

HOUSE FINANCE COMMITTEE

May 5, 2023

2:21 p.m.

2:21:20 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 2:21 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski (via teleconference)
Representative Andy Josephson

MEMBERS ABSENT

Representative Julie Coulombe

ALSO PRESENT

Senator Elvi Gray-Jackson, Sponsor; Jessica Geary, Executive Director, Legislative Affairs Agency; Senator Forrest Dunbar, Sponsor.

PRESENT VIA TELECONFERENCE

Curtis Thayer, Executive Director, Alaska Energy Authority, Department of Commerce Community and Economic Development; Megan Wallace, Chief Counsel, Legislative Legal Services, Juneau; Alliana Salanguit, Staff, Senator Dunbar; Akis Gialopsos, Deputy Executive Director, Alaska Energy Authority, Department of Commerce, Community and Economic Development.

SUMMARY

HB 154 AK HOUSING FINANCE CORP: SUSTAIN ENERGY

HB 154 was HEARD and HELD in committee for further consideration.

SB 81 OFFICE VICTIMS' RIGHTS: COMP, APPTMT

SB 81 was HEARD and HELD in committee for further consideration.

SB 77 MUNI PROP TAX EXEMPTION/TAX BLIGHTED PROP

SB 81 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb154

HOUSE BILL NO. 154

"An Act relating to subsidiary corporations of the Alaska Housing Finance Corporation; and establishing the Alaska energy independence fund."

[2:23:10 PM](#)

AKIS GIALOPSOS, DEPUTY EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

[2:24:08 PM](#)

Mr. Gialopsos introduced the PowerPoint presentation "House Bill 154: Alaska's Energy Independence Fund" dated May 5, 2023 (copy on file).

Mr. Gialopsos advanced to slide 4 titled "Policy Objectives."

Establishing the Alaska Energy Independence Fund (AEIF) and a subsidiary corporation managing assets:

Helps Alaskans be more resilient, less energy constrained with a stronger economy.

Furtheres the Alaska State Energy Goal

Mr. Gialopsos explained that HB 154 had a three goal objective. The first goal would allow the Alaska Housing

Finance Corporation (AHFC) to establish a subsidiary corporation with the purpose of pursuing sustainable energy development. The second goal authorized AHFC, working with AEA to provide technical assistance to both the non-profit and quasi-public entities that would pursue sustainable energy development. The third goal established the Alaska Energy Independence Fund (AEIF) to pursue historic federal funding opportunities and work to aggregate capital with existing financial institutions in the state. He compared Alaska's economy to Hawaii and called it an "island economy" in terms of energy generation. Therefore, he believed that the state needed to take a multifaceted approach to help communities depend less on "fragile lines of supply" for its energy needs. He furthered that the Alaska State Energy Policy, established in statute in 2010, mandated that half of the state's energy generation would be from renewable resources by 2050 and the bill supported that goal.

[2:27:07 PM](#)

Mr. Gialopsos continued on slide 5 titled "Policy Objectives (continued):"

AEIF could help spur energy innovation consistent with Governor Dunleavy's administration objectives:

The Office of Energy Innovation (AO 340)
The Alaska Energy Security Task Force (AO 344)

AEIF would draw federal and private capital to assist Alaska homes and businesses be more independent in their energy choices.

Mr. Gialopsos reported that the bill aligned with the broader policy initiated by the administration beginning with the prior year's Inaugural Sustainable Energy Summit that would meet again at the end of the current month. He mentioned the two Administrative Orders (AO) listed on the slide and expounded that both orders recognized the need to examine Alaska's energy supply in the geopolitical context and develop significant resources to remain sustainable during "shocks to the system" caused by world events. He spoke to additional policy objectives of the bill. He advanced to slide 6 titled " Policy Objectives (continued):"

AEIF will help Alaska compete for historic federal funding opportunities to improve the energy profile for homes and businesses:

U.S. Environmental Protection Agency's Greenhouse Gas Reduction Fund (GHGRF) grant opportunity from a pool of \$27 billion in available funding (no Notice of Funding yet application period as early as summer 2023)

Waivers from the Department of Energy for loan guarantees if funded through a State Energy Finance Institute (e.g., AEIF)

Stacked with time-limited energy tax credits.

Mr. Gialopsos recounted that a prior version of the legislation [HB 170 - Energy Independence Program and Fund: AIDEA, 2021] was introduced in the prior legislative session. Subsequently, two significant pieces of congressional law had been enacted, which included historic funding opportunities for the state. In addition, several federal agencies were allowed to enact tools that the state had difficulty implementing in the past. He exemplified loan guarantees from the Department of Energy. Through the proposed subsidiary and fund the state could ensure that proven renewable energy technologies would have access to the loan guarantees for communities and individuals. In addition, the federal government simultaneously extended tax credits for businesses and individuals through 2032 that were meant to accompany the capitalization access that the Greenhouse Gas Reduction Fund (GHGRF) had envisioned.

[2:31:44 PM](#)

Mr. Gialopsos continued on slide 7 titled "Policy Objectives Summary:"

Policy Objectives of establishing the Alaska Energy Independence Fund are:

Helping Alaskans be less dependent on expensive energy sources for their homes and businesses.

Be competitive for once-in-a-generation federal funding opportunities to leverage public and private capital for energy projects.

Mr. Gialopsos quickly proceeded to slide 8 titled "Role of AHFC In Energy:"

Alaska Housing Finance Corporation has a long track record of managing innovative programs to tackle energy challenges for homeowners and communities.

Energy Efficiency Interest Rate Reduction:
AHFC offers interest rate reductions when financing new or existing energy efficient homes, or when borrowers make energy improvements to an existing home.

Mr. Gialopsos elucidated that the slide was a summary of other remarks given by Mr. Bryan Butcher, Chief Executive Officer and Executive Director, Alaska Housing Finance Corporation, Department of Revenue earlier in the session. He noted that AHFC had a long running weatherization program that incentivized energy efficiency through energy efficiency interest rate reductions. The slide showed how the corporation used financial instrumentation to provide incentives to further energy goals.

Mr. Gialopsos discussed slide 9 titled "Role of AHFC in Energy (continued):"

Renovation Loan Option:

Allows for improvements that increases a home's value; increases the energy efficiency of a home; incorporates universal design principles to age-in-place -while improving Alaska's aging housing stock.

Since FY20 AHFC has financed 338 renovation loans for just under \$100M.

Mr. Gialopsos offered that the Renovation Loan program infused real dollars to benefit the lives of Alaskans.

Mr. Gialopsos moved to slide 10 titled "Role of AHFC In Energy (continued):"

Experiences meeting unique challenges:

AHFC has a tradition of working with sister agencies and organizations, stepping up, and meeting needs of Alaskans:

Standing up programs to help Alaskans in need:

Home Energy Rebate

Emergency Rental Assistance and Homeowner Assistance

Standing up subsidiaries to meet policy needs of Alaskans:

Alaska Corporation on Affordable Housing

Alaska Gasline Development Corporation (AGDC)
(originally a subsidiary of AHFC).

Mr. Gialopsos related that the slide intended to illustrate AHFC's track record of creating especially purposed financial vehicles through subsidiaries when meeting the threshold of challenges set by policymakers. He exemplified the instigation of the Home Energy Rebate Program that began with a significant amount of capitalization via General Funds (GF) along with a federal program that distributed almost \$500 million to improve the lives of Alaskans. The program assisted homeowners achieve 30 percent more energy efficiency, translating into cost savings. He noted that AHFC distributed Emergency Rental Assistance and Homeowner Assistance that was implemented with pandemic relief money. The corporation had stood up several special purpose vehicles, such as the Alaska Corporation on Affordable Housing, which had engaged in successful senior and low income development projects in Anchorage and Fairbanks with the goal of expanding into other communities.

Co-Chair Foster recognized that Representative Josephson had joined the meeting.

[2:37:37 PM](#)

CURTIS THAYER, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE COMMUNITY AND ECONOMIC DEVELOPMENT, (via teleconference), introduced himself and highlighted slide 11 titled "ABOUT AEA:"

AEA's mission is to reduce the cost of energy in Alaska. To achieve this mission, AEA strives to

diversify Alaska's energy portfolio –increasing resiliency, reliability, and redundancy.

Mr. Thayer and provided additional information about the Alaska Energy Authority (AEA). He explained that the AEA was a public corporation established by the legislature with a board of directors. He relayed the mission of AEA. The authority had 6 primary focused areas:

Railbelt Energy, AEA owns the Bradley Lake Hydroelectric Project, the Alaska Intertie, and the Sterling to Quartz Creek Transmission Line –all of which benefit Railbelt consumers by reducing the cost of power.

Power Cost Equalization (PCE) PCE reduces the cost of electricity by leveling the rate between the railbelt and rural Alaska for rural residential customers and community facilities, which helps ensure the sustainability of centralized power. The fund totaled \$1 billion and funded 193 communities.

Rural Energy –AEA constructs bulk fuel tank farms, diesel powerhouses, and electrical distribution grids in rural villages. AEA supports the operation of these facilities through circuit rider and emergency response programs.

Renewable Energy and Energy Efficiency, AEA provides funding, technical assistance, and analysis on alternative energy technologies to benefit Alaskans. These include biomass, hydro, solar, wind, nuclear and others.

Grants and Loans, AEA provides loans to local utilities, local governments, and independent power producers for the construction or upgrade of power generation and other energy facilities.

Energy Planning –In collaboration with local and regional partners, AEA provides economic and engineering analysis to plan the development of cost-effective energy infrastructure.

Mr. Thayer remarked that under renewable energy and efficiency AEA offered grants and programs and funded 38 projects through the Renewable Energy Fund (REF), 27 more

were pending. The authority had found that many of the projects just needed a bit of extra funding that the state and federal governments was unable to provide. The funding through REF had jump started some of the projects. He added that the Power Project Fund would be complimentary to the proposed program in HB 154. In addition, AEA provided energy planning and collaboration. He addressed slide 12 titled "AEA Active Projects and Services" that depicted AEA's footprint in the state. The proposed energy fund authorized AEA to provide its infrastructure expertise, analysis, and technical support for sustainable development. He summarized that the corporation would be the bankers and AEA would provide the technical expertise to move the project forward in order to obtain the federal funding and advance the state's renewable goals.

[2:41:27 PM](#)

Representative Hannan asked if AEA had a copy of slide 12 on their website. She wanted to look at it in further detail. Mr. Thayer answered "yes and no." The slide was prepared for the presentation however everything could be found on the internet and was identifiable on the website. He offered to provide additional information if necessary.

[2:42:24 PM](#)

Representative Galvin thought the proposal seemed like a "tremendous" opportunity. She asked if the program would be limited or whether it applied to all the types of projects listed on slide 12. Mr. Thayer responded that AEA's projects were limited by the size of the project and who was eligible to apply such as, communities and independent power producers but not necessarily by individuals. The new fund included individuals. He added that as far as the qualifications, AEA was still awaiting guidance from the federal Environmental Protection Agency (EPA). However, it appeared that the majority of AEA projects would qualify for the new funding.

[2:44:55 PM](#)

Mr. Gialopsos continued on slide 13 titled "House Bill 154: Overview:"

House Bill 154 (and Senate Bill 125) proposes two actions for the Legislature's consideration:

Empowers AHFC to work with AEA on developing sustainable energy development through several tools, including establishing non-profit subsidiary corporations.

Establishes the Alaska Energy Independence Fund (AEIF) with the intent to be managed by AHFC's non-profit subsidiary corporation. The fund is capitalized with General Funds initially and federal receipt authority.

Mr. Gialopsos reiterated the goals of the legislation.

Mr. Gialopsos concluded his presentation on slide 14 titled "House Bill 154: Proposed Policy Implementation Process:"

1. Legislation creating the Alaska Energy Independence Fund (AEIF) & empowering AHFC to create a non-profit subsidiary passes and is enacted.
2. The AHFC Board of Directors, in consultation with legal counsel, creates a non-profit subsidiary corporation to manage the AEIF. That creation includes bylaws and initial regulations by AHFC for the non-profit subsidiary.
3. The created non-profit subsidiary acquires relevant staff and works with the Alaska Energy Authority and AHFC on crafting the sustainable energy development programs articulated in House Bill 154.
4. The created non-profit subsidiary pursues federal funding opportunities and establishes relationships with financial institutions to begin capital aggregation.

Mr. Gialopsos delineated that the bill was amended in a prior committee with an immediate effective date therefore, the effective date would be the same as the enactment date. The bylaws would provide the assurance that the subsidiary would not have recourse on the parent corporation or the mortgages and bonds that were securitized through the parent corporation. He pointed out that step 3 included establishing the funding opportunities. Finally, the programs that would be developed would be dependent upon the size and success of the amount of capitalization.

[2:49:34 PM](#)

Co-Chair Edgmon commented that he thought the legislation was important. He understood that the bill was tied to federal grant money and Infrastructure Investment and Jobs Act (IIJA) money. He asked why the bill was not put forward at an earlier time in the session.

Co-Chair Foster noted that there was a hearing request dated March 19, 2023, however, the governor had around 16 bills in the committee and many other bill sponsors had relayed that their bill was important. He had attempted to balance all bill hearing requests.

Mr. Gialopsos responded that the legislation was introduced at a relatively later date because of the need to evaluate the language of the Inflation Reduction Act that was still lacking specific guidance from federal agencies, most notably, the EPA. Additionally, the bill had to be drafted differently than the prior bill due to the inclusion of new provisions concerning AHFC.

[2:53:02 PM](#)

Co-Chair Edgmon commented that he did not want to undercut the significance of the bill. He understood that there were valid reasons for the later introduction of the bill.

Co-Chair Foster noted that the hearing request was submitted on April 24, 2023.

[2:54:14 PM](#)

Representative Hannan asked whether the bill was the only green bank bill and if that there was not another bill introduced earlier in the session. Mr. Gialopsos responded in the affirmative. The bill was the only piece of legislation that authorized a green bank to be implemented in state law. Representative Hannan asked if it was the only bill introduced, not just by the administration bill. She presumed that it was the only green bank legislation.

Co-Chair Foster responded that Representative Hannan was correct to his knowledge. He added that he had received emails regarding adopting green bank legislation.

[2:56:27 PM](#)

Representative Josephson recalled that the prior bill included a commission and there was a dispute over who would be on the commission. Another version required that a certain amount of funding went to rural Alaska. He asked for a discussion on the transition away from a commission model. He assumed that the decision making authority would be up to the AHFC board. He asked if he was correct. Mr. Gialopsos responded that the distinction between the previous legislation and a prior version in 2022 was the prior version included an advisory board that would have advised the parent company on how to administer the fund. He remembered that the previous bill tried to apportion elements of the portfolio between urban and rural Alaska. Regarding HB 154, the corporation was proposing very broad measures for a few reasons. He detailed that the new federal funding had explicit funding opportunities, but the details were still "opaque." Therefore, the construct of the subsidiary corporation was designed to be flexible enough to pursue the funding opportunities. The request was to maintain the tools to be responsive to the sometimes changing guidance from the federal agencies. He asked Representative Josephson repeated the second part of his inquiry. Representative Josephson asked rather than having an advisory commission, would the decision making occur within the AHFC board. Mr. Gialopsos responded that the subsidiary would be administered by the corporation's board of directors, which aligned with AHFC's other subsidiaries, most notably the Alaska Corporation for Affordable Housing. He elaborated that the structure ensured that the subsidiary's corporate governance procedures, methods, and actions were aligned with the public purpose and that the technical expertise offered through AHFC were aligned as well.

[3:00:44 PM](#)

Representative Ortiz referred to the AEA active project list on slide 12 and wondered what the source of funding was for the wide variety of projects listed.

Mr. Thayer responded that it represented AEA's current active projects. He delineated that there were about 193 communities that were PCE related, 197 communities had mainly powerhouse, bulk fuel, and electrical emergencies. Currently, there were over 50 renewable projects through the REF and he hoped to have 27 more in FY 24. There were over 100 projects in the REF program; 50 were currently

active. He added that there were 18 active loans across the state in the Power Project Fund (PPF) in addition to technical support and owned assets by AEA. He noted that AEA provided technical advice on renewable projects. He exemplified the following projects: two solar projects in Willow and Houston that were funded by AEA; the 95 percent renewable project on Prince of Wales Island in Southeast Alaska was funded through a \$25 million AEA loan; and \$45 million in the Kodiak Pillar Mountain Project. He offered to provide a breakdown of each individual project.

[3:03:44 PM](#)

Representative Hannan understood that the AEIF fund would be administered through the AHFC board. She asked how the membership of the AHFC board worked and wondered if it would not be prudent to add some specialty members to provide expertise on green bank issues, since AHFC's mission was not the same. She wanted to ensure that it would not just function as a "rubber stamp" entity. She asked for a description of AHFC's board makeup and how the board members would also serve as an oversight entity for the fund.

Mr. Thayer responded that AEA's role would be more supportive and technical and deferred the answer to Mr. Gialopsos.

Mr. Gialopsos responded that the current configuration of the board and the description of the seats included an individual who had expertise on energy and homebuilding, a member with expertise in finance, an individual expert on rural housing, and an individual who had a background in working with seniors and senior housing, which all spoke to the mission of the corporation. He noted that it was the same configuration for other energy programs. He spoke to the Alaska Gasline Development Corporation (AGDC) that initially was under the AHFC umbrella. He recounted that ultimately, the legislature had "decoupled" the two corporations from one another and stood it up on its own. He offered that the subsidiary established in the bill would be a similar in intent, with the first step in implementing the subsidiary corporation was to ensure its managerial, personnel, and financial culture was robust and in the public interest and eventually allow it to become a separate entity.

3:07:58 PM

Representative Hannan asked if the administration considered creating an independent board for the subsidiary. She understood the maturation process for the AGDC because it was the state's in-house project. She was contemplating whether there should be an independent board for the subsidiary within the corporation that was not the same governing board as AHFC's whose focus was on housing. Mr. Gialopsos replied that many scenarios on governance procedures were contemplated. The AHFC board would implement elements of IIJA like the new weatherization program that was meant to mirror the existing program. He informed the committee that the board would work with the Denali Commission and AEA. He believed that the current board had much experience utilizing significant federal funding opportunities from prior years. It was deemed that the highest and best use of the board was to hire the appropriate personnel for the subsidiary to secure the funding opportunities and meet the demands of the new federal regulations, which a whole new board may have difficulty doing. In addition, time was of the essence; the EPA had been mandated to disperse \$20 million in funds by September 2024. He communicated that creating, finding, and vetting new board members in addition to the board needing to hire new staff elongated the timeframe to an extent that the state may not be able to submit its application to federal agencies in time even though there may be reasonable policy implications for creating a new board.

3:11:54 PM

Co-Chair Foster would look into any desire to expedite the bill's committee process.

Mr. Thayer thanked the committee for its time.

HB 154 was HEARD and HELD in committee for further consideration.

#sb81

SENATE BILL NO. 81

"An Act relating to the office of victims' rights; and providing for an effective date."

3:12:59 PM

SENATOR ELVI GRAY-JACKSON, SPONSOR, relayed that the bill was introduced by the Senate Rules Committee at the request of the Legislative Council and as chair of the committee it was her honor to carry the bill. She spoke to the reason for the bill and read from a prepared statement:

In the Thirty-Second Legislature, legislation was passed that created a new salary schedule for state attorneys, which inadvertently excluded the four attorneys in the Office of Victims' Rights - or OVR, as it is known.

For your convenience, I have included an excerpt from the minutes of the August 18, 2022, meeting of the Legislative Council in your bill packet. The discussion during that Leg Council meeting describes the reason this bill is necessary.

To summarize those minutes, as a temporary solution to the problem, Legislative Council unanimously approved paying OVR attorneys according to the new salary schedule, created by last year's HB 226, and funded the increase with a one-time transfer for fiscal year 2023; however, the legislation before you today is required to place the OVR attorneys on the state attorney salary schedule permanently.

Senator Gray Jackson continued by explaining the reason for the amendment, which she supported. She continued to read from a prepared statement:

Senator Wilson, who is a co-chair of the Victims' Advocate Selection Committee - along with co-chair Representative Carpenter - approached Senate President Stevens with a problem.

The Victims' Advocate Selection Committee had been appointed on March 1, 2023, because the director of the OVR, Taylor Winston, resigned and a new director needs to be selected. However, working with the Personnel Office, the co-chairs of the selection committee determined that it was too late in the session to advertise, screen, interview, score, consider, make an offer to, and nominate a candidate by the time our Joint Confirmation Session takes place.

At that time, SB 81 was identified as a vehicle to assist the joint Victims' Advocate Selection Committee with their task of hiring a permanent victims' advocate. Senator Wilson, on behalf of the selection committee, proposed an amendment that made two substantive changes to the OVR statutes.

The first substantive change is to AS 24.65.070(a) which relates to "Staff and delegation," and says, in part:

"The victims' advocate shall appoint a person to serve as acting victims' advocate in the absence of the victims' advocate."

New language was added in the amendment - which is on Page 2, Lines 3 - 6 of Version B.A - which says,

"If the victims' advocate is not available to appoint a person to serve as acting Section 3 adds a provision that gives the President of the Senate and the Speaker of the House the authority to jointly appoint an acting victims' advocate if the victims' advocate is not available to appoint an acting victims' advocate or if the legislature is unable to ratify one during the legislative session.

Senator Gray-Jackson continued as follows:

The amendment that modified this section of statute contemplates a situation where the victims' advocate appoints an acting victims' advocate and - for some reason - that acting victims' advocate leaves the job before a permanent victims' advocate has been hired, leaving a vacancy in this important leadership position. In this scenario, which we think is unlikely to happen but possible, the amendment added a provision that says the presiding officers can jointly appoint an acting victims' advocate.

It would also allow the presiding officers to jointly appoint a new acting victims' advocate to serve until being ratified. Without this change, a successful candidate for Victims' Advocate who is nominated by the Selection Committee, for example, during the summer or fall, could not begin working until being ratified during the following legislative session.

The second substantive change is to AS 24.65.020(b) which relates to the "Appointment of the victims' advocate," which currently says, in part:

"The appointment is effective if the nomination is approved by a roll call vote of two-thirds of the members of the legislature in joint session."

New language was added in the amendment that modified this sentence, so it reads in the current version of the bill on Page 2, Lines 7 and 8:

"The appointment is effective if the nomination is ratified by two-thirds of the full membership of the senate and two-thirds of the full membership of the house of representatives."

Therefore, this version of the bill removes the requirement that the Legislature confirm the victims' advocate by a roll call vote in a joint session. The maker of the amendment proposed that this would be a more efficient process - while still requiring ratification by 2/3 of our membership - and I agree, Mr. Chairman.

With these changes to the original version of the bill, the selection committee can be more deliberative in the hiring process.

Finally, a quick word of support for the Office of Victims' Rights.

As noted in a letter in your packet that was written by Acting Director Kathy Hansen:

"OVR attorneys work directly with prosecutors, law enforcement officers, and lay victim advocates when advocating for crime victims. OVR attorneys regularly advocate for victims throughout the entire State of Alaska. They handle the most serious and high-profile felony criminal prosecutions in our state - including homicides, sexual assaults involving adult and minor victims, felony property crimes, and felony thefts - as well as both felony and misdemeanor domestic violence crimes ..."

Supporting the important work of the Office of Victims' Rights is the goal of this legislation - and I encourage support of SB 81, Version B.A.

[3:19:53 PM](#)

Representative Josephson asked whether there was a provision that allowed the exempt and partially exempt staff salaries track the Alaska Public Employees Association's (APEA) pay increases, so the OVR attorneys would not "slip behind" as they had previously. He asked if the victims' rights attorneys would be part of the provision.

[3:20:47 PM](#)

JESSICA GEARY, EXECUTIVE DIRECTOR, LEGISLATIVE AFFAIRS AGENCY, was unsure and deferred the answer to Legislative Legal Services.

[3:21:13 PM](#)

MEGAN WALLACE, CHIEF COUNSEL, LEGISLATIVE LEGAL SERVICES, JUNEAU (via teleconference), answered that a provision in HB 226 ensured that the legislature shall increase the salary schedule at the same time and rate as the supervisory bargaining unit. However, the language required further legislative action before the salary schedule could be increased. She furthered that the salary increase provision was separate from the subsection of HB 226 that provided the initial increase for state attorneys. Representative Josephson asked if the attorneys could be accidentally left out again. Ms. Wallace responded that the employees that were paid on the basic legislative salary schedule and would tag along with all other future increases however, since the OVR attorneys were omitted from AS 39.27.011 subsection (1) without the proposed amendment, the attorneys would not be eligible for the additional increase.

[3:23:59 PM](#)

Co-Chair Foster asked for wrap-up comments.

Senator Gray-Jackson thanked the committee.

SB 81 was HEARD and HELD in committee for further consideration.

#sb77

SENATE BILL NO. 77

"An Act relating to municipal property tax; and providing for an effective date."

[3:24:49 PM](#)

SENATOR FORREST DUNBAR, SPONSOR, introduced SB 77. He read from prepared remarks.

Thank you, all. SB 77 is the companion bill to HB 84 by Rep. Sumner

SB 77 gives local governments two optional tools to incentivize economic development—particularly residential/commercial housing developments.

First, it allows for a full property tax exemption instead of limiting that exemption to the value above a property's local minimum school contribution.

However, local governments will STILL be required to meet their minimum local contribution, meaning SB 77 will not have an impact on total school funding.

The second tool gives local governments the option to adopt an ordinance for implementing a blight tax.

This is a conditional increase, capped at 50% of the property's annual assessed property tax, on abandoned and dilapidated commercial properties that pose a threat to public safety and welfare.

Primary residences of property owners are exempted from being designated as blighted.

The blight tax may be removed once the property begins remediation or redevelopment. It also may NOT be applied to primary residences.

Senator Dunbar stressed that the tools were optional, and it a local government did not levy a property tax the

provisions were not applicable. Additionally, the definition of "blighted" was added to the bill.

All session, many of us have heard about the unmet demand for new housing and the growing need for economic development. SB 77 will help local governments work towards these goals.

Senator Dunbar concluded that the fiscal note was zero and there was no cost to state governments.

[3:27:19 PM](#)

ALLIANA SALANGUIT, STAFF, SENATOR DUNBAR, (via teleconference), read the sectional analysis of the bill.

Section 1: Amends AS 29.45.050 Optional exemptions and exclusions to allow municipalities to completely exempt property taxes for an economic development property. Currently, only the amount above the school district's local required contribution may be exempted.

Section 2: Adds a new section AS 29.45.057 Levy of tax on blighted property that allows municipalities to adopt an ordinance establishing a blight tax. The ordinance must include the following:
Standards for determining if a property is blighted. The standards must include that the property meets one or more of the following criteria.

The property: Endangers public health and safety.

Is a public nuisance under a local housing, building, plumbing, fire, or other related code or ordinance;

Has been vacant for no less than a year; o Is the subject or center of repeated illegal activity due to its unsecured, vacant, or deteriorated state; or

Is open to the elements, unfit for occupancy, or a fire hazard; A procedure for designating a property as blighted, notifying the property owner, and providing the property owner an opportunity to appeal;

A tax rate for the blighted property that may not exceed 50% of the annual property tax assessed on the property;

Standards for remediating or redeveloping the property so it will no longer be considered blighted;

A duration of time and reduced tax rate for remediated properties. To qualify for the reduced tax rate, the property owner must have a plan for remediating or redeveloping the property submitted to and approved by the municipality. The blight tax may be removed once they began the remediation or redevelopment process and follow the approved plan. Municipalities may designate the tax revenue to be used for community redevelopment purposes. Primary residences are exempt from this section. Section 3: Allows home rule and first-class cities inside boroughs to levy a blight tax. Section 4: Provides for an immediate effective date after enactment per AS 01.10.070(c).

[3:29:49 PM](#)

Co-Chair Foster asked whether the blighted definition was contained in the House companion bill sponsored by Representative Jessee Sumner, HB 84-Exemption/Tax Blighted Prop. Senator Dunbar replied in the affirmative.

[3:30:08 PM](#)

Representative Hannan asked if the definition of blighted property was on page 2, subsection 2 of the bill and if the word "standards" was used interchangeably in the definition. Senator Dunbar responded in the affirmative. He explained that the definition was not a separate section in the bill, but the blighted definition was in the standards section on page 2, line 12 of the legislation. He noted that a municipality could choose not to use all the standards; the standards were optional. A municipality could use one or two of the standards, none, or all. He noted that the Alaska Municipal League (AML) did not want to include any standards in order to maintain local control. He generally supported local control but there were legislators who wanted to put some parameters on how far a local government could act.

Representative Hannan referred to the standards in subsection 2 and noted that a local government only had to meet one of the standards for determining a blighted property. She asked if the standards were all contained in subsections (a) through (e). Senator Dunbar responded that there was a drafting error, and he was going to ask a member of the committee to amend it. He explained that subsections (e) and (C) were intended to be one section. He thanked her for spotting the error.

[3:33:17 PM](#)

Co-Chair Foster

Senator Dunbar offered a practical example on the types of situations that might occur. He recounted that local governments were restricted in the kind of property taxes and policies it could implement. The Anchorage Assembly adopted a 12-year property tax abatement for construction of residential property in the downtown Overlake district. He detailed that there were projects that went forward that would not have been able to go forward without it. In regard to the blight tax, there was a large building in Midtown Anchorage that sat vacant for more than a decade and caused significant consternation. The owners were out of state and had been unwilling to demolish the building until recently. The blight tax would have been one tool used to convince the owners to remediate the property. He emphasized that the tax was not intended to raise significant property tax for local government, but to spur remediation for vacant and potentially dangerous buildings in communities.

Co-Chair Foster reviewed the agenda for the following committee meeting.

SB 77 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[3:36:23 PM](#)

The meeting was adjourned at 3:36 p.m.