

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 21, 2013

3:33 p.m.

MEMBERS PRESENT

Senator Peter Micciche, Chair
Senator Dennis Egan
Senator Click Bishop
Senator Lyman Hoffman

MEMBERS ABSENT

Senator Cathy Giessel, Vice Chair

OTHER LEGISLATORS PRESENT

Representative Shelley Hughes

COMMITTEE CALENDAR

PRESENTATION: LOCAL GOVERNMENT BY THE ALASKA MUNICIPAL LEAGUE

- HEARD

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 40(CRA)

"An Act establishing a municipal tax exemption for certain farm structures."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 40

SHORT TITLE: MUNICIPAL TAX EXEMPTION: FARM STRUCTURES

SPONSOR(S): REPRESENTATIVE(S) HUGHES

01/16/13	(H)	PREFILE RELEASED 1/7/13
01/16/13	(H)	READ THE FIRST TIME - REFERRALS
01/16/13	(H)	CRA
01/31/13	(H)	CRA AT 8:00 AM BARNES 124
01/31/13	(H)	Moved CSHB 40(CRA) Out of Committee
01/31/13	(H)	MINUTE(CRA)
02/01/13	(H)	CRA RPT CS(CRA) 6DP
02/01/13	(H)	DP: FOSTER, REINBOLD, OLSON, DRUMMOND, LEDOUX, NAGEAK

02/08/13 (H) TRANSMITTED TO (S)
02/08/13 (H) VERSION: CSHB 40(CRA)
02/11/13 (S) READ THE FIRST TIME - REFERRALS
02/11/13 (S) CRA
02/21/13 (S) CRA AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

KATHIE WASSERMAN

Executive Director
Alaska Municipal League (AML)
Juneau, Alaska

POSITION STATEMENT: Provided presentation on local government operations.

REPRESENTATIVE HUGHES

Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of HB 40.

GINGER BLAISDELL

Staff to Representative Hughes
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Commented on HB 40 for the sponsor.

STEVE VAN SANT, State Assessor

Department of Commerce, Community and Economic Development
(DCCED)

Anchorage, Alaska

POSITION STATEMENT: Available to answer questions on HB 40.

ACTION NARRATIVE

[3:33:01 PM](#)

CHAIR PETER MICCICHE called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:33 p.m. Present at the call to order were Senators Hoffman, Egan, Bishop and Chair Micciche.

PRESENTATION: Local Government by the Alaska Municipal League

CHAIR MICCICHE said the first item on the agenda was a presentation by Kathie Wasserman.

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KATHIE WASSERMAN, Executive Director, Alaska Municipal League (AML), Juneau, Alaska, said the reason she prepared the "Local Government 101" was last year while listening to a committee hearing she heard a member in the House say they would have to stop some of these property tax exemptions, because if they didn't it would totally break the state's budget. She called him and said the state doesn't pay for it, and he disagreed. That is when she saw a reason to help people understand how local government works.

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MS. WASSERMAN said the AML represents all 162 cities and boroughs in the state; a municipality includes cities and boroughs. Ninety-seven percent of the population lives in these cities and boroughs; the rest are in unorganized communities. AML does three things: they represent the voice of all cities and boroughs and take those messages to the legislature and to the Congress; they try to build consensus as much as possible and working closely with the State Division of Community and Regional Affairs provide training, picking up some gaps they can't pick up for whatever reason (low staffing or not enough funds); and they also provide a joint insurance association - pooling insurance and risk management, and an investment pool where municipalities can put money they are setting aside for projects.

MS. WASSERMAN said with their staff of five people, the AML not only represents all municipalities but the municipal affiliates, as well. They support and do the work for the Alaska Conference of Mayors, the Alaska Clerks Association, the Managers Association, Alaska Finance Officers, the Municipal Assessors, the Municipal Attorneys, Municipal Planners, and the Municipal Fire Chiefs.

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MS. WASSERMAN said page 4 listed the powers cities can select from depending on what status the city is. Page 6 listed all the boroughs; she added that the 19th borough, Petersburg, was added last month. She said the largest borough is the unorganized borough and that has an assembly that is the legislature. In the last 50 years they don't know of any time where the legislature actually went into session as the assembly.

She had references to the Alaska Constitution that provide for maximum local self-government and minimum local government units and said that having minimum local government is one of the goals of the Local Boundary Commission. All the boroughs and

their different powers were listed on page 8 and were helpful as a reference. She explained that sometimes laws are written asking municipalities to do things that aren't under their authority to do under Title 29.

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MS. WASSERMAN said the senior citizens property tax exemption is a mandated exemption under Title 29.45.050(g). This year those exemptions totaled \$57 million split between 19 municipalities. Revenue sharing is a total of \$60 million split between more than 162 communities (including unorganized communities). So they are very quickly getting to where the senior citizens property tax exemption is more than the revenue sharing. In the Municipality of Anchorage, for instance, this year senior citizens property tax exemptions is up to \$28 million and their revenue sharing is \$15 million. The mayor is very concerned, because at some point the state decided it didn't have the money to reimburse the municipalities entirely. She didn't know of a municipality in the state that levies a property tax that would not be willing to give breaks to seniors and disabled veterans that need it. However, AML thought it should be under the purview of the municipalities to make their own decisions and to do what they can afford rather than have it mandated by the state and the cost not picked up.

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MS. WASSERMAN said when she gave this presentation to the House she was asked if they wanted money back for reimbursement for the last 15 years and that is not what they want. They have always been opposed to mandated property tax exemptions and are very careful in their response to optional property tax exemptions. However, they are not taking a position against HB 40, because some municipalities think it is good for them.

She said the AML appreciates revenue sharing, because municipalities need help with providing basic services. They can't raise enough money through taxes and fees and don't want to provide less services or lay people off. Laying people off right now is also a bit problematic, because under SB 125 a number of years ago, municipalities get "dinged" on laying people off if they are part of a group or classification.

She said the revenue sharing program gives them \$60 million out of progressivity and the last two years they received supplementals in the amount of \$20 million two years ago and last year \$25 million (based on the price of oil). This year,

once again, they are asking for an additional supplemental of \$25 million.

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CHAIR MICCICHE said he thought some folks misunderstand the Boundary Commission's mission statement - maximum local government/minimum local government units - on page 7 and asked her to clarify it.

MS. WASSERMAN said the intent of the framers of the Constitution was to not have a lot of little governments all over. In fact, their original intent was to have boroughs not cities as seats of government.

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SENATOR BISHOP asked if any training is offered for rural Alaska.

MS. WASSERMAN replied yes. She had been a mayor of a rural community and always thinks of them first, because she knows what it's like to be out there in the middle of nowhere and not know what to do next. The AML has four meetings a year and at their large annual conference they have newly elected officials training when about 120 people show up, 60-70 percent are from small villages. They also try to put money aside and offer scholarships to fly in. The mayors also have a little scholarship program to help mayors from rural villages fly in and do all they can to make sure they get that training. The larger communities have the ability to get that in other places, but the small ones don't.

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CHAIR MICCICHE said they also offer sectional training for planning directors that are appointed and staff; it's a great organization. He said it would be nice for new folks in the legislature to have an early visit that helps them understand the impacts of exemptions on smaller communities.

MS. WASSERMAN answered that she agreed and they try to encourage legislators to look at the big picture; when you do something over here it affects something else over there.

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CHAIR MICCICHE thanked Ms. Wasserman for her presentation.

HB 40-MUNICIPAL TAX EXEMPTION: FARM STRUCTURES

[3:51:03 PM](#)

CHAIR MICCICHE announced HB 40 to be up for consideration [CSHB 40(CRA) was before the committee].

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REPRESENTATIVE HUGHES, sponsor of HB 40, Alaska State Legislature, Juneau, Alaska, said this measure is a farm food storage building tax exemption. HB 40 points to the fact that agriculture remains important to Alaska and its purpose is to strengthen a small but important section of Alaska's economy.

She said Greg Wolf with the World Trade Center commented in the Economic Development Committee last week about how Alaska compares economically to other states. He said two factors cause us to lag: agriculture and manufacturing.

REPRESENTATIVE HUGHES said back in the 1950s more than 50 percent of the food consumed by Alaskans was from Alaska and now it's less than 5 percent. HB 40 would allow, not mandate, local municipalities to exempt specific food storage and production buildings for those who derive at least 10 percent of their income from farming activities. She hoped that reducing the tax on certain buildings would encourage food storage and production without diminishing a significant tax percentage for the municipalities, which would help farmers. But it will also increase access to locally grown food for Alaskans for a longer period of time. She said bringing food up on a barge can take seven to nine days and when food is grown locally it can be on the shelf within a day or two.

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REPRESENTATIVE HUGHES said she has a lot of farmers in her district and they were turning under crops and dumping produce because it didn't make financial sense to store it because of the tax they pay on the buildings. She sought input from municipalities around the state who had good ideas which were incorporated into the bill. The 10 percent income requirement was to prevent someone who is just doing gardening as a hobby from getting the credit.

Initially, she considered a building that would have 50 percent farming use and decided that would be too hard on the local municipalities. They would have to get out a measuring tape to figure out if it's 50 percent, but it would also apply to a lot more buildings and the fiscal impact would be harder on those local municipalities. So, they tightened it up in that the structure must be used exclusively for farming, which must

include the food storage, processing or growing and not storing a sail boat.

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REPRESENTATIVE HUGHES said Bethel has no tax and it wouldn't apply in the Delta area that is unorganized, but it could apply to a few greenhouses in Juneau.

[3:57:17 PM](#)

GINGER BLAISDELL, staff to Representative Hughes, sponsor of HB 40, Alaska State Legislature, Juneau, Alaska, added the Fairbanks assessor said the tax would be non-eventful. The Kenai and Homer assessors said their farming activity is done in hoop houses made of large PVC arched pipe with plastic over it, but because they are not architecturally attached to the ground they aren't considered a building structure. Kodiak also used hoop houses; the only place that gave her a specific number for a possible tax exemption was the MatSu Borough and he was trying to count how many houses would be 50 percent food storage or production and came up with over \$3 million in tax. Once they changed it to be exclusively for food storage or production, he felt that that figure would be significantly reduced, but he would have to look at some of the buildings again.

REPRESENTATIVE HUGHES said Kenai came up with a figure of \$45,000.

MS. BLAISDELL added the whole borough, including Homer and Soldotna, would be a total of \$75,000.

CHAIR MICCICHE said he thought it was a good bill and asked for questions.

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SENATOR BISHOP agreed with Senator Micciche.

[4:00:05 PM](#)

CHAIR MICCICHE said he thought just one part of the bill that talked about home kitchens might be awkward.

MS. BLAISDELL said she talked to a couple of assessors who had individuals who might be picking their own raspberries and selling them at a farmers market, and because their kitchen is part of a household structure and not solely for the purpose of a farming activity, it would not qualify for an exemption.

REPRESENTATIVE HUGHES said she could remove the word "likely" to make language clearer.

CHAIR MICCICHE said he thought that would be the only thing that might concern assessors.

[4:01:52 PM](#)

SENATOR EGAN asked if this language applied to the committee substitute (CS).

REPRESENTATIVE HUGHES answered yes.

[4:02:26 PM](#)

CHAIR MICCICHE clarified that the CS doesn't mention kitchens at all, so she would be free to remove the word "likely".

REPRESENTATIVE HUGHES answered yes.

[4:02:48 PM](#)

STEVE VAN SANT, State Assessor, Department of Commerce, Community and Economic Development (DCCED), Anchorage, Alaska, said he was available to answer questions on HB 40.

CHAIR MICCICHE said he would leave public testimony open and bring the bill up next Thursday.

[4:03:29 PM](#)

There being no further business to come before the committee, Chair Micciche adjourned the Community and Regional Affairs Committee at 4:03 p.m.