

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 24, 2016

8:01 a.m.

MEMBERS PRESENT

Representative Cathy Tilton, Chair
Representative Paul Seaton, Vice Chair
Representative Shelley Hughes
Representative Benjamin Nageak
Representative Lora Reinbold
Representative Harriet Drummond
Representative Dan Ortiz

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 209

"An Act relating to an Alaska Water and Sewer Advisory Committee; and providing for an effective date."

- MOVED CSHB 209(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 370

"An Act relating to municipal tax exemptions."

- HEARD & HELD

HOUSE BILL NO. 338

"An Act relating to the municipal property tax exemption on the residence of a senior, a disabled veteran, and a widow or widower of a senior or disabled veteran; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 209

SHORT TITLE: WATER AND SEWER ADVISORY COMMITTEE

SPONSOR(S): REPRESENTATIVE(S) FOSTER

04/19/15 (H) READ THE FIRST TIME - REFERRALS
04/19/15 (H) CRA, FIN
03/17/16 (H) CRA AT 8:00 AM BARNES 124
03/17/16 (H) Heard & Held
03/17/16 (H) MINUTE (CRA)
03/24/16 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 370

SHORT TITLE: MUNICIPAL TAX EXEMPTIONS

SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS

03/09/16 (H) READ THE FIRST TIME - REFERRALS
03/09/16 (H) CRA
03/24/16 (H) CRA AT 8:00 AM BARNES 124

BILL: HB 338

SHORT TITLE: MUNI. PROPERTY TAX EXEMPTIONS

SPONSOR(s): SEATON

02/24/16 (H) READ THE FIRST TIME - REFERRALS
02/24/16 (H) CRA
03/24/16 (H) CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

HEATH HILYARD, Staff
Representative Cathy Tilton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the Committee Substitute (CS) for HB 209, on behalf of Representative Tilton, Chair of the House Community and Regional Affairs Standing Committee.

KATHIE WASSERMAN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 209.

MARTY MCGEE, State Assessor
Division Programs & Key Staff
Division of Community and Regional Affairs
Department of Commerce, Community, & Economic Development
(DCCED)
Anchorage, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 338.

RON SOMERVILLE

Juneau, Alaska

POSITION STATEMENT: Testified with concern for HB 338.

CATHY BOUTIN

Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 338.

LORETTA BEVEGNI

Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 338.

WAYNE ADERHOLD

Homer, Alaska

POSITION STATEMENT: Testified in support of HB 338.

KATIE KOESTER, City Manager

City of Homer

Homer, Alaska

POSITION STATEMENT: Testified in support of HB 338.

JANET GOEHRINGER

Homer, Alaska

POSITION STATEMENT: Testified in opposition to HB 338.

DIANE HUGHES

Homer, Alaska

POSITION STATEMENT: Testified in opposition to HB 338.

MARIANNE SCHLEGELMILCH

Homer, Alaska

POSITION STATEMENT: Testified in opposition of HB 338

SCOTT BRANDT-ERICKSEN

Borough Attorney

Ketchikan Gateway Borough

Ketchikan, Alaska

POSITION STATEMENT: Testified in support of the committee substitute (CS) for HB 338, Version P.

LOIS WIER

Wasilla, Alaska

POSITION STATEMENT: Testified in opposition to HB 338.

GARY PARKER

Juneau, Alaska

POSITION STATEMENT: Testified with concern for HB 338.

ACTION NARRATIVE

[8:01:45 AM](#)

CHAIR CATHY TILTON called the House Community and Regional Affairs Standing Committee meeting to order at 8:01 a.m. Representatives Ortiz, Drummond, Seaton, Hughes Nageak, Reinbold, and Tilton were present at the call to order.

HB 209-WATER AND SEWER ADVISORY COMMITTEE

[8:03:31 AM](#)

CHAIR TILTON announced that the first order of business would be HOUSE BILL NO. 209, "An Act relating to an Alaska Water and Sewer Advisory Committee; and providing for an effective date."

[8:04:50 AM](#)

HEATH HILYARD, Staff, Representative Cathy Tilton, Alaska State Legislature, reviewed the committee substitute (CS), Version E, changes which are: page 1, line 12 the verbiage "systems are provided for all state residents," is amended to read "systems are provided for all communities of the state; and page 3, lines 2 and 4 have had the date requirements adjusted from 2016 and 2017 to read 2017 and 2018, respectively. Further, he said the packet contains three proposed amendments for the committee to consider for determining the appointment process, the composition of the advisory committee, defining the Bush caucus. He pointed out that the third amendment is comprised of the first two amendments, thus affording flexibility in the adoption process.

[8:06:30 AM](#)

MR. HILYARD explained the amendments: proposed Amendment 1 replaces the language of the bill, page 2 lines 7-10, thus removing the requirement that the legislative seats be filled by a majority vote of the membership and are instead named by the House Speaker and the Senate President, accordingly. Proposed Amendment 2 replaces language of the bill, page 3, lines 30-31, which defines the Bush caucus as a group of legislators that represent rural areas of the state, and replaces that definition with specifically named locales from which the caucus will be

drawn. Proposed Amendment 3 provides for both of these actions to be adopted via one committee motion, he finished.

[8:07:38 AM](#)

REPRESENTATIVE HUGHES questioned how many representatives or senators might be involved when considering the areas named in proposed Amendment 2. She stressed that it would be important to have more than one or two legislative members from which to appoint and maintained her interest in knowing how many Bush districts are included.

[8:08:02 AM](#)

PAUL LABOLLE, Staff, Representative Neal Foster, Alaska State Legislature, responded that elected officials for consideration will represent Districts 6, 36, 37, 38, 39, and 40.

[8:08:43 AM](#)

REPRESENTATIVE ORTIZ asked for clarification on the status of water/sewer projects in the named areas.

MR. LABOLLE responded that the named locales have projects on the list, but represent unserved communities.

[8:09:18 AM](#)

REPRESENTATIVE SEATON added that there are villages in his district, which have listed projects, but are not named in the caucus pool. He surmised that the named areas comprise communities that are currently unserved.

MR. LABOLLE concurred.

[8:10:42 AM](#)

The committee took an at-ease from 8:10 a.m. to 8:11 a.m.

[CHAIR TILTON passed the gavel to Vice Chair Seaton.]

[8:11:04 AM](#)

CHAIR TILTON moved to adopt Amendment 3, labeled 29-LS0306\E.3, Nauman, 3/18/16, which read:

Page 2, lines 7 - 8:

Delete "affirmative vote of a majority of the full membership"

Insert "the president"

Page 2, lines 9 - 10:

Delete "affirmative vote of a majority of the full membership"

Insert "the speaker"

Page 3, lines 30 - 31:

Delete "rural areas of the state"

Insert "the following communities: Akiachak, Alatna, Allakaket, Arctic Village, Atmautluak, Birch Creek, Chalkyitsik, Chefornak, Circle, Crooked Creek, Diomede, Eagle, Eek, Kipnuk, Kivalina, Kongiganak, Koyukuk, Kwigillingok, Lime Village, Newtok, Oscarville, Shageluk, Shishmaref, Stebbins, Stevens Village, Stony River, Takotna, Teller, Tuluksak, Tuntutuliak, Tununak, Venetie, and Wales"

REPRESENTATIVE REINBOLD objected for discussion.

CHAIR TILTON explained that this amendment combines the actions of both Amendments 1 and 2, as discussed.

[8:11:58 AM](#)

REPRESENTATIVE REINBOLD removed her objection, and without further objection, Amendment 3 was adopted.

[VICE CHAIR SEATON returned the gavel to Chair Tilton.]

[8:13:01 AM](#)

REPRESENTATIVE HUGHES reminded members that the bill carries a zero fiscal note which, she opined, is good in the current fiscal situation.

[8:13:55 AM](#)

KATHIE WASSERMAN, Executive Director, Alaska Municipal League, voiced support of HB 209, and stressed the importance of taking care of the people in the state. She said many of the residents have been living without water for many years and provided an anecdote regarding a visiting congressman who, upon taking a tour of several villages, commented on the poverty level of the state. She pointed out that this occurred at a time when there

was a plethora of money in the state coffers. She stressed the need to start a discussion on the best way to help the people of Alaska.

[8:15:51 AM](#)

CHAIR TILTON closed public testimony on HB 209.

[8:16:05 AM](#)

REPRESENTATIVE SEATON moved to report the proposed CS for HB 209, Version 29-LS0306\E, Nauman, 3/17/16, as amended, from committee with individual recommendations and the accompanying fiscal note. There being no objection, CSHB 209(CRA), was reported from the House Community and Regional Affairs Standing Committee.

[8:16:42 AM](#)

The committee took an at-ease from 8:16 a.m. to 8:20 a.m.

[8:20:11 AM](#)

REPRESENTATIVE SEATON moved to rescind the action moving CSHB 209(CRA) out of committee. Without objection the action was so rescinded.

[8:20:25 AM](#)

REPRESENTATIVE SEATON moved to adopt CS HB 209, 29-LS0306\E, Nauman, 3/17/16, as the working document. Without objection Version E was before the committee.

[8:20:36 AM](#)

REPRESENTATIVE SEATON moved to report the proposed CS for HB 209, Version 29-LS0306\E, Nauman, 3/17/16, as amended, from committee with individual recommendations and the accompanying zero fiscal note. There being no objection, CSHB 209(CRA), was reported from the House Community and Regional Affairs Standing Committee.

HB 370-MUNICIPAL TAX EXEMPTIONS

[8:21:09 AM](#)

CHAIR TILTON announced that the next order of business would be HOUSE BILL NO. 370, "An Act relating to municipal tax exemptions."

[CHAIR TILTON passed the gavel to Vice Chair Seaton.]

CHAIR TILTON provided a brief overview of the bill, summarizing the sponsor's statement, which read as follows [original punctuation provided]:

AS 29.45.050m authorizes municipalities to exempt or defer all or parts of real and personal property taxes by ordinance for economic development purposes. This bill would remove the time limitation mandated by statute and authorize local governments to determine time periods appropriate for specific projects and according to their own needs and objectives.

The section presently allows a municipality to grant the exemption or deferral for up to five years, with options for renewal, and contains provisions for property eligibility, public notice, hearing and referendum, project goals, preserving mandated school funding tax equivalency, and criteria regarding previous use or taxation in the subject municipality or another municipality.

As the current budget deficit limits the State's ability to invest in economic development initiatives, municipalities will need to rely more on their own means to facilitate those projects. The current initial five year limitation does not provide the longer term certainty necessary for investors to commit to larger and more capital intensive projects. HB 370 (Municipal Tax Exemptions) amends AS 29.45.050(m) to remove the requirement that a full or partial property tax exemption or deferral for economic development property be limited to five years, with possible renewals. This legislation would authorize a municipality's discretion to establish a full or partial property tax exemption or deferral over a designated period of time without limitation in state law, and to designate a period of time for an exemption or deferral that differs based on the type of economic development property.

In addition, AS 29.45.050(m) would be amended to augment the requirements for eligibility for a full or partial property tax exemption or deferral for economic development property by including economic development property that involves a "significant capital investment in physical infrastructure" that expands the tax base of the municipality and that will generate property tax revenue after the exemption expires.

[VICE-CHAIR SEATON returned the gavel to Chair Tilton.]

[HB 338 was held over.]

HB 338-MUNI. PROPERTY TAX EXEMPTIONS

[8:22:59 AM](#)

CHAIR TILTON announced that the final order of business would be HOUSE BILL NO. 338, "An Act relating to the municipal property tax exemption on the residence of a senior, a disabled veteran, and a widow or widower of a senior or disabled veteran; and providing for an effective date."

[8:23:49 AM](#)

REPRESENTATIVE HUGHES moved to adopt the proposed CS for HB 338, 29-LS1335\P, Shutts, 3/23/16, as the working draft.

CHAIR TILTON objected for discussion.

[8:24:13 AM](#)

REPRESENTATIVE SEATON, as prime sponsor, presented HB 338, directing attention to the committee packet handout titled, "HB 338 Senior Property Tax Exemption, March 24, 2016, House Community & Regional Affairs." He explained that, as result of Alaska's large budget deficit, municipalities should anticipate a reduction in the previously provided state receipts from community revenue sharing and subsidies, placing local governments at risk. To assist cities and boroughs with a means to address these state cut backs, a level of flexibility needs to be afforded. Alaska's communities vary widely in demographics, needs and priorities, he explained, and it's unfair for the state to restrict, without compensation, a municipality's ability and choice on how they fund their own budget. The current statute places a state, unfunded mandate on

the municipalities, he underscored, as municipalities are required to exempt a certain amount of property tax from valuation. The statutory requirement has undergone some changes, he said, and summarized a brief history of the exemption, paraphrasing from page 3 of the committee handout, which read as follows [original punctuation provided]:

1972: property tax exemption of the total assessed value of real property provided to low income seniors whose gross annual income was \$10,000 or less; state legislature reimburses municipalities 100% of mandatory property tax exemptions.

1973: eliminated the income requirement and extended eligibility to all seniors.

1984-1985: extended exemption to disabled veterans and the eligible surviving spouses of seniors and disabled vets.

1986: tax exemption was changed from the total assessed value of real property to the first \$150,000 of the assessed value of the real property; allowed a municipality to exempt beyond the first \$150,000 in cases of hardship; and allowed municipalities, by ordinance approved by voters, to exempt the value that exceeds \$150,000 for all groups. *due to state shortfall, reimbursements to municipalities are now prorated at a lesser amount.

1997: Legislature cuts all reimbursements to municipalities for mandatory property tax exemptions.

2008: extends the exemption either partially or wholly to a surviving spouse of a member to the US forces or National Guard who dies from a service related injury.

[8:27:02 AM](#)

REPRESENTATIVE SEATON turned to page 4 of the handout to elaborate on the effect of this exemption since its inception, including: the number of seniors, disabled vets and widows who applied for and received the benefit; the total amount of the exempt taxes; the total the state reimbursed to municipalities; and the total shortfall experienced by municipalities. He highlighted specific years for review, beginning in 1973 when

the exemption was applicable, and pointed out that less than one thousand needs based seniors applied for and received the benefit. The state provided full reimbursement to compensate the municipal budget losses, totaling \$197,050. Thus, the municipalities experienced no shortfalls in their local budgets. Continuing to 1974, he said the needs based qualifier was removed, which resulted in a doubling of the number of participants and the amount of the state reimbursement tripled to \$631,891. By 1980, the figure being reimbursed by the state was nearly \$2 million and in 1985, when the benefit was extended to disabled veterans and surviving spouses, the state paid out just over \$4 million to fully compensate the municipality shortfalls. The state reconfigured the program structure in 1986, reducing the reimbursement to cover only the first \$150,000 of the valued property. However, the number of participants continued to increase, and by 1990 there were 8,557 applicants, at a municipal cost of \$8.6 million, of which the state reimbursed \$2.5 million, and consequently resulted in a shortfall to the municipalities of just over \$6 million. In 1997, all state reimbursements were withdrawn but the municipalities continued, and still continue, to provide the benefit to an ever increasing number of applicants: in 2000: 15,836; 2005: 21,044; 2010: 17,049 and 2015: 35,561. Correspondingly, the uncompensated cost to the municipalities has climbed: 2000: \$26,694,955; 2005: \$39,849,375; 2010: \$49,749,270; and 2015: \$66,223,849. This is the problem that we're looking at, he said, as far as a state unfunded mandate. He directed attention to the handout, page 5, to provide a sampling of foregone revenue to specific locales, which included: Anchorage at \$26,053,943 million; Fairbanks at \$9,416,877; Kenai at \$5,092,557; Matanuska-Susitna at \$9,304,468; and Juneau at \$2,554,598. He said the department's website can be accessed for further statistics on any municipality.

[8:31:00 AM](#)

REPRESENTATIVE SEATON continued with the handout, page 6, titled "Decreased State Services & Support for Municipalities," to explain the structure of the Community Revenue Sharing Program, which represents a significant source of non-locally generated operating revenue throughout Alaska's communities. Established in 2008, it has been distributed annually based on one-third of the fund balance, initially established at \$180 million. Thus, \$60 million was distributed for the first three years of the program; FY13, FY14 and FY15. However, the fund received an appropriation of only \$51 million in FY15, and zero for FY16.

Further, it is unlikely to receive any appropriation for FY17, FY18, or FY19. The community payments, to be paid out in thirds of the remaining balance, will be decreased for the ensuing years, lacking further capitalization. Communities received a share of \$57.3 million in FY16, and the payout for FY17 is anticipated to be \$38.2 million, followed by a final distribution in FY18 of \$25.5 million. In FY19, with the fund balance at less than \$60 million, the communities will receive zero, as required under current statute. Representative Seaton summarized how this loss of funding leads to increased costs for municipalities, paraphrasing from the handout, page 7, titled "Decreased State Services & Support," which read [original punctuation provided]:

Examples from FY17 budget:

Dept. of Transportation cuts to road maintenance, equipment, and crew.

Decreased funding for Council on Domestic Violence & Sexual Assault.

Funding cuts to AK Land Mobile Radio will require local municipalities to pay user fees (ALMR is reliable and secure wireless emergency communications system for all emergency responders in Alaska, especially for multi-agency responses to emergencies and critical situations.)

Cuts for troopers and crime lab services for police will require increased work and costs for local police needing to cover those services.

[8:33:46 AM](#)

REPRESENTATIVE SEATON reviewed the current statute, paraphrasing from the handout, page 8, titled "Current Statute," which read [original punctuation provided]:

AS 29.45.030(e) Municipalities are required to exempt from property taxes the first \$150,000 of the assessed value of the permanent home of a resident who is (1) 65 years of age or older; (2) a disabled veteran; or (3) an eligible surviving spouse.

Statute also states a municipality:

may by ordinance approved by the voters grant the exemption to a disabled vet's eligible surviving spouse who is under 60 years of age or an eligible surviving spouse of a member of the United States armed forces or member of the National Guard who dies from a service connected cause;

may, in case of hardship, provide for an exemption beyond the first \$150,000 of assessed value.

REPRESENTATIVE SEATON provided the proposed changes that would be effected by the bill, referring to the handout, page 9. Under HB 338 the required exemption for property taxes of the permanent home of a resident would no longer apply to those that are 65 years of age or older, under AS 29.45.030(e); reserving this eligibility for veterans and surviving spouses only. However, the exemption based on age is not removed, but rather placed under AS 29.45.050(i), the optional category, which allows the municipality to pass an ordinance to exempt from taxation: (1) the assessed value that exceeds \$150,000 of real property owned and occupied as a permanent place of abode by a resident who is a disabled veteran or their eligible surviving spouse; and (2) all or part of the assessed value of real property owned and occupied as a permanent place of abode by a resident who is 65 years or older or their eligible surviving spouse. The ordinance would not require voter approval, and the municipality may base an exemption through the determination of hardship or need. He pointed out that this is a return to the initial bill, originally passed, that allowed for needs based eligibility, and stressed the importance for allowing municipalities the flexibility that these changes would provide.

[8:37:56 AM](#)

REPRESENTATIVE SEATON paraphrased from the committee handout slide 11, titled "HB 338 Changes," which read [original punctuation provided]

With passage of HB 338:

Current Senior property tax exemptions on the first \$150,000 will remain in a municipality's ordinance until the municipality takes action to remove or change the amount.

Municipalities will be able to change their existing senior exemptions through an ordinance. Citizens

could still challenge any ordinance through a voter initiative and exercise appropriate influence on their elected officials.

For those municipalities without an existing ordinance, Section 4 of the CSHB338 will maintain senior exemptions as is until the municipality takes action.

Municipality can decide to make the exemption based on hardship or need.

Existing hardship exemptions above the first \$150,000 will remain in a municipality's ordinance until the municipality takes action to remove or change the amount.

Municipalities will be allowed to decide how a needs based or hardship exemption is determined. For example, a municipality could choose to use an income limit or an existing asset test such as qualifying for food stamps or other state needs based program.

Excludes the first \$150,000 of an optional senior property tax exemption from the determination of the full and true property value used to calculate a municipality's required local contribution to their school district.

This will maintain both state support and the current municipality required local contribution at current levels.

REPRESENTATIVE SEATON finished by highlighting the primary benefits that the proposed bill will provide, which includes: removal of a state unfunded mandate on municipalities; municipalities are allowed to balance their own budget via measures that will meet the needs of their individual communities; municipalities will have the choice of exempting all or part of a senior's property tax and the choice of basing the exemption on hardship or needs; maintains the current Senior property tax exemptions on the first \$150,000 until the municipality takes action to remove or change the amount; and it will allow municipalities to accomplish changes to the senior exemptions through a local ordinance, which may still be challenged through a voter initiative and by appropriate, public influence as constituents of elected officials. He pointed out

that the senior demographic can be divided into two groups: one are the seniors that have little and rely on state program benefits and the second are the seniors who comprise some of Alaska's wealthiest residents.

[8:40:14 AM](#)

REPRESENTATIVE TILTON removed her objection, and without further objection Version P was before the committee.

[8:40:24 AM](#)

REPRESENTATIVE HUGHES directed attention to page 10, and the penultimate statement, to clarify and question whether HB 338 proposes to change the current status of the \$150,000 optional senior property tax exemption as it's used to calculate a municipality's required local contribution to their school district.

REPRESENTATIVE SEATON said the bill would maintain the status quo.

REPRESENTATIVE HUGHES expressed concern for the impact that HB 338 may have on efforts made to retain the retiree population of the state. Prior to the 1973 statute benefiting the seniors, the trend was for this valued demographic to retire Outside, she said, which eased when the exemption program was adopted. Further, she expressed concern for the effect HB 338 may have on someone living on a fixed income.

REPRESENTATIVE SEATON clarified that, as proposed, HB 338 does not lift the \$150,000 municipal exemption that a senior may be enjoying; it specifically states that the exemption will remain unless a community decides to lower or raise the amount. The local community will make the decision for invoking the exemption based on local demographics. The exemption statutorily remains available regardless of need.

REPRESENTATIVE HUGHES maintained that HB 338 may have a negative effect on the senior population, and asked whether the sponsor anticipates a resurgence of the trend for retirees to relocate Outside. Additionally, she questioned what enactment of HB 338 would mean financially to the average, benefiting senior, if a community chose not to allow them the \$150,000 exemption.

[8:47:54 AM](#)

REPRESENTATIVE SEATON indicated that it is a difficult question to answer as every community supports their seniors in a variety of ways specific to the locale; however, the intent of HB 338 is to provide further options. He noted that the state assessor was available for questions via teleconference.

8:49:01 AM

MARTY MCGEE, State Assessor, Division Programs & Key Staff, Division of Community and Regional Affairs, Department of Commerce, Community, and Economic Development (DCCED), responded that data specific to the impact of changing the senior citizen exemption has not been gathered. Regarding the financial impact to the average, benefiting senior, he said there is no universal answer on how it would affect the tax bill. Tax rates are published and publically available in the "Alaska Taxable Documents." He opined that it would not typically be in the thousands of dollars.

8:50:40 AM

REPRESENTATIVE ORTIZ returned to Representative Hughes' question regarding local school funding and how HB 338 may affect the calculation [handout page 10, final two statements].

8:51:23 AM

REPRESENTATIVE SEATON explained that schools are funded using what is known as "required local effort." The local effort is determined through the calculation, to wit: 100 percent of the local tax valuation, less nontaxable portions identified under state law, multiplied by 2.56 mils, equals the required local effort. The product is subtracted from the established basic need and state pays the difference. He reported that communities throughout the state fund their schools at a rate above the required local effort level. To a follow-up question, he clarified that the proposed version of HB 338 maintains the status quo for calculating school funding, which an earlier bill version did not.

8:54:11 AM

The committee took an at-ease from 8:54 a.m. to 8:55 a.m.

8:55:21 AM

CHAIR TILTON returned to Representative Hughes' request for an estimate of how much HB 338 would mean financially to the average, benefiting senior.

REPRESENTATIVE SEATON offered to provide further information.

[8:56:10 AM](#)

CHAIR TILTON opened public testimony on HB 338.

[8:56:47 AM](#)

RON SOMERVILLE, a lifelong Alaskan, expressed concern for HB 338, and concurred with Representative Hughes' recollection regarding the time when there was a prevalent trend for retirees to relocate Outside, opining that it was unaffordable for them to remain in Alaska. Unfunded mandates need to be avoided, he said; however, the total impact of HB 338 is disconcerting. A large senior demographic exists that is neither wealthy, nor needy, he said, "There's a whole bunch of us in the middle here." He reported that concessions have been made to benefit low income seniors; however, he opined:

There's only one reason our assembly is asking you to do this: because they want to take it away from the seniors. Why would you ask to have the option if you didn't want to take it away?

MR. SOMERVILLE suggested that the legislature has helped to create this problem by providing municipalities with a high level of funding. Juneau has a population of only 30,000 and yet maintains two high schools, three libraries, two swimming pools, and maintains an elaborate, expensive art in public places program. The assembly has gone over the top as far as Juneau seniors are concerned, he opined, in terms of fiscal planning. When faced with a short fall, the senior benefits are what come under scrutiny. Petersburg voted to exempt their seniors from the local sales tax, and if seniors are to be encouraged to retire in the community where they've lived, that sort of action is necessary. The proposed bill represents a discouragement to seniors, he opined, and offered that an option could be to grandfather current recipients into the system. Another would be to require the municipalities to put any ordinance changes before a public vote, which he stressed is the least that the seniors deserve.

[9:02:02 AM](#)

REPRESENTATIVE ORTIZ expressed concern for the effects of the states' current, fiscal situation on the senior demographic and the treasured role the older generation plays in every community. Local governments understand the importance of supporting their seniors, he said and suggested that municipalities would be hesitant to remove the \$150,000 benefit as it wouldn't be in their communities' best interest.

[9:03:39 AM](#)

MR. SOMERVILLE philosophically agreed, but in practical application the Juneau seniors don't have that level of trust for the local municipal assembly. He cited the local housing shortage and opined that the assembly might see an exodus of the senior population as one, easy solution. Seniors have based their retirement plans on the available benefits, and lacking those benefits, there is a general sentiment, and financial need, for many to relocate.

[9:05:41 AM](#)

REPRESENTATIVE REINBOLD said seniors can be a difficult demographic to reach out to in her community. She noted that Mr. Somerville mentioned being a member of a senior group and she asked whether it has an organizational name. Perhaps, she pondered, it could be expanded to include seniors statewide and, via one voice, formulate and propose a resolution.

MR. SOMERVILLE cited public records which can be accessed to assemble a list of seniors in a given community. In Juneau, about 2,700 seniors are on a mailing list that was developed by accessing the Permanent Fund Dividend records and the property tax exemption applications. He said the group he works with is the Juneau Senior Citizens, which came together through visiting a variety of venues with senior attendees, and through the creation of a website; however, it is not a formal group. He pointed out that Catholic Community Services relies on senior volunteers to accomplish 50 percent of the programs they provide. If seniors ceased to be available as volunteers these services would stop.

[9:09:29 AM](#)

REPRESENTATIVE HUGHES asked Mr. Somerville to speculate on how seniors currently spend the money they save, under the \$150,000

senior exemption benefit; is it used for local purchases and how might that change.

MR. SOMERVILLE responded that removal of the benefit represents a shift of money from local businesses to the municipalities. Without the benefit, seniors will seek less expensive means for meeting their needs, such as shopping in Seattle or Anchorage where there is no sales tax. The website he established lists options, makes recommendations, and provides resources for seniors to consider.

REPRESENTATIVE HUGHES provided a scenario of one community retaining the \$150,000 benefit and one retracting it, given the statutory option. Under this scenario, she questioned, might one community experience an exodus and the second an influx of seniors and could that result in the senior services of the second becoming overburdened. She asked for comment on whether passage of HB 338 might result in such a consequence.

MR. SOMERVILLE responded that it would be difficult to say, and opined that seniors tend to stay close to their families, which could mean a move Outside.

[9:13:33 AM](#)

CATHY BOUTIN stated objection to HB 338. She observed that Juneau "likes fancy things," and has chosen to reduce senior benefits in an effort to satisfy the municipal assemblies expensive choices. One result is that seniors now pay the local business tax, save what is allowable under the federal Supplemental Nutrition Assistance Program (SNAP). Many seniors object to this taxation and report they have increased their on-line purchases, she said, and mentioned items that she now purchases via the internet in order to remain within her budget. She cited a program that pays newly arriving residents \$650.00 for moving to the state, which offers no benefit to seniors already in residence. Finally, she predicted that unintended consequences would occur statewide, should this bill be adopted.

[9:16:33 AM](#)

REPRESENTATIVE REINBOLD asked for further information regarding the \$650.00 payment program, and to whom it applies.

MS. BOUTIN responded that it's a city program, based on household income, which provides a rebate to people who have been here for as short a time as one month; essentially having

paid little city tax. She acquainted this to being a bonus for moving into town. She agreed to provide further information to the committee.

[9:18:03 AM](#)

LORETTA BEVEGNI stated opposition to HB 338 and said it's based on specious reasoning. She said, "We don't need it. The program is working fine as it is. ... Actually, I consider this a declaration of war on senior citizens in the state of Alaska, and the veterans." She said she would support a new bill that would raise the property exemption up to \$200,000-\$250,000, "so that the municipalities cannot fiddle with what is already in law."

[9:20:00 AM](#)

WAYNE ADERHOLD stated support for HB 338 and said he began receiving the senior exemption last year. Regardless of what happens, he said he plans to remain in Alaska. The exemption is really nice and it would be great to keep it but it's unfair and unsustainable, he opined. Someone has to make up the unpaid difference, and the current status represents an unfunded mandate. The municipalities should make local decisions, and he said he trusts his local officials. In 2009 the Pew Charitable Trust put out research results regarding the rising age gap in economic wellbeing. He said it's important to look at net worth, versus income only, to realize the trend that has occurred during the last 25 year period; roughly the span of time that this program has been in existence. The trend report indicates that the over 65 age group is doing 42 percent better than they were 25 years prior; and the younger than 35 group is doing 65 percent worse. This is very meaningful information for regarding the ability to pay, and shows that the fixed income argument is misleading. It's difficult to take this type of benefit away, particularly from people who have been counting on it, he admitted, and it's important to support every age group throughout the state. Referring to The Constitution of the State of Alaska, he paraphrased Article I, which reads:

Inherent Rights - ...; that all persons are equal and entitled to equal rights, opportunities, and protection under the law; and that all persons have corresponding obligations to the people and to the State.

[9:23:29 AM](#)

KATIE KOESTER, City Manager, City of Homer, directed attention to the committee packet and Resolution 15-111 issued by the City of Homer, offering official support for HB 338. The bill is an important tool for municipalities to have when determining revenue streams, particularly given the current fiscal climate faced by the state and local governments. The bill provides diversity to municipalities, she said. Homer does not expect to balance its budget on the backs of the seniors, nor could it given its current deficit amount; about \$275,000. Further, she exalted the status that seniors hold in a community and said every locale will need to discover the best means for supporting their elderly population.

[9:26:02 AM](#)

JANET GOEHRINGER stated opposition to HB 338, and responded that seniors have not received a social security increase. She said that the Homer City Council has referred to the senior population as a burden. Without the requirement of a public vote, the locals will have no say in how the municipality chooses to utilize the funds, she said, and actions may be taken "behind our back."

[9:27:18 AM](#)

DIANE HUGHES stated opposition to HB 338 and suggested that an alternative would be a reduction of city and state employee/retiree health benefit packages. She said she finds it morally reprehensible to consider removing tax benefits from widows and the disabled. National statistics indicate that 80 percent of seniors live solely on social security, she reported. It should not be incumbent on the seniors to pay for the errors of the legislature she opined, and said every member of the Homer City Council voted to remove the senior tax benefit; a harbinger of what may be expected with the passage of HB 338.

[9:30:46 AM](#)

MARIANNE SCHLEGELMILCH stated opposition for HB 338 and opined that income versus expenditure is subjective. She expressed absolute distrust for the local Homer government and how they view the senior population, pointing out that Resolution 15-111 refers to this demographic as a burden. She said:

It's unconscionable to disrupt the economics of a vulnerable population. Senior citizens have no

ability to recover from an assault on their finances; finances that they planned on when they set up their retirement. ... Why disabled veterans are included in [HB 338] is really beyond me; I'm married to a disabled veteran. ... I think there's other ways to look for funding. ... We've pulled a lot of equity out of our house and reinvested it. In doing so we've provided a lot of jobs to this community, and we've tapped into our comfort zone. ... At the very minimum, I think it would only be fair to grandfather in people who've already banked on this and start fazing it in more slowly.

[9:33:56 AM](#)

SCOTT BRANDT-ERICKSEN, Borough Attorney, Ketchikan Gateway Borough, stated support for the committee substitute (CS) for HB 338, Version P. Having some degree of local control over the senior exemption has been a high priority of the municipal league for many years. He pointed out the important language, in Version P, which excludes the first \$150,000 of an optional senior property tax exemption from the determination of the full and true property value, as used to calculate a municipality's required local contribution to their school district. Without this language, he explained, communities would be placed in a compelling situation to tax the seniors in order to avoid losing money. He described the monetary effect this would have on the Ketchikan Gateway Borough, and stressed that this language should be retained in any version of the bill that goes forward.

[9:36:25 AM](#)

LOIS WIER stated opposition to HB 338, and said, "This comes as an unpleasant surprise." She opined that the bill represents a significant detriment to all seniors in Alaska, both urban and Bush residents. Seniors like herself, who have children who are becoming seniors, will see their extended family affected. She said, given the option, she would anticipate the Matanuska-Susitna Borough to repeal the senior tax exemption within the first year. Today's testimony has indicated how many local governments have sophisticated projects that cost money, she pointed out. It's also been testified to that seniors have little means to increase their income, particularly if they are dependent on social security. She reported that her last raise equated to \$12 a month; not enough to cover the first \$150,000 valuation on her home.

9:40:30 AM

GARY PARKER stated concern for HB 338 and said he manages on a fixed income comprised of a federal retirement and social security. Inflation is far outstripping the occasional Cost of Living Allowance (COLA) increases that are occasionally provided in his retirement checks. He said the City and Borough of Juneau (CBJ) changed the tax structure for seniors, requiring previously exempt items to be included in the local five percent tax. When this occurred, he began purchasing expensive, shippable items out of state, as do many of his senior friends. Recalling Representative Hughes' question regarding the financial impact that HB 338 would have on the average senior resident, he explained:

I have a house ... that's [valued] at \$272,000. We have about a 10 mil rate here in Juneau, ... that represented about \$2,700.00 a year in property taxes, prior to my qualifying for this program three years ago. That dropped by \$1,500.00 a year, to about \$1,200.00 a year; so that's the financial impact in Juneau.

MR. PARKER opined that, without a doubt, given the passage of HB 338 and the opportunity to rescind the senior property tax exemption, CBJ would do so in rapid order; especially lacking the requirement of placing the decision before a public vote. Coupling the increased sales taxes, with the \$38,000 increase in the valuation of his house, and other actions that are occurring, he said it is difficult to consider remaining in Alaska and he expects to relocate Outside.

CHAIR TILTON announced public testimony would remain open.

9:47:35 AM

CHAIR TILTON removed her objection to Version P. There being no further objection, Version P was before the committee as the working document.

9:48:08 AM

REPRESENTATIVE SEATON directed attention to the committee packet and the document titled, "City of Homer, Homer, Alaska, Resolution 15-111," pages 1, lines 40-41, and 2, lines 43-44, to paraphrase the WHEREAS statements and explain the contextual use of the term "burden", emphasizing that the characterization of

the term is not directed towards seniors, who are considered a valued demographic. Also, a number of communities have an ordinance requirement that tax changes require a local, public vote, which HB 338 does not propose to override or impede. Finally, the bill does not affect disabled veterans and spouses, he clarified.

[9:50:41 AM](#)

REPRESENTATIVE HUGHES requested a list of communities throughout the state which require a public vote to enact tax structure changes, and further clarified that the bill would only affect seniors and not veterans and their spouses.

[9:51:39 AM](#)

REPRESENTATIVE DRUMMOND said the state has worked to retain and attract seniors, over the last 40 years. As a former member of the Anchorage Municipal Assembly she said it has been difficult filling the budget gap during the many years that the state has not reimbursed the mandated tax exemption. The budgetary decisions that are being made are tough and will affect every age group throughout the state, she finished.

[HB 338 was held over.]

[9:53:00 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:53 a.m.