

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 10, 2015

3:29 p.m.

MEMBERS PRESENT

Senator Click Bishop, Chair
Senator Bert Stedman, Vice Chair
Senator Lyman Hoffman
Senator Anna MacKinnon
Senator Dennis Egan

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

OVERVIEW: LOCAL BOUNDARY COMMISSION DECISION ON ALLAKAKET
ANNEXATION

- HEARD

CONFIRMATION HEARINGS:

STATE ASSESSMENT REVIEW BOARD

William Roberts - Kodiak

Steve Van Sant - Palmer

CONFIRMATIONS ADVANCED

SENATE BILL NO. 22

"An Act relating to the collection costs for the municipal motor
vehicle registration tax; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 22

SHORT TITLE: MOTOR VEHICLE REG. TAX: COLLECTION COSTS

SPONSOR(S): SENATOR(S) GIESSEL

01/21/15 (S) READ THE FIRST TIME - REFERRALS

01/21/15 (S) CRA, STA, FIN

WITNESS REGISTER

JOHN MANLY, Staff
Senator Bishop
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided an overview of the Allakaket annexation.

STEVE VAN SANT, Appointee
State Assessment Review Board
Palmer, Alaska

POSITION STATEMENT: Answered questions regarding State Assessment Review Board appointment.

WILLIAM ROBERTS, Appointee
State Assessment Review Board
Kodiak, Alaska

POSITION STATEMENT: Answered questions regarding State Assessment Review Board appointment.

SENATOR CATHY GIESSEL
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor for SB 22.

FORREST WOLFE, Staff
Senator Giessel
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Announced his availability to answer questions regarding SB 22.

DANIEL MOORE, Municipal Treasurer
Treasury Division
Municipality of Anchorage
Anchorage, Alaska

POSITION STATEMENT: Supports SB 22.

KATHIE WASSERMAN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Supports SB 22.

ACTION NARRATIVE

[3:29:14 PM](#)

CHAIR CLICK BISHOP called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:29 p.m. Present at the call to order were Senators Hoffman, MacKinnon, Egan, and Chair Bishop.

**OVERVIEW: LOCAL BOUNDARY COMMISSION DECISION ON ALLAKAKET
ANNEXATION**

[3:31:05 PM](#)

CHAIR BISHOP announced that the committee will briefly discuss the Local Boundary Commission decision on Allakaket. He specified that afterwards, the committee will hear from two appointees to the State Assessment Review Board: Steve Van Sant and William Roberts. Lastly the committee will hear SB 22 on vehicle registration costs.

JOHN MANLY, Staff, Senator Bishop, Alaska State Legislature, Juneau, Alaska, explained that the committee discussion on the Allakaket annexation is just an informational item. He explained that the Local Boundary Commission's decisions are often referred to the Legislature to take action, generally to disapprove a decision if desired. He specified that the Legislature has 45 days from the day the decision arrives at the Senate Secretary's Office. He noted that the 45 day period will end on March 8, 2015.

He specified that the annexation decision has been brought before the committee to decide whether or not the committee wants to do anything. He detailed that the decision was made by the Local Boundary Commission on November 12, 2014. He said the annexation decision involves Allakaket and Alatna, both located on the Koyukuk River. He revealed that no one in the annex area is opposed. He added that neither Senator Olson nor Representative Nageak are against the annexation. He asked if the committee has any interest in having further hearings on the annexation. He explained that if the committee does not take action, the 45 days will run out and the annexation will take effect.

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CHAIR BISHOP announced that seeing no objection, the committee will allow the 45 day period to run out and allow the annexation to move along.

CONFIRMATION HEARINGS:

State Assessment Review Board

[3:33:33 PM](#)

CHAIR BISHOP announced that the committee will hear from the State Assessment Review Board appointees.

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STEVE VAN SANT, Appointee, State Assessment Review Board (SARB), Palmer, Alaska, noted that he retired from state service a year ago. He specified that he was the State Assessor for 22 years in addition to serving on the State Assessment Review Board (SARB) for 25 years, 15 years as chairman. He detailed that SARB consists of five members and asserted that he brings a lot of knowledge to the board.

He explained that SARB hears appeals from the oil and gas industry or municipalities on valuation of oil and gas property that is assessed under AS 43.56. He noted that the biggest issue started in 2006 when the State Petroleum Assessor increased the Trans-Alaska Pipeline System (TAPS) valuation that resulted in a Supreme Court decision due to appeals from oil companies and municipalities. He detailed that in 2006, TAPS was assessed at \$3 billion and its value was going down. He noted that the current value of TAPS is assessed in the \$9 billion range.

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CHAIR BISHOP concurred that Mr. Van Sant's education, training, and experience is impressive.

SENATOR MACKINNON stated that she wanted to speak on behalf of Mr. Van Sant. She noted that Mr. Van Sant has proven to be honest, trustworthy, and she values his opinion. She stated that she would be happy to forward Mr. Van Sant's name.

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WILLIAM ROBERTS, Appointee, State Assessment Review Board, Kodiak, Alaska, stated that he has been doing appraising and assessing work for 32 years in Alaska, the last five years as the assessor in Kodiak Island Borough. He set forth that his main emphasis as assessor is trying to bring everything into "fair and equitable." He stated that he will bring a new perspective to SARB due to his 23 years as an appraiser in the field. He specified that he has done a lot of commercial appraisal. He summarized that he will be able to look at values and methodology to bring in fair and equitable assessments for the pipeline.

SENATOR MACKINNON asked Mr. Roberts to address equitability and how he will decide a value concerning pipelines.

MR. ROBERTS answered that he has reviewed previous pipeline assessments and asserted that he will find the methodology that makes the most sense to give a value that is fair and reasonable.

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SENATOR MACKINNON asked what methodology Mr. Roberts will lean towards in valuation.

MR. ROBERTS replied that SARB has used the cost approach in the past, an approach that gives good value. He detailed that the cost approach takes into account economic facts, pipeline depreciation, previous court cases, and proven oil reserves in order to decide what is reasonable. He pointed out that depreciation and economic factors will be the biggest issues for the TAPS assessment.

SENATOR MACKINNON noted that Mr. Roberts has quite a bit of community and municipality experience. She asked if Mr. Roberts tends to think his assessments will be looking more towards value for local communities or towards the State of Alaska. She explained that the reason for her question is based upon Mr. Roberts' statement about equity and fair distribution in downward oil markets. She noted that there may be resolve to make up valuation either at the state or local level due to an actual value devaluation.

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MR. ROBERTS replied that Senator MacKinnon misunderstood his comment on equity. He specified that his whole point would be that the assessment has to be a reasonable value that is not partial towards municipalities, the state, or the oil companies. He asserted that he is supposed to look at the presentations from all three entities and decide which one makes the most sense or which blend makes the most sense given the economic situation of the oil industry.

SENATOR MACKINNON noted that it is important for the committee to understand the current pipeline's assessment when consideration is being given to purchase or partner in another pipeline.

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SENATOR STEDMAN moved that the confirmations for Mr. Van Sant and Mr. Roberts be advanced to the joint session.

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CHAIR BISHOP declared that the committee will stand at ease.

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CHAIR BISHOP called the committee back to order. He announced that a confirmation document was signed to move the appointees forward. He read the following statement:

This does not reflect an intent by any of the members to vote for or against the confirmation of the individuals during any further sessions.

SB 22-MOTOR VEHICLE REG. TAX: COLLECTION COSTS

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CHAIR BISHOP announced that the next of order of business will be the consideration of SB 22.

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SENATOR CATHY GIESSEL, Alaska State Legislature, Juneau, Alaska, provided a sponsor's statement as follows:

SB 22 would update the Division of Motor Vehicle's registration tax that charges to the municipalities. The way this works is citizens renew their vehicle registration and we do that through the State of Alaska. Part of the fee that we pay is a Municipal Motor Vehicle Registration Tax (MVRT); State of Alaska collects that for the municipalities and in doing so they charge an 8 percent user-fee, a charge to recuperate the cost for the Division of Motor Vehicles (DMV) for collecting this for the municipalities. DMV passes the tax itself on to the municipalities, but they charge this 8 percent fee. This fee was set in 1993 and it hasn't been updated since then despite a reduction in the cost of collecting this fee. DMV has become much more computerized, we can now renew our registrations online and it takes less staff on the part of DMV. In your packet you have a statement from the Municipality of Anchorage which points out the ramifications of this. In 2012 the municipality chose to nearly double its auto registration fee; they did this to reduce the amount of property tax for local residents. As a result of that, with that 8 percent

collection fee, it doubled the fee collection that DMV did for the very same amount of work, no increased work, but once the registration fee had gone up and the 8 percent was calculated off of that, then DMV ended up collecting over \$500,000 in excess fees and that's just from the municipality of Anchorage. There are actually 16 municipalities that the DMV collects this user fee from, this 8 percent fee.

What the bill proposes to do is to lower that collection percentage to 5.5 percent, so from 8 percent down to 5.5 percent. In looking at the breakeven cost in 2010, a breakeven would have been 5.1 percent for DMV; so this actually would still give them a bit of a buffer, it's lowering to 5.5, 5.1 they would still be collecting the same amount of fee as they did in 2010. So it is not taking it all away, it's still going to be collecting some cost for their administration, but it would essentially be moving money from DMV into the communities where it actually belongs, so it would still help reduce property taxes on the local level.

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FORREST WOLFE, Staff to Senator Giessel, Alaska State Legislature, Juneau, Alaska.

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DANIEL MOORE, Municipal Treasurer, Treasury Division, Municipality of Anchorage, Anchorage, Alaska, confirmed that the Municipality of Anchorage did write a letter of support for SB 22. He specified that SB 22 corrects an inequity that surfaced several years ago when the city of Anchorage increased its fee schedule and basically DMV started to receive a windfall of revenues based upon the 8 percent statutory rate. He continued to confirm Senator Giessel's information on MVRT. He pointed out that DMV has received \$500,000 per year for the last 3 years from Anchorage in additional windfall revenues. He noted that he disagreed with DMV's assessment in the fiscal note that the reduced percent was characterized as a loss to the division. He asserted that DMV's user-fee change should be specified as a reduction in DMV's windfall.

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MR. MOORE summarized that SB 22 represents a win-win for all 16 Alaska communities by reasonably adjusting the MVRT revenues

retained by DMV and corrects the inequity that was never intended when the city of Anchorage increased its rate base.

SENATOR STEDMAN noted that there are multiple communities listed and he asked that an impact breakdown be provided on each community.

SENATOR MACKINNON noted that the expenses that the state incurs for each community may differ because some communities may be more labor intensive. She pointed out that Anchorage may have a consolidation of services from the perspective of electronic services. She asked that DMV share what their costs are associated with each of the communities' expenses and variances.

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KATHIE WASSERMAN, Executive Director, Alaska Municipal League (AML), Juneau, Alaska, noted that last year AML dealt with a bill where DMV provided tax collection breakdowns for 16 communities' license fees. She opined that DMV can assist with providing the committee with the tax collection breakdowns. She asserted that AML will be helpful during the current deficit situation to offer revenue stream assistance.

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CHAIR BISHOP announced that SB 22 will be held in committee.

[4:00:30 PM](#)

There being no further business to come before the committee, Chair Bishop adjourned the Senate Community and Regional Affairs Standing Committee hearing at 4:00 p.m.