function, there needs to be access to information. He maintained that the bill provides for that access: information in a simple consolidated area.

[9:56:22 AM](#)

SENATE BILL NO. 122

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

GRIER HOPKINS, STAFF, SENATOR JOE THOMAS, read from the Sponsor Statement (On File).

Senate Bill 122 increases the optional municipal property tax exemption for a private residence from \$20,000 to up to \$100,000. This bill does not mandate any action by municipalities. This bill only allows local governments the option of increasing their residential property tax exemption.

Currently there are 12 boroughs and 13 cities - with a combined population of over 590,000 Alaskans - which levy property taxes. Each of these is attempting to respond to homeowners struggling under the rising cost of energy across the state. In some instances these issues are coupled with rapidly rising assessed values of private residences. Across the state, these citizens are crying for relief.

SB 122 would not affect a smaller, revenue-strapped community's sources of tax income. Instead, it would give those municipalities with a large enough population the ability to relieve the tax burden largely borne by homeowners. SB 122 would allow local for control in setting the allowable exemption at any

amount up to \$100,000. A local ordinance would then require voter approval before enactment.

The original option of exempting up to \$20,000 was a good idea when it passed both houses of the Alaska Legislature unanimously in 2004, and has been a valuable tool for the municipalities which exercised this option.

As municipalities around our state attempt to diversify their income base and respond to the needs of private citizens struggling under today's rising energy costs, I urge you to support the timely passage Senate Bill 122.

Co-Chair Stedman asked how many municipalities have used the exemption. Mr. Hopkins responded that the City and Borough of Yakutat, Anchorage Municipality, Fairbanks Borough and the City of Fairbanks and Valdez would implement the \$100,000 exemption.

Senator Huggins asked Mr. Grier to explain the Fairbanks North Star Borough's allocation of \$150,000 for a ballot initiative in 2008.

JENNIFER YUHAS, SPECIAL ASSISTANT TO MAYOR, FAIRBANKS NORTH STAR BOROUGH, explained that the \$150,000 allocation was provided for a statewide citizen initiative. If the bill is passed there would be no need for the allocation.

Senator Huggins referenced Ms. Yuhas' handout and asked about the three ways communities could respond to the potential revenue loss from the exemption. He quoted from the handout "Allowable municipal Property Tax Exemption increase" (On File):

Each municipality will have the burden to manage diversification of revenue or retraction of services associated with implementation of an increased exemption.

There are 3 options reduction of services:

- decreased budget
- shifting tax burden to non residential properties
- implementing sales, gross receipts, or other taxes.

Senator Huggins asked about the third option that lists: implementation of sales, gross receipts, or other taxes. He asked if the list represents a strategy by FBNSB to implement a tax. Ms. Yuhas said there has not been a strategy outlined to implement a tax. The tax is just one option of the three. She reiterated that each community would decide how to manage the revenue loss.

Co-Chair Stedman asked if there was no other way the municipalities could relieve this tax burden without passing legislation. Ms. Yuhas said after researching through the borough attorney, the assessor's office, and the financial department, there was no other legal option available.

[10:02:29 AM](#)

Ms. Yuhas acknowledged the expressed concern regarding the implementation of a higher property tax exemption and the potential shift of the burden to non-residential property owners. The City of Valdez testified in the last committee that they would not shift the tax burden to non-residential property owners. She said it would be up to each municipality to decide how they would recoup the costs or work with a decreased budget.

[10:04:21 AM](#)

STEVE VAN SANT, STATE ASSESSOR, DEPARTMENT OF COMMERCE COMMUNITY ECONOMIC DEVELOPMENT, said the Administration does not have a position on SB 122. The provision expands the current residential exemption of \$20,000. The fiscal note reflects the cost associated with the implementation of the \$100,000 exemption. In the six communities that use the exemption, the cost to the State is \$4-5 million. This is due to city oil and gas revenue receiving communities. He explained that the communities would have to increase the mill rate, which would cause the State to lose money on oil and gas revenues.

Co-Chair Stedman asked for an estimate. Mr. Van Sant reiterated the cost to the state in tax revenue would be \$4-5 million.

Co-Chair Stedman observed that the fiscal note is for \$3 million. He asked about mandatory tax exemptions. Mr. Van Sant explained that the \$150,000 exemption is for seniors who are at least 65 years old and living in their own home. He elaborated that this exemption is a mandate that all municipalities must abide by. Municipalities have the option of exempting anything over \$150,000 as outlined in Title 29, Chapter 45, Section .050. At the present time, there is only one municipality that has taken advantage of the option.

[10:07:59 AM](#)

TAMMIE WILSON, NORTH POLE (Testified via teleconference), spoke in support of SB 122. She informed the Committee that her property tax bill has increased by 63% in one year. She further explained that in the past four years the tax has increased 95%. She said her income has not increased at the same rate. She felt SB 122 is the only way the State can

allow a difference between property tax on homes versus commercial or other properties. She supported the provision as optional rather than a mandate. She urged passage of SB 122.

Co-Chair Stedman noted that citizens do have the right to appeal an assessment. Ms. Wilson responded that she had pursued that option.

GARY SUPERMAN, KENAI, spoke in support of SB 122. He outlined his experience with municipal taxing. In 2004, a resolution was passed in Kenai supporting SB 136 and raising the exemption to \$20,000. Kenai has since implemented a sales tax to cover revenue losses from property tax exemption. He said he understood concerns regarding the significant increase in the exemption and the potential impacts to communities. He suggested tying the exemption to a sliding scale, based on sales tax usage. He maintained that the concept could provide tax relief, and the necessary impetus for those without a sales tax, to put one in place.

[10:16:26 AM](#)

Co-Chair Stedman asked if Mr. Superman was speaking for himself. Mr. Superman said he was speaking for himself, but explained that the Kenai Peninsula Borough (KPB) did support the property tax exemption in 2004. He said KPB had not yet taken a stand on SB 122.

SB 122 was HEARD and HELD in Committee for further consideration.

[10:18:07 AM](#)

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."

SENATOR GENE THERRIAULT, SPONSOR, explained that SB 204 proposes optional property tax allowance for widows or widowers of military personnel who were killed in the line of duty. In deference to the geographic differences around the state and wanting to protect local control, the bill provides an option rather than a mandate for property tax exemption. He explained that the companion legislation, HB 285, removed the 90 day requirement.

Co-Chair Stedman asked Senator Therriault to define "permanent place of abode". Senator Therriault explained that the permanent place of abode is where a person lives. He added that, with the latitude in the bill, the definition would be created through local ordinances. He further

explained that, if a person owns multiple properties, the state law suggests that the exemption be granted for the property on which the person lives.

Senator Dyson asked if any consideration had been given to extending the exemption to handicapped veterans who are unable to earn income.

[10:21:21 AM](#)

Senator Therriault responded that in current law the senior property tax exemption includes disabled veterans.

Senator Elton asked if the municipality has the option to provide the exemption to someone who is not a resident. Senator Therriault responded that SB 204 would allow for a person to move to the State to qualify for the exemption. He said thought had been given to whether to differentiate between a spouse that gave their life in the line of duty based on residency. He further noted that he didn't expect people to move to Alaska to take advantage of the property tax exemption. He provided an example of a soldier stationed overseas who was an Alaska resident; he was stationed overseas, but had property in Alaska.

[10:23:46 AM](#)

Senator Elton asked if the provision mandates that the municipality offer the exemption to an individual who was not a resident, or could the municipality determine criteria. Senator Therriault clarified that the current wording is a mandate. He said that, if that was not the desired result, language would need to be added to clarify. Senator Elton restated for clarification that the program is optional, but some of the options may be precluded. Senator Therriault said the level and length were optional; the prospective pool is mandated.

Senator Huggins suggested the 90 day language is irrelevant. He also clarified that Alaska is considered an overseas tour-of-duty. A permanent place of abode means different things to different people, particularly those who work for the military. He supported the bill, but wanted to be certain the language was correct.

[10:26:39 AM](#)

Senator Thomas assumed that line 11, 12, and 13 are critical in indicating that the ordinance would allow a particular entity to manage some of the residency issues. He said he was troubled by the possibility of someone moving to the State to take advantage of the exemption. He also questioned the eligibility of someone who remarried. Senator Therriault said if a person remarries they are no

longer a widower and would not be eligible for the property tax exemption.

Co-Chair Stedman asked about those living in a commercial building and how they are considered for the exemption as opposed to those who own a home.

[10:28:43 AM](#)

Senator Therriault reiterated that there is enough flexibility in the provision to allow municipalities to make determinations. He informed the Committee that the Alaska Municipal League supports SB 204.

Co-Chair Stedman asked how many municipalities were anticipated to take advantage of the exemption.

ERNEST PRAX, STAFF, SENATOR GENE THERRIAULT, said that 80-100 soldiers stationed in Alaska have been killed in combat duty. There is uncertainty with regard to how many soldiers had families, and how many of those families had chosen to stay in Alaska.

[10:31:04 AM](#)

Senator Thomas referenced the wording on line 9, and asked if the language included a person who is killed under "friendly fire". He explained that in a previous committee there was a question regarding a suicide case and whether dependents would be eligible for the exemption. Mr. Prax said that if a soldier intentionally took his own life, then the family would not be eligible for the exemption. He went on to say that if a soldier was killed in the line of fire while protecting another soldier, they would not only be eligible, but would be bumped up the priority list for receipt of benefits. With regard to being killed under "friendly fire" the answer is yes, they would be eligible.

Senator Huggins asked the Sponsor if it was his intention to make a widower who had remarried ineligible.

Senator Therriault responded yes. He further clarified that the eligibility for the exemption is based on "hostile" or "friendly" fire. Any individual receiving "imminent danger" pay is eligible for the exemption.

[10:33:41 AM](#)

Co-Chair Stedman asked if the definition includes a soldier who is preparing to go to Iraq and dies before being deployed. Senator Therriault said that the soldier in that scenario would not be eligible as they would not yet be receiving "imminent danger" pay.

[10:35:16 AM](#)

Senator Huggins clarified that an individual is considered eligible for imminent danger pay when in the combat zone circle, regardless of what capacity they serve.

[10:36:52 AM](#)

SUSAN HERNANDEZ, FAIRBANKS (Testified via teleconference), testified in support of SB 204. Her husband was killed in Iraq in 2006. She reiterated the definition of "imminent danger pay". She further commented that she did not feel it appropriate for a soldier to receive benefits if their death was at their own hand.

Mr. Van Sant provided definitions:

- permanent place of abode: 185 days a year
- Widow: benefits stop if remarry, municipalities could extend
- “90 days” was taken out of house bill due to assessors seeing it as problematic. He suggested the 90 day language be removed from SB 204.

Senator Therriault said he did not have a problem with omitting the 90 day provision and noted he would work with staff to draft a CS.

SB 204 was HEARD and HELD in Committee for further consideration.

[10:42:36 AM](#)

CS FOR HOUSE BILL NO. 67(FIN) am

"An Act relating to a mandatory exemption from municipal property taxes for certain college property, to a mandatory exemption from municipal property taxes for residences of certain widows or widowers, and to optional exemptions from municipal property taxes for property of certain fraternal organizations and for certain residences of law enforcement officers; and providing for an effective date."

REPRESENTATIVE GRUENBERG, CO-SPONSOR, addressed HB 67. Rep. Gruenberg referred to HB 67 as the "cop in the neighborhood" bill. The provision allows a municipality to provide an exemption from municipal property taxes for peace officers who move into a high crime neighborhood. He maintained that having an officer in the neighborhood is a crime deterrent. He outlined the sections of the bill:

Sec. 1 extends the disabled veteran property tax exemptions to widows and widowers of peace officers.

He noted the definitions used for this are the same as those in SB 204.

Sec. 2 added by Senator Thomas expands the optional municipal tax exemption for residences to 40,000.

Sec. 3 was added by Representative Meyer. Originally the exemption was mandatory. This was changed to optional to allow municipalities to exempt property of a private none profit four year college or university that is accredited that is not subject to the mandatory exemption. He added that other taxing provisions would still apply.

Representative Gruenberg noted that section 3 is important to a facility located on the Alaska Pacific University campus.

Sec. 4 provides the option for municipalities to exempt religious, charitable, education, scientific, literary, and fraternal organizations. Representative Gruenberg explained that many of the facilities are used as a meeting place and serve the entire communities.

Representative Gruenberg purported that HB 67 has served as a repository for many tax relief provisions. He urged the Committee to pass HB 67 because it provides property tax relief to a wide variety of people and organizations.

Senator Elton asked how the tax exemption effects "full and true value" that is applied to the school funding formula.

Representative Gruenberg was not certain. He explained that the exemption may trigger a round of additional assessments or trigger the municipality to look at the rest of it's taxing structure.

[10:50:17 AM](#)

Mr. Van Sant explained that HB 67 deals with optional exemptions and has no revenue impact to the State. He addressed the question regarding the full value determination. Any optional exemption, authorized by a municipality is put back into the full value, and would thereby not effect school funding. "If a municipality's full value is \$100 and they exempt optionally a fraternal organization, for example, those are put back in so the full value will remain \$100 even though the local assessed value may be \$85." The full value will not be effected by this. For school funding purposes the 4 mills would be based on \$100 rather than \$85. He reiterated that because these are all optional exemptions it would not have an impact on the State.

Mr. Van Sant added a clarification: Sec. 1 does not extend the exemption to widowers; it clarifies that it removes the age requirement. The language combines the criteria for disabled veterans and widowers. The language is removed so that there is no age restriction for veterans.

[10:52:38 AM](#)

Rep. Gruenburg said the effective date needed to change because, if HB 67 was enacted now, the effective date would be retroactive.

Co-Chair Stedman MOVED to ADOPT Amendment 1, 25-LS0314/J.2 Cook, 2/19/08.

Co-Chair Stedman OBJECTED for purposes of clarification.

REPRESENTATIVE CHENAULT, Co-Sponsor, explained that the amendment allows for boroughs, to charge cities inside the borough, for collecting a tax that is not uniform to the borough. The amendment provides for the borough to charge a fee to pay for purchases necessary for tax collection.

Co-Chair Stedman WITHDREW his OBJECTION.

There being NO OBJECTION, Amendment 1 was adopted.

Senator Dyson asked if there would be efforts to combine legislation dealing with tax exemptions.

[10:55:19 AM](#)

Co-Chair Stedman stated the intention was to provide an opportunity for discussion on various proposed legislation dealing with property tax exemption.

Senator Dyson supported combining the tax exemption legislation.

Co-Chair Stedman said the provision may fit into a long-term fiscal bill.

HB 67 was Heard and HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at [10:57:28 AM](#).