

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 2, 2012

8:06 a.m.

MEMBERS PRESENT

Representative Cathy Engstrom Munoz, Chair
Representative Neal Foster, Vice Chair
Representative Alan Austerman
Representative Alan Dick
Representative Dan Saddler
Representative Sharon Cissna
Representative Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 170

"An Act relating to municipal property tax exemptions on residences of certain volunteer emergency services personnel and the widows and widowers of volunteer emergency services personnel; and providing for an effective date."

- MOVED CSHB 170(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 290

"An Act creating the endow Alaska grant program in the Department of Commerce, Community, and Economic Development to encourage community development."

- MOVED CSHB 290(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 184

"An Act relating to the sharing of tax revenue from the fisheries business tax and fishery resource landing tax with municipalities; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 170

SHORT TITLE: MUNI TAX EXEMPTION FOR CERTAIN VOLUNTEERS

SPONSOR(s): REPRESENTATIVE(s) FEIGE

02/23/11 (H) READ THE FIRST TIME - REFERRALS
02/23/11 (H) CRA, FIN
03/24/11 (H) CRA AT 8:00 AM BARNES 124
03/24/11 (H) Heard & Held
03/24/11 (H) MINUTE(CRA)
04/12/11 (H) CRA AT 8:30 AM BARNES 124
04/12/11 (H) Heard & Held
04/12/11 (H) MINUTE(CRA)
02/02/12 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 290

SHORT TITLE: ESTABLISH ENDOW ALASKA GRANT PROGRAM

SPONSOR(s): REPRESENTATIVE(s) AUSTERMAN

01/18/12 (H) READ THE FIRST TIME - REFERRALS
01/18/12 (H) CRA, FIN
01/26/12 (H) CRA AT 8:00 AM BARNES 124
01/26/12 (H) Heard & Held
01/26/12 (H) MINUTE(CRA)
02/02/12 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 184

SHORT TITLE: REFUND OF FISH BUSINESS TAX TO MUNIS

SPONSOR(s): REPRESENTATIVE(s) P.WILSON

03/09/11 (H) READ THE FIRST TIME - REFERRALS
03/09/11 (H) CRA, FIN
01/26/12 (H) CRA AT 8:00 AM BARNES 124
01/26/12 (H) Heard & Held
01/26/12 (H) MINUTE(CRA)
02/02/12 (H) CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

REPRESENTATIVE ERIC FEIGE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 170.

MICHAEL PASCHALL, Staff
Representative Eric Feige
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 170 on behalf of the sponsor,
Representative Feige.

STEVE VAN SANT, State Assessor
Division Programs
Division of Community and Regional Affairs
Department of Commerce, Community & Economic Development
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 170, answered questions.

SCOTT RUBY, Director
Division Programs
Division of Community and Regional Affairs
Department of Commerce, Community & Economic Development
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 170, answered questions.

ERIN HARRINGTON, Staff
Representative Austerman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 290 of behalf of the sponsor, Representative Austerman.

DIANE KAPLAN, President & CEO
Rasmuson Foundation
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 290, provided the perspective of the Rasmuson Foundation.

KEN KASTNER, Member
Board of Trustees
Homer Community Foundation
Homer, Alaska

POSITION STATEMENT: Expressed concerns with HB 290.

REPRESENTATIVE P. WILSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 184.

TIM COTTONGIM, Fish Group Manager
Juneau Office
Tax Division
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: During hearing of HB 184, answered questions.

ACTION NARRATIVE

[8:06:03 AM](#)

CHAIR CATHY ENGSTROM MUNOZ called the House Community and Regional Affairs Standing Committee meeting to order at 8:06 a.m. Representatives Foster, Austerman, Dick, and Gardner were present at the call to order. Representatives Saddler and Cissna arrived as the meeting was in progress.

HB 170-MUNI TAX EXEMPTION FOR CERTAIN VOLUNTEERS

[8:06:41 AM](#)

CHAIR MUNOZ announced that the first order of business would be HOUSE BILL NO. 170, "An Act relating to municipal property tax exemptions on residences of certain volunteer emergency services personnel and the widows and widowers of volunteer emergency services personnel; and providing for an effective date."

[8:07:40 AM](#)

REPRESENTATIVE AUSTERMAN moved to adopt Version 27-LS0562\I, Bullard, 4/6/11, as the working document. There being no objection, Version I was before the committee.

[8:08:01 AM](#)

REPRESENTATIVE ERIC FEIGE, Alaska State Legislature, speaking as the sponsor of HB 170, reminded the committee that it heard HB 170 last year and several questions arose last year. He related that over the interim changes to HB 170 were made to address those concerns.

[8:08:43 AM](#)

MICHAEL PASCHALL, Staff, Representative Eric Feige, Alaska State Legislature, explained that HB 170 provides the state the opportunity to reimburse to municipalities the property taxes paid by first responders, fire and emergency medical services (EMS) personnel, if the municipality chooses to enact an ordinance to do so. Originally, the legislation proposed an opt-out program, but has now been changed to an opt-in program.

Therefore, there is no obligation on behalf of the municipality to do this unless they choose to do so. This legislation allows municipalities to provide an incentive [for first responders to stay as such] if the municipality so chooses. He recalled that last year there were questions regarding whether there was an annual application, which is left to the municipality to decide. However, since it's an annual property tax it would seem to make sense that one would be required to apply annually in order to receive the exemption. There was also a question regarding qualifying an "active volunteer." The legislation defines "volunteer" in statute by using an existing definition in statute, but if the municipality wants a smaller group or to clarify the group further, the municipality can decide that. There was also a question regarding the widow/widower provision and whether a widow/widower who remarries would qualify. Again, the municipality can define that and any parameters around it. He also recalled that last year there was a question regarding "paid on-call volunteers" and, again said that it would be left to the municipality to determine.

[8:12:31 AM](#)

REPRESENTATIVE DICK requested explanation of the provision on page 3, lines 4-10.

MR. PASCHALL explained that the aforementioned provision provides an opportunity for the state to reimburse the municipality for the exemptions, just as is done for the senior property tax exemption. Therefore, if the state recognized this proposed exemption as a need, the legislature could fund a reimbursement for the lost revenue the municipalities would experience.

REPRESENTATIVE DICK pointed out that the provision on page 3, line 4 uses the term "shall".

MR. PASCHALL said that "shall" is the normal language for such programs. Since the legislature has to provide separate legislation to fund the program, the program/exemption is dependent on that.

[8:13:44 AM](#)

CHAIR MUNOZ inquired as to how long it has been since the state has actively reimbursed the municipalities for the senior tax exemption.

MR. PASCHALL answered that it has been about 10-12 years.

[8:14:01 AM](#)

MR. PASCHALL, in response to Representative Saddler, stated that the language "only to the extent that the loss exceeds an exemption that was granted by the municipality" on page 3, lines 6-7, was taken from the senior exemption language. The language relates that the municipality can't be reimbursed twice.

[8:14:31 AM](#)

REPRESENTATIVE DICK inquired as to what prohibits a large increase in the number of volunteer firefighters to take advantage of this proposed property tax exemption.

MR. PASCHALL opined that he didn't believe people would put the time in to do so. He indicated that the municipality could specify rules regarding the number of hours one must serve to be able to apply for the exemption.

[8:15:14 AM](#)

REPRESENTATIVE GARDNER asked how the sponsor would feel about amending the language on page 3, line 4, from "shall" to "may" since she understood the sponsor's intention is not to mandate the reimbursement.

MR. PASCHALL said that the sponsor wouldn't object to that.

[8:15:46 AM](#)

REPRESENTATIVE SADDLER inquired as to the number of volunteer fire departments in the state that could be impacted by this.

MR. PASCHALL responded that he counted 78 fire departments located within a municipality that has a property tax. There are approximately 250 fire departments in the state and approximately 7,000 firefighters of which about 4,000 are volunteers. Approximately 1,500 firefighters live in a municipality that assesses property taxes. He recalled that the Girdwood Fire Department has 30-some volunteers of which 14 owned property within the community.

REPRESENTATIVE SADDLER questioned whether all the voters in the Municipality of Anchorage would have to vote on whether to grant

this proposed exemption. He pointed out that in Anchorage there is a city fire department, a volunteer fire department within the municipal borders, and fire service areas.

MR. PASCHALL replied no, and clarified that this legislation provides a provision on page 1, line 12, that the governing body of the municipality can grant the exemption. Therefore, in the case of Anchorage, the Anchorage Assembly would be able to grant the exemption.

REPRESENTATIVE SADDLER related his understanding that there is no guarantee the state would fund this proposed exemption, it's subject to appropriations. He then asked if the pro rata provision exists to address a limited appropriation.

MR. PASCHALL replied yes.

REPRESENTATIVE SADDLER then inquired as to the potential cost to the state.

MR. PASCHALL explained that in determining an answer to the aforementioned, the question then becomes how much time should legislative research spend on such. He used Girdwood as a typical example. The Girdwood Fire Department has 51 members listed in the state registry of which 12 properties were held in names matching members of the Girdwood Fire Department. These properties had an assessed value of \$3.9 million and the average property value was \$329,500. The property values ranged from \$194,000-\$765,000. Mr. Paschall reminded the committee that most of those who are very active in local fire departments are involved in them for years. Still, there are many firefighters who come and go and those people often don't own property. Therefore, this proposed exemption could be an incentive for those who serve the community to remain in it.

8:21:00 AM

REPRESENTATIVE CISSNA noted that most fire departments include emergency medical services (EMS) personnel as well.

MR. PASCHALL confirmed that in most communities in Alaska the fire departments include EMS personnel. He informed the committee that the numbers he used for the fire department includes the EMS personnel as well.

REPRESENTATIVE CISSNA, drawing from her time reviewing EMS, related that a large percentage of EMS personnel are volunteers.

In fact, in small communities the EMS personnel are often helping in the clinics. She opined that [EMS and firefighters] do really good work.

[8:22:46 AM](#)

REPRESENTATIVE SADDLER inquired as to what happens to a community that goes forward with this proposed exemption, but the state stops funding it after a few years.

MR. PASCHALL opined that the volunteers would accept the fact that the state doesn't have the funds. He also pointed out that the municipality would be able to repeal the ordinance and the program were the state to end the funding to the program.

REPRESENTATIVE SADDLER asked if the municipalities would actually repeal the program.

MR. PASCHALL said he couldn't answer that. He then related that the Homer Fire Department newsletter related that in 2010 the [Homer] Fire Department's budget was \$971,000, but the total cost in normal wages for the same services as the volunteer firefighters would be an estimated \$3.6 million.

REPRESENTATIVE SADDLER stated that he admired the motivation of this effort and monetarily supports his local fire department. However, he expressed concern that [this legislation] establishes a situation, a worst case scenario, in which the proposed exemption is offered, boroughs and municipalities take advantage of it and enjoy it while those who aren't firefighters in the community have to pay for the exemption. In fact, he related that he has heard testimony that local businesses are concerned that their property taxes may increase.

MR. PASCHALL agreed that would be the worst case scenario. However, he highlighted these volunteers are taking their own time to help those who aren't providing the funding for the service.

[8:27:16 AM](#)

REPRESENTATIVE FEIGE interjected that the municipality receives what it pays for in terms of emergency services. The more capability and the greater the ability to fight fires and provide EMS, the better service it provides to the citizens. Furthermore, it directly impacts home insurance rates in the community. He related that for those homeowners who participate

in the fire department in his community, there is about a 15-20 percent savings on their home insurance rates. Ultimately, if a municipality has the demand for a certain quality of fire department, the municipality can decide to pay for it out of its coffers such that it has professional firefighters or it can choose to utilize a far cheaper labor force from volunteer firefighters. This legislation, HB 170, gives them a large degree of flexibility in terms of providing an opportunity for the exemption not a mandate.

[8:29:55 AM](#)

MR. PASCHALL, in response to Representative Austerman, clarified that there was a zero fiscal note attached to the original legislation because there is no administration required for the state and there is no appropriation for it.

REPRESENTATIVE AUSTERMAN pointed out that the legislation uses "shall" language.

MR. PASCHALL clarified that until the legislature appropriates the funds, there are no funds to be spent.

REPRESENTATIVE AUSTERMAN remarked that part of the discussion of this committee and the House Finance committee will be to make such determinations. While the fiscal note is zero, it would behoove the committee to recognize that there will be costs if the state pays for the exemption. Therefore, he suggested that the fiscal note should be indeterminate.

[8:31:10 AM](#)

REPRESENTATIVE CISSNA highlighted communities such as Girdwood and Hope where volunteers are the lifeline for emergency services.

MR. PASCHALL related that [the Delta Junction] volunteer fire department has 33 members, which doesn't include EMS personnel as that's provided by another volunteer department. He pointed out that the area the [Delta Junction Volunteer Fire Department] serves is the size of Vermont.

[8:34:07 AM](#)

CHAIR MUNOZ added that this exemption isn't free. If HB 170 becomes law, the average taxes on homes in the City & Borough of Juneau would be about \$2,000. Therefore, if this exemption goes

forward, the state should [fund it] otherwise it would be another unfunded mandate.

8:34:50 AM

REPRESENTATIVE AUSTERMAN explained that he felt the legislation should have an indeterminate fiscal note because he doesn't want municipalities to think the state "shall" reimburse the municipalities that opt-in to this program. He said that he wanted to be sure the aforementioned is clear on the record.

8:35:41 AM

REPRESENTATIVE CISSNA emphasized that often the cost of not having a service isn't taken into account with the fiscal note.

8:36:28 AM

REPRESENTATIVE SADDLER directed attention to written testimony from Thomas Andriesen that says, "There is already an optional tax reduction for emergency responders that boroughs can adopt and I believe it is a 15% reduction in a members' tax. Making this a mandate would be more appropriate than the current proposed House Bill." He inquired as to what Mr. Andriesen is referring.

MR. PASCHALL responded that he wasn't sure, although he recalled that an assembly or the voters in a municipality can enact a \$20,000 property value exemption for any purpose.

REPRESENTATIVE SADDLER expressed interest in knowing more.

8:38:05 AM

REPRESENTATIVE CISSNA related her understanding that usually smaller communities have larger numbers of volunteer firefighters whereas larger communities most often have paid firefighters. She inquired as to whether department staff could speak to the benefit of giving the exemption versus having to pay for volunteer services and the property values in smaller communities such as Hope and Girdwood.

8:39:51 AM

STEVE VAN SANT, State Assessor, Division Programs, Division of Community and Regional Affairs, Department of Commerce, Community & Economic Development, said that he doesn't have

value information on Hope since it's not a city. However, the property values in the following locations are as listed: Craig and Cordova - \$105,000-\$124,000; Nenana - \$74,000; Tanana - \$37,000; Petersburg - \$118,000; Pelican - \$162,000; Nome - \$90,000. The aforementioned are per capita values, he noted.

[8:41:21 AM](#)

REPRESENTATIVE CISSNA surmised that the taxation rate will vary from community to community. She then inquired as to the range of property tax.

MR. VAN SANT informed the committee that the following communities have the specified rates: Craig - 6 mills; Cordova - 9.7 mills; Nome - 10 mills; Nenana - 12 mills; Pelican - 7 mills; Petersburg - 11 mills; Valdez - 20 mills; and Whittier - 5 mills. Therefore, the range is 5 to 20 mills with most communities having a mill rate of 6-11.

CHAIR MUNOZ, in further response to Representative Cissna, explained that under a mill rate of 10, roughly for every \$100,000 in assessed value, the property tax would be \$1,000.

[8:42:59 AM](#)

SCOTT RUBY, Director, Division Programs, Division of Community and Regional Affairs, Department of Commerce, Community & Economic Development, related that he has a home in Moose Pass with an approximate value of \$140,000 and they pay \$634 in property tax to the borough. Therefore, if the proposed \$150,000 exemption was in place, the entire \$634 tax would be exempted.

[8:43:45 AM](#)

REPRESENTATIVE GARDNER pointed out that one of the letters of support references a tax exemption on the first \$200,000 value whereas the legislation refers to the first \$150,000.

MR. PASCHALL responded that the original version of the legislation did propose a tax exemption on the first \$200,000.

[8:44:19 AM](#)

CHAIR MUNOZ, referring to page 2, lines 24-27, of Version I, inquired as to why the sponsor would want to reward those applications that aren't filed in a timely manner.

MR. PASCHALL related that this is the language used for existing optional exemptions.

[8:45:15 AM](#)

REPRESENTATIVE SADDLER asked if anything prohibits municipalities from doing this proposed exemption without a state authorizing statute.

MR. PASCHALL reiterated his understanding that municipalities have the ability to provide a \$20,000 exemption.

[8:45:50 AM](#)

REPRESENTATIVE GARDNER recalled that some of the other property tax exemptions are only eligible to those who are eligible for the permanent fund dividend (PFD).

MR. PASCHALL said HB 170 includes a provision that in order for an individual to receive the exemption, he/she must be eligible for the PFD.

[8:46:16 AM](#)

CHAIR MUNOZ inquired as to whether the committee wanted to maintain or remove the language regarding timely application.

REPRESENTATIVE AUSTERMAN said he was fine with it [as it is].

REPRESENTATIVE GARDNER surmised that Chair Munoz, drawing from her time on the Juneau Assembly, is likely viewing the provision as would an assembly. She said she would be fine with whatever Chair Munoz wanted.

CHAIR MUNOZ announced that she would like to remove the language because an applicant should apply in a timely manner.

REPRESENTATIVE SADDLER highlighted that the legislation specifies that one has to be a volunteer fire department employee for two years prior to applying for the exemption.

[8:47:21 AM](#)

REPRESENTATIVE GARDNER moved to adopt Amendment 1:

Page 2, lines 24-27;

Delete the following language: "The governing body of the municipality for good cause shown may waive the claimant's failure to make timely application for exemption and authorize the assessor to accept the application as if timely filed."

There being no objection, Amendment 1 was adopted.

[8:48:06 AM](#)

REPRESENTATIVE GARDNER moved to adopt Amendment 2, as follows:

Page 3, line 4

Delete "shall"

Insert "may"

REPRESENTATIVE GARDNER explained that she didn't want to give municipalities a false sense of security that they can expect the state to fund this proposed exemption.

REPRESENTATIVE FEIGE said that he didn't have a problem with Amendment 2.

[8:49:01 AM](#)

CHAIR MUNOZ related her belief that the state should pay for it, if the exemption is going to be law. However, she also understood Representative Gardner's point that the state may not fund the exemption.

REPRESENTATIVE GARDNER reminded the committee that the state has chosen, on occasion, not to fund a host of other programs, such as power cost equalization and municipal revenue sharing.

[8:49:34 AM](#)

There being no objection, Amendment 2 was adopted.

[8:49:48 AM](#)

REPRESENTATIVE SADDLER suggested that it would be appropriate to have some mechanism whereby neighbors who would enjoy the benefits of the improved volunteer firefighter services would incur some obligation for this exemption rather than have it be a state subsidy. He suggested perhaps the local community could be obligated to provide a one-third match for the state funding

for the exemption. He inquired if the aforementioned would be appropriate.

REPRESENTATIVE FEIGE explained that by granting the exemption, a municipality is not taking in revenue, and therefore the only way for the municipality to make that up is to increase the mill rate. The state, he further explained, may choose to refund a certain percentage of the exemption up to 100 percent. He assumed that if the municipality granted the exemption and then found itself short of funds to operate, it would have to increase the mill rate if the state didn't provide a 100 percent reimbursement. Adjusting the municipality's income is within the purview of the municipality, the separate issue is the state's decision whether to provide a refund at a percentage up to 100 percent.

REPRESENTATIVE SADDLER clarified that he is trying to avoid a situation similar to that of the senior property tax exemption in which the state funded it during a time of plenty, but did not during leaner times. In those leaner times, it was left to the municipality to fund.

REPRESENTATIVE FEIGE said he understood the concern, but emphasized that the local municipality still has the job of increasing or lowering its mill rates or assessed values in order to raise revenue. There are so many unknowns with regard to this exemption that, perhaps the reimbursement should be left at 100 percent and see what happens. He reminded the committee that if a municipality isn't having a recruitment problem, then it doesn't have to enact the exemption. However, he understood there may be some political pressure, although it won't be from many people because it will likely be from those volunteers who own property. With regard to how much of a bill HB 170 will generate for the state, he said he was unsure. On the other hand, there is something of a moral obligation, he remarked.

[8:55:05 AM](#)

CHAIR MUNOZ pointed out that if the state doesn't participate, the municipality has 100 percent "skin" in the game [and thus a 30 percent requirement as proposed by Representative Saddler] would be difficult.

[8:55:36 AM](#)

REPRESENTATIVE AUSTERMAN moved to report CSHB 170, Version 27-LS0562\I, Bullard, 4/6/11, as amended, and with an indeterminate

fiscal note, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 170(CRA) was reported from the House Community and Regional Affairs Standing Committee.

[8:56:12 AM](#)

The committee took an at-ease from 8:56 a.m. to 9:00 a.m.

HB 290-ESTABLISH ENDOW ALASKA GRANT PROGRAM

[9:00:49 AM](#)

CHAIR MUNOZ announced that the next order of business would be HOUSE BILL NO. 290, "An Act creating the endow Alaska grant program in the Department of Commerce, Community, and Economic Development to encourage community development."

[9:01:41 AM](#)

REPRESENTATIVE SADDLER moved to adopt CSHB 290, Version 27-LS1094\D, Kirsch, 2/1/12, as the working document. There being no objection, Version D was before the committee.

[9:02:04 AM](#)

ERIN HARRINGTON, Staff, Representative Austerman, Alaska State Legislature, recalled that at the prior hearing the committee raised questions that revolved largely around the applicability of the language to the circumstances in Alaska. The legislation was originally drafted based on a law in Iowa, where all communities are neatly organized into counties. The aforementioned doesn't mirror the situation in Alaska, in which areas may be organized or unorganized, as communities or boroughs, and communities and independent municipalities that are not in boroughs. In addressing the points raised by the committee and working with Alaska community foundations, quite a few changes were made to HB 290 to make it relevant for Alaska. The committee packet includes a memorandum dated February 1, 2012, which relates the changes encompassed in Version D. However, everywhere the memorandum incorrectly refers to Version I it should refer to Version D. She pointed out that in addition to the changes that make the legislation relevant to Alaska there are also two policy changes. The first policy change is in Section 1, where the language clarifies that the funds raised and matched through the Endow Alaska program are meant to grow their unrestricted endowed funds of community

foundations and thus make them available in perpetuity to support a broad range of needs and communities as determined by the involved residents making the decisions where the earnings on the funds are spent. The second policy change is that Version D removes the requirement that grantees demonstrate substantial compliance with the national standards of the National Council on Foundations. The aforementioned was the result of continued discussion with members of the community foundation organizations in Alaska. There were concerns that the requirement that grantees demonstrate substantial compliance with the national standards of the National Council on Foundations would place an undue hurdle with regard to communities being able to access this program. She pointed out that the committee should have a handout regarding the timeline involved in demonstrating compliance with the national standards of the National Council on Foundations. The process is fairly lengthy in that it takes from 300 days to 450 days and there are associated costs. Currently, there are only two community foundation organizations that meet this accreditation standard. Although other community foundations have chosen not to seek accreditation, she didn't believe there is any question of the quality of work or commitment of those foundations.

MS. HARRINGTON then detailed the changes encompassed in Version D. On page 1, lines 11-12, language was added to clarify that the purpose of the grants under this program are to grow the unrestricted endowed funds. She then explained that on page 2, lines 5-6, the language didn't accurately describe the Alaska Community Foundation (ACF), which is envisioned as the lead philanthropic entity in Alaska, and therefore it was deleted. The language requiring the Council on Foundations national standards compliance was also deleted. Throughout the legislation the language "community affiliate organization" was replaced with "community foundation affiliate" in order to more clearly describe the entities in Alaska. The ambiguous language regarding the ranking for applicants [on page 2, lines 17-18] was also deleted. The sponsor didn't want the language to imply that the needs in 2013 somehow dictate the use of the funds in 2085. [On page 2, lines 16-17] language was inserted to clarify that funds should be used to help create new community foundations as well as grow existing community foundations. On page 2, line 31, the language "plan for distributing grant funds" was replaced with the language "spending policy". The legislation was also inconsistent with regard to definitions, and thus the language on page 3, lines 3-5, was deleted. In proposed AS 11.33.180, the term "organization" was replaced with "foundation affiliate" in order to more clearly describe the

organizations in Alaska. The language on page 3, lines 10-11, that specified that no more than five grants could be received within a single borough in a year was removed since not all Alaska communities are located in boroughs. The final provision of the legislation regarding definitions was reordered to correspond with the hierarchy of community foundations and the affiliates underneath them. Ms. Harrington then provided a document relating the hierarchy of community foundations. She explained that community foundations can hold within them affiliate funds, which are known as community foundation affiliates in terms of HB 290. These community foundation affiliates can have independent boards that work at the local level. For instance, the nonexistent Kodiak Community Foundation would have a local level policy board, but they would be an affiliate to a higher level community foundation that would actually hold the funds and have the fiduciary responsibility for it. With regard to partner foundations, she explained that the Juneau Community Foundation would be considered a partner to ACF because the Juneau Community Foundation has deposited a portion of its endowed funds with ACF, although they hold the rest independently and locally with in the community. She also provided a document that relates some of the results of the Endow Iowa and Kentucky programs. She highlighted that from June 2010 through June 2011, the Endow Iowa funds grew by \$100 million and have grown from 20 community organizations to 130. Iowa's investment in the grant portion of the Endow Iowa program was \$200,000 over four years. The Endow Iowa program also has a tax credit portion that continues today.

[9:14:33 AM](#)

DIANE KAPLAN, President & CEO, Rasmuson Foundation, reminded the committee that in the 1800s Solomon Guggenheim and J.P Morgan made a lot of money in Alaska, but none of those dollars earned in Alaska benefitted Alaskans in the future. She then related that in more recent years, she met a woman in Seattle whose father had a thriving business in Anchorage, the funds of which were used to create a foundation in Seattle and all the grants made from the organization are to entities in Seattle. Through initiatives such as HB 290, she expressed hope that the trend of people earning lots of money in Alaska and using that money to benefit other places will end. In 2005, in recognition of the aforementioned, the Rasmuson Foundation created the community asset building initiative. This initiative was done in concert with colleagues around the country who had done similar programs to create community funds to give philanthropic individuals a vehicle through which they can provide long-term support for the

organizations in the communities in which they live and thrive. Through the aforementioned initiative the Rasmuson Foundation has new funds in communities such as Seward, Haines, Petersburg, and Talkeetna. Each of those communities stepped forward to create permanent endowments that would benefit the community in the long-term as well as organizations people value. The Rasmuson Foundation provided a lot of technical assistance through ACF, which was the lead partner. The Rasmuson Foundation also worked with existing affiliates such as the Juneau Community Foundation and the Homer Community Foundation, which has previously been established. The result has been the creation of new opportunities for philanthropic Alaskans. For example, local Seward resident Tony Rollo (ph) left almost \$2 million to the Seward Community Fund at ACF. If the Seward Community Fund hadn't been created in 2005, those dollars wouldn't be there to benefit Seward in the long-term, she opined. In recognition of the aforementioned, the Rasmuson Foundation Board approved an additional \$2 million to help establish three to four new affiliate funds at the ACF. She expressed hope that Kodiak, Ketchikan, Fairbanks, and the Mat-Su Valley will create such funds in the future. Ms. Kaplan related that HB 290 is very timely because the Rasmuson Foundation has allocated lots of funding to provide the technical assistance to help communities apply for these funds and be successful. She expressed hope that there could be more funds to put toward this effort because the Rasmuson Foundation found that its \$25,000 challenge grants is adequate for communities the size of Petersburg, Haines, or Talkeetna but probably inadequate for communities the size of Kodiak or Fairbanks. Ms. Kaplan then told the committee that the Rasmuson Foundation supports the policy change in Version D regarding supporting unrestricted endowments, which she characterized as the "sweet spot." She related that the Rasmuson Foundation does like the requirement to meet the Council on Foundations national standards, which ACF already does. However, that was deleted from Version D. Version D also doesn't include the statewide lead organization language, which Ms. Kaplan felt should be included because an organization administering these funds should have a statewide board and perspective. Ms. Kaplan characterized HB 290 as an excellent opportunity. In fact, Alaska's congressional delegation is on the national level supporting similar legislation, the Rural Philanthropy Gross Act, through the United States Department of Agriculture (USDA). In closing, she mentioned that the former governor of Iowa, who established Endow Iowa, is now the secretary of the USDA and knows the value of this program.

[9:20:14 AM](#)

REPRESENTATIVE SADDLER inquired as to the impact the creation of an Endow Alaska fund would have on the informal charitable giving organizations in Alaska.

MS. KAPLAN used Eagle River as an example. Eagle River is a new community fund for which the Rasmuson Foundation supported a major effort to place a clock in the town center. The aforementioned is a local project that gets folks to make a donation for the first time. Furthermore, there are local institutions that folks may like to support over time and without a local community fund there is no way to do so. She opined that since most people like their giving to be local, it's a real benefit to establish local funds to capture the giving. She informed the committee that Seward has \$2.3 million that will generate over \$100,000 annually, in perpetuity, for Seward organizations. This model has already proven to be successful in just a few short years, she opined.

[9:22:31 AM](#)

REPRESENTATIVE SADDLER said he understood the benefit of having local foundations as it creates a higher profile and provides a mechanism [for giving]. He reiterated his question regarding whether the creation of more structured state philanthropy with a state match/grant impacts any other giving patterns.

MS. KAPLAN offered that the structured state philanthropy is more about giving from savings or bequests whereas for the smaller less organized charitable organizations the giving is from the checking account. What is really being discussed is establishing a savings account for long-term needs and providing philanthropic individuals a way in which to endow things they care about. Those generally come from an estate gift once an individual has passed away. For example, the Rasmuson Foundation was originally a \$6 million foundation, but when Elmer Rasmuson passed away the majority of his estate passed to the foundation. The aforementioned resulted in the Rasmuson Foundation being a \$500 million foundation. Although it's easy to underestimate the assets in communities, there are 5-6 millionaires in Alaska and the [Rasmuson Foundation] wants to ensure those assets stay in Alaska rather than go elsewhere merely because of a lack of a local vehicle to support the local organizations.

[9:25:25 AM](#)

MS. HARRINGTON pointed out the Endow Iowa and Kentucky document relates that a Transfer of Wealth Study estimated that through probate estates alone, from 2020-2049, \$531 billion will transfer hands in Iowa as Baby Boomers pass away. Although the scope may be smaller in Alaska, the opportunity to capture the giving remains.

[9:26:13 AM](#)

CHAIR MUNOZ recalled that Ms. Kaplan related the importance of the statewide lead organization, the language for which is retained, but on line 1 it's an option of the department to identify the lead philanthropic entity due to the use of the term "may" rather than "shall"[page 1, line 9].

MS. KAPLAN said that it's important to have a statewide entity to create buy-in to have a statewide entity administer the funds.

[9:27:29 AM](#)

KEN KASTNER, Member, Board of Trustees, Homer Community Foundation, informed the committee that the term "unrestricted" is a term of art when used with regard to these funds. For a community foundation, an "unrestricted fund" means a fund in which both the corpus and the interest, the distributable amount through a spending policy, is at the discretion of the board. The aforementioned is of concern, although he said that he agreed with the intent. He then opined that the growth through HB 290 wouldn't be through new community foundations or affiliates, rather it would likely be through a community fund, which is a basket of funds. For example, the Homer Community Foundation includes the City of Homer Fund and the Kachemak City Fund, both of which are permanent endowments the purpose of which are to provide annual operational support for 501(c)(3)s located within the municipal boundaries. In Homer, [the Homer Community Foundation] has never competed with anyone. In fact, he suggested that the 501(c)(3)s in Homer would say that the creation of a community foundation opened avenues of income to them that they have never had. Therefore, he suggested that what he refers to as a community fund should be specifically included in HB 290. Lastly, he suggested that there should be legislative guidance as to the distribution of funds in new and existing funds. He said he wouldn't want existing funds to have a priority over funding decisions.

MR. KASTNER, in response to Chair Munoz, clarified that an "unrestricted fund" to a community foundation means that both the corpus and earnings are available for distribution. He offered his belief that the intent is to refer to "unrestricted use of earnings" rather than "unrestricted fund" since he believes the intent was to place the funds and the matching funds in permanent endowments the purpose of which would be unrestricted.

[9:31:26 AM](#)

MS. HARRINGTON agreed with Mr. Kastner that the intent is they be endowed funds the purposes of which would be unrestricted. She suggested that perhaps on page 1, line 12 the term "unrestricted" should be deleted and following the term "funds" insert the language ", the purposes of which would be unrestricted".

[9:32:36 AM](#)

REPRESENTATIVE GARDNER suggested that perhaps the language on page 1, line 12, should read "to increase endowed funds the purpose of which would be unrestricted."

[9:33:50 AM](#)

CHAIR MUNOZ inquired as to any comments regarding Mr. Kastner's concern with regard to including community funds in addition to community foundations and community foundation affiliates.

MS. HARRINGTON related that the sponsor struggled with finding a mechanism through which communities that didn't have the capacity to establish an affiliate, and ultimately felt it would be difficult to put in law. She characterized it as a policy call. As HB 290 is currently written, the legislation provides the opportunity for communities or regions to establish foundations or affiliates and do fundraising to benefit them. She said she didn't believe the activity is precluded.

[9:35:38 AM](#)

CHAIR MUNOZ inquired as to whether the \$25,000 grant amount is an annual or one-time amount.

MS. HARRINGTON clarified that the grant amount is not meant to be one time, but rather annually.

[9:36:13 AM](#)

CHAIR MUNOZ inquired as to the sponsor's vision with regard to the initial funding of the program since the legislation carries a zero fiscal note.

REPRESENTATIVE AUSTERMAN explained that the Department of Commerce, Community & Economic Development (DCCED) provided a zero fiscal note from because it believes it can handle pass through grant funds. Perhaps, there needs to be an indeterminate fiscal note to have the fiscal conversation because the program could have a yearly appropriation or an endowment. He anticipated four to six applications at \$25,000 a year. However, the program may reach a point at which it may not need to be funded and would be viewed as a yearly appropriation by the House Finance Committee.

[9:38:44 AM](#)

CHAIR MUNOZ, upon determining no one else wished to testify, announced that public testimony would be closed.

[9:39:51 AM](#)

REPRESENTATIVE GARDNER moved that the committee adopt Amendment 1, as follows:

Page 1, line 9, following "a"
Insert "statewide"

Page 2, line 4;
Delete "an"
Insert "a statewide"

There being no objection, Amendment 1 was adopted.

[9:41:31 AM](#)

REPRESENTATIVE GARDNER moved that the committee adopt Amendment 2, as follows:

Page 1, line 11;
Delete "for the purpose of increasing
unrestricted endowed funds."
Insert "to increase endowed funds the purpose of
which would be unrestricted."

There being no objection, Amendment 2 was adopted.

[9:41:59 AM](#)

REPRESENTATIVE GARDNER moved that the committee adopt Amendment 3, as follows:

Page 2, line 31, following "\$25,000";
Insert "annually"

There being no objection, Amendment 3 was adopted.

[9:42:27 AM](#)

REPRESENTATIVE SADDLER asked if there was the intent to have a lifetime cap on the grants.

MS. HARRINGTON responded that it wasn't discussed.

REPRESENTATIVE SADDLER asked if the purpose of the community foundations or community foundation affiliates is to grow their endowments so that they can provide operating grants to smaller 501(c)(3)s.

REPRESENTATIVE AUSTERMAN replied yes.

MS. HARRINGTON clarified that ACF, the lead philanthropic entity, wouldn't contribute the match rather the local entity would contribute the match. The lead philanthropic entity, ACF, would simply administer the program with the state dollars being matched at the local level.

[9:43:49 AM](#)

REPRESENTATIVE GARDNER surmised then that the local entity would apply for the grant, proceed through the system, and be approved as comporting with the intent.

MS. HARRINGTON replied yes.

[9:44:23 AM](#)

REPRESENTATIVE FOSTER moved to report CSHB 290, Version 27-LS1094\D, Kirsh, 2/1/12, as amended, and an indeterminate fiscal note, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB

290(CRA) with an indeterminate fiscal note was reported out of the House Community and Regional Affairs Standing Committee.

HB 184-REFUND OF FISH BUSINESS TAX TO MUNIS

[9:45:09 AM](#)

CHAIR MUNOZ announced that the final order of business would be HOUSE BILL NO. 184, "An Act relating to the sharing of tax revenue from the fisheries business tax and fishery resource landing tax with municipalities; and providing for an effective date."

[9:46:20 AM](#)

REPRESENTATIVE P. WILSON, Alaska State Legislature, deferred to Mr. Cottongim to explain the information he provided per Representative Austerman's request.

[9:47:02 AM](#)

TIM COTTONGIM, Fish Group Manager, Juneau Office, Tax Division, Department of Revenue, per the request of Representative Austerman, provided the committee with a spreadsheet that breaks out the impact of solely the export provision to each of the communities previously receiving sharing from the fisheries business tax. The export provision provides that revenues are shared back to communities from where the fish was first landed, prior to being exported from the state.

[9:48:28 AM](#)

REPRESENTATIVE AUSTERMAN remarked that this spreadsheet relates the results of the 50:50 split versus the 75:25 split of the community and the state. Currently, the fisheries landing tax is split 50:50 between the communities and the state. If another 25 percent is given to the municipalities, then that's 25 percent less that goes to the state. The aforementioned would fuel the House Finance Committee argument that the fisheries don't pay their way. If the legislation reaches the House Finance Committee with the additional 25 percent of the fisheries landing tax going to municipalities, it may be something the House Finance Committee doesn't want to do. He acknowledged that the sponsor has said she will withdraw the legislation if the 25 percent increase to the municipalities doesn't remain in the legislation. Still, Representative Austerman opined that the legislation should be reviewed in

regard to how the distribution of taxes would flow from the smaller communities to the larger communities based on not having the 25 percent. The original legislation, prior to the inclusion of the 25 percent increase, had problems that should be reviewed.

[9:50:41 AM](#)

CHAIR MUNOZ pointed out that the legislation addresses two taxes: the fisheries business tax and the fisheries resource landing tax. The table prepared by Mr. Cottongim assumes that one of the taxes was removed from the formula.

MR. COTTONGIM replied yes, the table doesn't address the piece dealing with the exported unprocessed shares. Therefore, the table didn't calculate the 75 percent at all, rather it took the current 50 percent share that's in law and changed it based on the exported unprocessed being shared directly by DOR instead of it going to DCCED to allocate.

CHAIR MUNOZ related her understanding that if the legislation moves forward as currently written and isn't changed to amend either of the taxes, the return to the communities is much greater. In fact, in most cases, there would be a substantial increase in revenue.

MS. COTTONGIM replied yes, adding that he didn't believe any community would experience a loss at the 75 percent share along with this provision.

[9:52:37 AM](#)

REPRESENTATIVE P. WILSON reminded the committee that when the state received 50 percent of the tax, the state owned the harbors. However, now most of the harbors have been transferred to local municipalities and haven't been given money to help maintain the harbors. Although [the additional funds provided via HB 184] won't address all the harbor needs, it will help. If the legislation is changed, that is the taxes are decoupled, she announced that she would withdraw the legislation.

[9:53:54 AM](#)

CHAIR MUNOZ announced that HB 184 would be held over.

[9:54:12 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:54 a.m.