

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

April 13, 2017

3:30 p.m.

MEMBERS PRESENT

Senator Kevin Meyer, Chair
Senator David Wilson
Senator Cathy Giessel
Senator John Coghill
Senator Dennis Egan

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 106

"An Act relating to a municipal tax exemption or deferral for economic development property; and relating to a municipal tax exemption for a fire protection system."

- HEARD & HELD

HOUSE BILL NO. 148

"An Act relating to service areas in second class boroughs; and providing for an effective date."

- MOVED SCS HB 148(STA) OUT OF COMMITTEE

HOUSE BILL NO. 78

"An Act establishing the second Monday of October of each year as Indigenous Peoples Day."

- MOVED HB 78 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 106

SHORT TITLE: MUNI TAX EXEMPTION: ECON DEVEL PROPERTY

SPONSOR(S): SENATOR(S) COGHILL

04/05/17 (S) READ THE FIRST TIME - REFERRALS

04/05/17 (S) CRA, STA
04/11/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
04/11/17 (S) Moved CSSB 106(CRA) Out of Committee
04/11/17 (S) MINUTE(CRA)
04/12/17 (S) CRA RPT CS 3DP 1NR SAME TITLE
04/12/17 (S) DP: BISHOP, GARDNER, HOFFMAN
04/12/17 (S) NR: STEDMAN
04/13/17 (S) STA AT 3:30 PM BUTROVICH 205

BILL: HB 148

SHORT TITLE: SECOND CLASS BOROUGH SERVICE AREAS

SPONSOR(s): REPRESENTATIVE(s) CHENAULT

03/01/17 (H) READ THE FIRST TIME - REFERRALS
03/01/17 (H) CRA
03/07/17 (H) CRA AT 8:00 AM BARNES 124
03/07/17 (H) Heard & Held
03/07/17 (H) MINUTE(CRA)
03/09/17 (H) CRA AT 8:00 AM BARNES 124
03/09/17 (H) Moved HB 148 Out of Committee
03/09/17 (H) MINUTE(CRA)
03/10/17 (H) CRA RPT 7DP
03/10/17 (H) DP: WESTLAKE, SADDLER, TALERICO,
DRUMMOND, RAUSCHER, FANSLER, PARISH
03/31/17 (H) TRANSMITTED TO (S)
03/31/17 (H) VERSION: HB 148
04/03/17 (S) READ THE FIRST TIME - REFERRALS
04/03/17 (S) STA
04/06/17 (S) STA AT 3:30 PM BUTROVICH 205
04/06/17 (S) -- MEETING CANCELED --
04/11/17 (S) STA AT 3:30 PM BUTROVICH 205
04/11/17 (S) -- MEETING CANCELED --
04/13/17 (S) STA AT 3:30 PM BUTROVICH 205

BILL: HB 78

SHORT TITLE: INDIGENOUS PEOPLES DAY

SPONSOR(s): REPRESENTATIVE(s) WESTLAKE

01/25/17 (H) READ THE FIRST TIME - REFERRALS
01/25/17 (H) CRA
01/31/17 (H) CRA AT 8:00 AM BARNES 124
01/31/17 (H) Moved HB 78 Out of Committee
01/31/17 (H) MINUTE(CRA)
02/01/17 (H) CRA RPT 4DP 2NR
02/01/17 (H) DP: WESTLAKE, DRUMMOND, FANSLER, PARISH
02/01/17 (H) NR: TALERICO, RAUSCHER
02/03/17 (H) TRANSMITTED TO (S)

02/03/17 (H) VERSION: HB 78
02/06/17 (S) READ THE FIRST TIME - REFERRALS
02/06/17 (S) CRA, STA
02/21/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
02/21/17 (S) Scheduled but Not Heard
02/23/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
02/23/17 (S) Heard & Held
02/23/17 (S) MINUTE(CRA)
02/28/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)
02/28/17 (S) Moved HB 78 Out of Committee
02/28/17 (S) MINUTE(CRA)
03/01/17 (S) CRA RPT 4DP
03/01/17 (S) DP: BISHOP, HOFFMAN, GARDNER, MACKINNON
03/23/17 (S) STA AT 3:30 PM BUTROVICH 205
03/23/17 (S) Bill Hearing Postponed to 3/28/17
03/28/17 (S) STA AT 3:30 PM BUTROVICH 205
03/28/17 (S) Heard & Held
03/28/17 (S) MINUTE(STA)
04/06/17 (S) STA AT 3:30 PM BUTROVICH 205
04/06/17 (S) -- MEETING CANCELED --
04/11/17 (S) STA AT 3:30 PM BUTROVICH 205
04/11/17 (S) -- MEETING CANCELED --
04/13/17 (S) STA AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

RYNNIEVA MOSS, Staff
Senator Coghill
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided an overview of SB 106.

CHRIS SCHUTTE, Director
Economic and Community Development
Municipality of Anchorage
Anchorage, Alaska
POSITION STATEMENT: Testified in support of SB 106.

REPRESENTATIVE MIKE CHENAULT
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of HB 148, provided an overview.

REPRESENTATIVE GARY KNOPP
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Testified in support of HB 148.

LARRY PERSILY, Chief of Staff to Borough Mayor
Kenai Peninsula Borough
Soldotna, Alaska

POSITION STATEMENT: Testified in support of HB 148.

GEORGE PIERCE, representing self
Kasilof, Alaska

POSITION STATEMENT: Testified in opposition of HB 148.

CHRISTINE MARASIGAN, Staff
Senator Meyer
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Reviewed the CS for HB 148.

REPRESENTATIVE DEAN WESTLAKE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 78, provided an overview.

ELIZABETH REXFORD, Staff
Representative Westlake
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided an overview of HB 78.

ALBERT NINGEULOOK, representing self
Shishmaref, Alaska

POSITION STATEMENT: Testified in support of HB 78.

MARILYN RUSSELL, representing self
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 78.

ACTION NARRATIVE

[3:30:25 PM](#)

CHAIR KEVIN MEYER called the Senate State Affairs Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Giessel, Coghill, Wilson, and Chair Meyer. Senator Egan joined the meeting shortly after Chair Meyer's call to order.

SB 106-MUNI TAX EXEMPTION: ECON DEVEL PROPERTY

[3:31:24 PM](#)

CHAIR MEYER announced the consideration of SB 106.

[3:31:34 PM](#)

SENATOR COGHILL, sponsor of SB 106, explained that the bill addresses previous legislation that was narrowly crafted and allows municipal authority and flexibility for economic development issues.

[3:32:16 PM](#)

RYNNIEVA MOSS, Staff, Senator Coghill, Alaska State Legislature, Juneau, Alaska, noted that SB 106 was HB 370 during the 29th Alaska State Legislature. She concurred with Senator Coghill that SB 106 provides more flexibility to local municipalities on giving property tax exemptions for economic development property. She noted that the current statute provides a five-year limit for a property-tax exemption, but SB 106 eliminates the limitation and allows municipalities to determine what the limit for the tax exemption will be. She added that the bill covers tax exemptions and deferrals.

MS. MOSS presented a sectional analysis as follows:

Section 1:

- Removes the five-year limitation on economic development property exemptions and deferrals.
- Removes renewals provision and the limit on property tax exemptions for renewals.
- Eligibility for economic development property exemption, (m)(1), is based on one qualifier instead of multiple qualifiers.
- Adds a qualifier for property development that enables a significant capital investment in physical infrastructure that:
 1. Expands the tax base of the municipality;
 2. Generates property tax revenue after the exemption expires.

Section 2:

- Makes the mandated tax exemption for a fire-protection system up to 2 percent of the value of the structure optional.

Section 3:

- Repeals AS 29.45.030(1) which was the mandated tax exemption for a fire-protection system.

MS. MOSS provided an example of what SB 106 will mean to municipalities as follows:

The Matanuska-Susitna Borough gave us some information on their sports center. The land that the sports center is on had an assessed value prior to construction of \$294000, today the land and the building is assessed at \$6.998 million; the approximate tax bill on that property, today undeveloped would be \$4900 a year, today they are generating \$102500 a year. Since the exemption expired, they have raised \$615000 in revenues; had that development not occurred, that \$600000 would dwindle down to \$31000. So, it's a significant avenue for municipalities to raise additional revenue which in today's world is important because they have less contributions from the state.

[3:35:44 PM](#)

CHAIR MEYER opened public testimony.

[3:36:20 PM](#)

CHRISTOPHER SCHUTTE, Director, Economic and Community Development, Municipality of Anchorage, Anchorage, Alaska, testified in support of SB 106. He commented that Senator Coghill and his staff have done a great job of capturing the important need and value in changing the current state statutes. He set forth that SB 106 will be a useful tool in Anchorage for encouraging development and redevelopment of all sizes, not only of the scale that Ms. Mention regarding the sports center in the Matanuska-Susitna Borough.

He disclosed that Anchorage is running out of available developable land and the legislation will allow the municipality to incentivize and encourage the redevelopment of aging-housing stock. He pointed out that one of the bill's components will allow the municipal-infrastructure requirement that Anchorage places upon developers to be eligible for rebate through a property-tax-abatement tool which will be especially powerful. He said Anchorage has multiple examples of projects that did not "pencil out" due to the municipal requirement to provide public infrastructure or public upgrades, as a result the municipality is left with undeveloped land; for example, a former gravel site was purchased by a company looking to build a \$40 million

distribution warehouse, but the requirements placed upon the project would have required \$4.5 million to bring public infrastructure up to code.

MR. SCHUTTE summarized that SB 106 is a very powerful tool that will provide municipalities across the state with the flexibility to create incentives that offset mandatory expenses through decreased tax in the short term.

[3:39:47 PM](#)

CHAIR MEYER closed public testimony.

[3:39:55 PM](#)

CHAIR MEYER set SB 106 aside for future consideration.

HB 148-SECOND CLASS BOROUGH SERVICE AREAS

[3:40:06 PM](#)

CHAIR MEYER announced the consideration of HB 148. He noted that SB 77, sponsored by Senator Micciche, is the companion bill to HB 148.

[3:40:32 PM](#)

REPRESENTATIVE MIKE CHENAULT, Alaska State Legislature, Juneau, Alaska, sponsor of HB 148, provided an overview as follows:

HB 148 would expand the authority of the second-class borough to exercise a local option of creating a non-taxable service area to provide emergency response along state-highway corridors that are not currently covered by any existing emergency-service areas; in particular, this would allow the Kenai Peninsula Borough to establish a service area for coordinated coverage for the almost 90 miles of Sterling and Seward highways that are not within the current existing boundaries of any existing emergency-service areas.

REPRESENTATIVE CHENAULT referenced a map and noted that the Sterling and Seward highways' area is very highly traveled and currently is semi-serviced with two-volunteer fire departments. He remarked that the voluntary staff is aging, and HB 148 is a good idea on how to fund the noted service area. He explained that the legislation would be implemented by action of the Kenai Peninsula Borough Assembly.

[3:42:32 PM](#)

REPRESENTATIVE GARY KNOPP, Alaska State Legislature, Juneau, Alaska, testified in support of HB 148. He detailed his previous history with the Kenai Peninsula Borough Assembly as follows:

In my time on the Kenai Peninsula Borough Assembly, we struggled with volunteer service in the area and as equipment and volunteers aged, we've been running short. So, we've been struggling to find the way to provide medical services as most of you know, and Senator Giessel at one time represented this area, so she's probably familiar with, but it doesn't allow us by law to exercise any type of support because it is outside of the service areas that currently exist, so our hands are somewhat tied in providing support. From January 2015 to December 2016, we serviced 123-medical calls, ambulance calls in that particular area. I'm sure most people have driven that from Cooper Landing to Hope, Seward, and then over the pass to Girdwood, and that's primarily the area we are talking about servicing.

[3:44:32 PM](#)

CHAIR MEYER opened public testimony.

[3:45:00 PM](#)

LARRY PERSILY, Chief of Staff to Borough Mayor, Kenai Peninsula Borough, Soldotna, Alaska, testified in support of HB 148. He disclosed that approximately 4000 vehicles traverse the Seward and Sterling highways daily with levels doubling and tripling during the summer peak that results in a lot of accidents.

MR. PERSILY explained that the Kenai Peninsula Borough does not have area-wide-emergency-services powers and only in a specific service area that results in a no-service area on the highway right-of-way. He said HB 148 would allow a local option to the six-second-class boroughs around the state via an assembly approval and public vote the ability to create a service area for emergency-response services on highway corridors and state right-of-ways where there are no residents or private property. He detailed that the Kenai Peninsula Borough's mayor would propose to the borough assembly that federal payment-in-lieu-of-taxes (PILT) be used because the highway corridor is mostly federal property.

MR. PERSILY summarized that HB 148 would allow the borough assembly a local option to help take care of residents, Alaskans and visitors that use the Sterling and Seward highways year-round.

[3:47:02 PM](#)

GEORGE PIERCE, representing self, Kasilof, Alaska, testified in opposition of HB 148. He said the state cannot afford new projects. He opined that the bill is a "land grab" by the Kenai Peninsula Borough. He claimed that local-tax dollars outside of the federal money would have to be used to fund the proposed service area.

[3:51:40 PM](#)

CHAIR MEYER closed public testimony.

SENATOR GIESSEL explained that during her time representing the Kenai Peninsula Borough that there was a need for equipment. She asked Representative Chenault if HB 148 would cover the cost of equipment for the volunteer fire departments.

REPRESENTATIVE CHENAULT noted that Representative Knopp recently served on the Kenai Peninsula Borough Assembly and could better address Senator Giessel's question.

REPRESENTATIVE KNOPP replied that the initial intent is not to purchase any equipment, but conceded that the PILT money could be used in the future to update an ambulance or replace antiquated equipment. He noted that the borough annually receives \$2 million to \$3 million in PILT dollars and the mayor plans on spending up to 20 percent on the service area.

SENATOR GIESSEL concurred with the representatives' comments regarding the aging-volunteer population in the Kenai Peninsula Borough region. She opined that the area has a crisis due to long accident-response times during bad-weather-driving conditions and thanked the two representatives for coming up with a collaborative solution.

[3:57:13 PM](#)

SENATOR GIESSEL moved to adopt the committee substitute for HB 148, version: 30-LS0597\U as the working document of the committee.

CHAIR MEYER objected for discussion purposes.

[3:58:00 PM](#)

CHRISTINE MARASIGAN, Staff, Senator Meyer, Alaska State Legislature, Juneau, Alaska, explained that the CS combines SB 106 and HB 148. She detailed as follows:

Sections 1-3 of SB 106 has been inserted in HB 148 following Section 1. The subsequent sections have been renumbered and it was thought that since both bills deal with local-control issues, that it related to either municipal-tax exemption or non-taxable services, that those two things would go well together; the office did contact the sponsors of both bills and that seemed amenable.

CHAIR MEYER removed his objection.

SENATOR COGHILL said he appreciated the cooperation of the House members in looking at the issue addressed in HB 148.

[3:59:29 PM](#)

SENATOR GIESSEL moved to report the CS for HB 148, version: 30-LS0597\U, [SCS HB 148(STA)], from committee with individual recommendations and attached fiscal note(s).

CHAIR MEYER announced that seeing no objection, the bill moved out of committee.

[3:59:49 PM](#)

At ease.

HB 78-INDIGENOUS PEOPLES DAY

[4:01:30 PM](#)

CHAIR MEYER called the committee back to order and announced the consideration of HB 78.

[4:02:49 PM](#)

REPRESENTATIVE DEAN WESTLAKE, Alaska State Legislature, Juneau, Alaska, sponsor of HB 78, announced that his staff member, Elizabeth Rexford, will provide the committee with a bill overview.

[4:03:22 PM](#)

ELIZABETH REXFORD, Staff, Representative Westlake, Alaska State Legislature, Juneau, Alaska, explained that quite a few municipalities and school districts have established their own Indigenous Peoples Day and the thought was for the state to

adopt the designation as well to instill a positive move forward.

MS. REXFORD detailed that HB 78 would establish a recognition day on the second Monday of October, which is also Columbus Day. She disclosed that the only negative feedback received was the recognition of was indigenous people on a holiday that was perceived as negative. She opined that recognizing Indigenous Peoples Day on Columbus Day would invoke a positive response of inclusivity, educate Alaskans, and provide a reason for everyone to celebrate indigenous peoples' positive history.

[4:06:19 PM](#)

REPRESENTATIVE WESTLAKE emphasized that native communities have always been inclusive. He asserted that there is nothing exclusive about celebrating both Columbus Day and Indigenous Peoples Day on the second Monday in October. He said the intent is to move forward as the governor has been doing every year and to make permanent the recognition of how rich and vibrant Alaskans are together as the great melting pot in America.

SENATOR COGHILL stated that he appreciated Representative Westlake's approach. He remarked that some of the bill's support letters have caused him some concern regarding the replacement of Columbus Day due to its negative perception by some, but positive by others, including himself. He asserted that the Legislature is the place where different focuses in life get to work together, but the letters of support quite often were divisive. He said the bill addresses culturally sensitive issues where sometimes the cultures clash. He reiterated that he appreciated the sponsor's approach with the idea to celebrate.

MS. REXFORD noted that letters of support from previous years did have somewhat of a negative undertone, but asserted that after reaching out to different organizations that they all had a positive view of the day. She asserted that her explanation of inclusivity changed the tone a little bit and letters have been positive.

[4:08:43 PM](#)

SENATOR COGHILL asserted that what Ms. Rexford has done is allow the conversation to take on a new look in a celebration of both rather than become a culture clash.

MS. REXFORD shared with the committee her native studies background in addressing rhetoric and negative events; HB 78 is a very positive movement forward in that area.

CHAIR MEYER asked if other states have passed similar legislation.

REPRESENTATIVE WESTLAKE answered that several states have passed legislation that recognizes and includes indigenous peoples. He noted that half of the nation's tribes are in Alaska.

[4:10:34 PM](#)

CHAIR MEYER opened public testimony.

[4:11:10 PM](#)

ALBERT NINGEULOOK, representing self, Shishmaref, Alaska, testified in support of HB 78. He explained that the bill positively recognizes the original inhabitants as well as people who have settled in the state from other cultures. He asserted that the bill is a very positive step in recognizing all the people and cultures that have settled in the United States.

[4:13:52 PM](#)

MARILYN RUSSELL, representing self, Fairbanks, Alaska, testified in support of HB 78. She said so many wrongs have occurred in the state that need to be righted and to let the legislation be one of them. She referenced Elizabeth Peratrovich and demanded that changes be made to recognize indigenous peoples. She remarked that indigenous people and their culture make Alaska culturally rich and diversified. She asked that the second Monday in October be renamed "Indigenous Peoples Day."

[4:15:03 PM](#)

CHAIR MEYER closed public testimony.

SENATOR COGHILL remarked that the previous testimony was an explanation of why the approach must clearly explain the difference between joining and replacing. He said "joining" is great, but "replacing" not so great. He opined that his remark is the kind of question that will have to be continually dealt with. He said, "I'm not going to object because what it does is it begs the question and then we just got to give an answer to it."

CHAIR MEYER detailed that HB 78 has a zero-fiscal note and was assigned next to the Senate Rules Committee. He entertained a motion for HB 78.

[4:16:41 PM](#)

SENATOR GIESSEL moved to report HB 78, version: 30-LS0368\A from committee with attached zero-fiscal note and individual recommendations.

4:16:50 PM

CHAIR MEYER announced that being no objection, the motion carried.

4:17:35 PM

There being no further business to come before the committee, Chair Meyer adjourned the Senate State Affairs Committee at 4:17 p.m.