

Original sponsor: Rules Committee by
request of the Governor

Offered: 5/31/76
For Today's Calendar

1 IN THE SENATE

BY THE RULES COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 529 (Rules) am H

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal revenues and to taxes
7 in which the state and municipalities participate in
8 the proceeds; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 29.53.020(g) and (h) are amended to read:

11 (g) The state shall reimburse a borough or city, as appropriate,
12 for the real property tax revenues lost to it by the operation of (e)
13 of this section. However, reimbursement will be made to a borough or
14 city for revenue lost to it only to the extent that the loss exceeds
15 an exemption which was granted by the borough or city, or which upon
16 proper application by an individual would have been granted by the
17 borough or city, under sec. 25(a) of this chapter.

18 (h) Except as provided in (g) of this section, nothing [NOTHING]
19 in (e) - (i) of this section affects similar exemptions from property
20 taxes granted by municipalities on September 10, 1972 or prevents
21 municipalities from granting similar exemptions by ordinance as provided
22 in sec. 25 of this chapter. [HOWEVER, UNDER (e) - (i) OF THIS SECTION
23 ONLY THE AMOUNT OF REVENUE LOST TO THE MUNICIPALITY BY REASON OF THE
24 EXEMPTION AUTHORIZED IN THOSE PROVISIONS MAY BE REIMBURSED TO THE MUNI-
25 CIPALITY BY THE STATE.]

26 * Sec. 2. AS 29.53.035(a) is amended to read:

27 (a) Farm use lands included in a farm unit and not dedicated or
28 being used for nonfarm purposes shall be assessed on the basis of full
29 and true value for farm use, and shall not be assessed as if subdivided

1 or used for some other nonfarm purpose. The assessor shall maintain
2 records valuing the farm use land for both full and true value and farm
3 use value. Should the farm use land be sold, leased, or otherwise
4 disposed of [,] for uses incompatible with farm use [OTHER THAN FARM USE
5 PURPOSES] or be converted to a use incompatible with farm use [NONFARM
6 USE] by the owner, the owner shall be liable to pay an amount equal to
7 the additional tax at the current mill levy together with eight [FIVE]
8 per cent interest for the preceding seven years, as though the land had
9 not been assessed for farm use purposes. Payment by the owner shall be
10 made to the state to the extent of its reimbursement for revenue loss
11 under (e) of this section for the preceding seven years. The balance
12 of the payment shall be made to the city or borough. The Department of
13 Community and Regional Affairs shall, at the time of reimbursement, file
14 a lien on each farm unit in favor of the state for that unit's pro rata
15 portion of the amount reimbursed under this section. Each lien is
16 effective for seven years after the date it is filed.

17 * Sec. 3. AS 29.53.035(b) and (c) are amended to read:

18 (b) An owner of farm use land must, to secure the assessment,
19 make application to the assessor before February 1 of each year in which
20 the assessment is desired, but during the same year the governing body
21 of the municipality for good cause shown may waive the claimant's failure
22 to make timely application for the exemption for that year and authorize
23 the assessor to accept the application as if timely filed. The appli-
24 cation shall be made upon forms prescribed by the state assessor for the
25 use of the local assessor and shall include information which may
26 reasonably be required to determine the entitlement of the applicant.
27 If the farm use land is leased for farm use purposes, the applicant
28 shall furnish to the assessor a copy of the lease bearing the signatures
29 of both lessee and lessor along with the completed application. The

1 applicant shall furnish the assessor a copy of the lease covering the
2 period for which the exemption is requested.

3 (c) In this section "farm use" means the use of land for raising
4 and harvesting crops or for the feeding, breeding and management of
5 livestock or for dairying or another agricultural use for profit or any
6 combination thereof. To be farm use land, the owner or the lessee must
7 be actively engaged in farming the land [,] and derive a minimum of \$25
8 gross farm income per acre yearly or at least 10 per cent of his yearly
9 gross income from the farm use land except if a crop failure caused by
10 an act of God occurred the previous year the land is farm use land if
11 the owner or lessee submits an affidavit that at least 10 per cent of
12 his gross income or a minimum of \$25 gross farm income per acre was
13 derived from farming for each of the past three years. The provisions
14 of this section do not apply to land respecting which the owner has
15 granted, and has outstanding, a lease or option to buy the surface
16 rights. A property owner wishing to file for farm use classification
17 having no history of farm-related income may submit a declaration of
18 intent at the time of filing the application with the assessor setting
19 out the intended use of the land and the anticipated [PERCENTAGE OF]
20 income. An applicant using this procedure shall file with the assessor
21 before February 1 of the following year a notarized statement of the
22 [PERCENTAGE OF] gross income attributable to the farm use land. Failure
23 to make the filing required in this subsection forfeits the exemption.

24 * Sec. 4. AS 43 is amended by adding a new chapter to read:

25 CHAPTER 17. MUNICIPAL REVENUE SHARING

26 Sec. 43.17.010. CONSTRUCTION AND IMPLEMENTATION OF CHAPTER. (a)
27 This chapter may not be construed so as to create a debt of the state.

28 (b) The special municipal services account is established. Funds
29 to carry out the provisions of this chapter may be appropriated annually

1 by the legislature to the account. If amounts in the account are
2 insufficient for the purpose of each local government's share authorized
3 under this chapter, such funds as are available shall be distributed pro
4 rata among eligible local governments.

5 (c) Money in the special municipal services account which, at the
6 end of the fiscal year for which the money is appropriated, exceeds the
7 amount required for the allocations authorized in this chapter reverts
8 to the general fund.

9 Sec. 43.17.020. MINIMUM GRANTS TO MUNICIPALITIES. (a) A munici-
10 pality proposing to provide administrative services or a service pro-
11 vided for in sec. 30(a)(1) of this chapter may, in lieu of obtaining
12 revenue sharing money as provided in this chapter, obtain instead a
13 minimum grant of \$25,000.

14 (b) The department shall issue regulations regarding procedures
15 and time limits for making an election under this section.

16 Sec. 43.17.030. BASIC GRANTS TO MUNICIPALITIES. (a) If a munici-
17 pality elects not to receive the grant provided for under sec. 20 of
18 this chapter, the amount of revenue sharing for which it is eligible
19 shall be calculated: as a result of B X P where

20 (1) B is the base revenue sharing amount of \$1 times the
21 service units for each service performed by the municipality established
22 as follows:

23	(A) police protection	12 units
24	(B) fire protection	7.5 units
25	(C) water pollution control	2 units
26	(D) land use planning	2 units
27	(E) parks and recreation	5 units
28	(F) small boat harbor or port	5 units
29	(G) mass transit	5 units

1	(H) airport	5 units
2	(I) solid waste disposal	2 units
3	(J) ambulance	2 units
4	(K) air pollution	2 units

5 (2) P is the population of the municipality rounded up to the
6 nearest 100.

7 (b) If a municipality provides one or more of the services in
8 (a)(1) of this section under contract to a defined area outside the
9 boundaries of the municipality, the revenue sharing amount for those
10 services shall be increased by the service units for that service or
11 services times the population of the area served rounded up to the
12 nearest 100.

13 (c) If a municipality contains areas having differential rates of
14 taxation, the entitlement shall be calculated for areawide services and
15 for each area separately and totaled to reach the entitlement of the
16 municipality. Revenue sharing money for which the entitlement is based
17 upon areawide services may be used for areawide purposes only, and
18 revenue sharing money for which the entitlement is based upon service
19 area services may be used for that service area only.

20 Sec. 43.17.040. HEALTH FACILITIES AND HOSPITALS. (a) During each
21 fiscal year the state shall make payments as follows:

22 (1) \$2,000 per hospital bed to municipalities having health
23 powers for each hospital bed actually used for patient care, limited to
24 the number of beds provided for in the construction design of the
25 hospital, or \$100,000 per hospital for those hospitals with 10 or more
26 beds or \$40,000 per hospital for those hospitals with less than 10 beds
27 as the local government may determine;

28 (2) \$2,000 per hospital bed to each hospital located outside
29 a municipality having health powers for each hospital bed actually used

1 for patient care, limited to the number of beds provided for in the
2 construction design of the hospital, or \$100,000 for those hospitals
3 with 10 or more beds or \$40,000 per hospital for those hospitals with
4 less than 10 beds, as the hospital may determine;

5 (3) \$2,000 per bed to a municipality in which a health
6 facility is operated for each bed actually used for patient care,
7 limited to the number of beds provided for in the construction design of
8 the health facility, or \$8,000 per health facility as the local govern-
9 ment may determine;

10 (4) funds received under this section shall be used for ex-
11 pense of operation or maintenance of health services or health facili-
12 ties or hospitals as the municipality or hospital outside a municipality
13 determines;

14 (5) a municipality shall expend one-half of the funds re-
15 ceived for the operation and maintenance of hospitals and health facili-
16 ties under this section only for those specific facilities and services
17 in the specific amounts giving rise to the grant entitlement;

18 (6) before funds may be distributed under this subsection,
19 the commissioner of revenue shall certify to the distributing agency
20 that any profits, surplus or any accumulation of assets by nonprofit
21 corporations or other recipients under this subsection is dedicated
22 irrevocably to a public health purpose in the state; the Department of
23 Revenue shall promulgate regulations and may make audits it considers
24 necessary to implement this requirement.

25 (b) If construction of a hospital or health facility began before
26 January 1, 1976, and state matching aid for construction approved under
27 AS 18 for payment to a municipality or other facility sponsor consti-
28 tutes less than 25 per cent of the total project cost, the state shall
29 pay to the municipality or other facility sponsor each fiscal year a sum

1 equal to \$2,500 a bed for the maximum number of beds provided for in the
2 construction design of the facility. State aid provided for in this
3 subsection shall continue until the municipality or other facility
4 sponsor has received an amount which, combined with state matching money
5 for construction of the facility approved under AS 18, equals 25 per
6 cent of the total project cost. No funds received for construction
7 shall be used for any other purpose.

8 (c) In this section

9 (1) "hospital" means a licensed hospital in the state deter-
10 mined by the Department of Health and Social Services to be a general
11 hospital; the term excludes facilities operated or wholly supported by
12 the state or the federal government;

13 (2) "health facility" means public health centers, maternity
14 homes and community mental health centers, facilities for the mentally
15 or physically handicapped, nursing homes and convalescent centers in the
16 state which are licensed, when required, by the state under AS 18.20.-
17 010 - 18.20.130 and are owned or operated or both by a local government
18 or by a nonprofit corporation or other nonprofit sponsor; the term
19 excludes facilities operated or wholly supported by the state or the
20 federal government;

21 (3) "other facility sponsor" means a public or nonprofit
22 corporation located outside a municipality which owns or operates, or
23 both, a hospital or health facility in the state.

24 Sec. 43.17.050. VOLUNTEER FIRE DEPARTMENTS OUTSIDE MUNICIPALITIES.
25 The state shall pay to a volunteer fire department registered with the
26 state fire marshal and serving an area not in an organized borough or a
27 city a sum for protection purposes equal to \$7.50 per capita for the
28 population served by the department, as determined by the state fire
29 marshal using the latest figures of the United States Bureau of the

1 Census or other reliable data. Grants shall be made on the same basis
2 to facilitate the organization of volunteer fire departments in an area
3 not in an organized borough or a city, upon application of the proposed
4 fire protection group to the department and approval of applications
5 according to standards of organization and service prescribed by regu-
6 lations promulgated by the department.

7 Sec. 43.17.060. AREA COST-OF-LIVING DIFFERENTIAL. (a) State
8 payments to a municipality or to a hospital or volunteer fire department
9 located outside a municipality under this chapter shall reflect area
10 cost-of-living differential. Amounts distributed shall be based upon
11 the sum of the grants due each municipality or each hospital or volun-
12 teer fire department located outside a municipality multiplied by the
13 appropriate area cost-of-living differential. The area cost-of-living
14 differential for each municipality or each hospital or volunteer fire
15 department located outside a municipality shall be determined annually
16 by election district under the provisions of AS 39.27.030; however, the
17 area cost-of-living differential to be applied shall not result in an
18 amount to be distributed less than the base allocation.

19 (b) The election districts used in (a) of this section are those
20 designated by the proclamation of reapportionment and redistricting of
21 December 7, 1961, and retained for the house of representatives by
22 proclamation of the governor September 3, 1965.

23 Sec. 43.17.070. FINANCIAL REPORTS. No final payment may be
24 distributed to a municipality under this chapter unless the municipality
25 has first submitted a financial report to the department for each of the
26 two fiscal years immediately preceding the fiscal year in which funds
27 are to be distributed and a budget for the municipality's fiscal year in
28 which funds are to be distributed. The department may, by regulation,
29 prescribe procedures and filing dates for submitting financial reports

1 and for obtaining all information required to determine the municipi-
2 pality's tax effort.

3 Sec. 43.17.080. POPULATION DETERMINATION. For purposes of this
4 chapter, population shall be determined by the latest figures of the
5 United States Bureau of the Census, Department of Labor estimates or
6 other population data which, in the judgment of the department, is
7 reliable. However, a municipality may not receive state shared revenue
8 based on the population residing on that portion of a military reser-
9 vation annexed to a city or borough after January 1, 1973, except as
10 provided in this section. If a military reservation is located within a
11 city or borough, the city or borough is limited in its entitlement to
12 state shared revenue, based on the population residing on the reserva-
13 tion, as follows: 50 per cent of the amount paid per capita for police
14 protection under this chapter; 25 per cent of the amount paid per capita
15 for parks and recreation under this chapter; 50 per cent of the amount
16 paid per capita for mass transit under this chapter; 50 per cent of the
17 amount paid per capita for water pollution under this chapter; and 50
18 per cent of the amount paid per capita for air pollution under this
19 chapter.

20 Sec. 43.17.090. ADDITIONAL LIMIT. In addition to the limitations
21 on expenditure of funds contained in sec. 40 of this chapter:

22 (1) if a borough exercises the powers in sec. 30(a)(1) of
23 this chapter in the borough area outside cities only, or in a service
24 area only, the grants authorized under this section shall be based on
25 the population of the borough area outside cities or the service area
26 respectively;

27 (2) if a city within an organized borough provides police
28 protection services, the borough may not qualify for aid under sec.
29 30(a)(1)(A) of this chapter unless

1 (A) police protection services are provided in the
2 borough area outside cities, or if limited to a service area, in
3 the service area, through borough contract with a city or with the
4 state or

5 (B) the borough assumes and exercises power to provide
6 police protection services on an areawide basis in the manner
7 provided by law.

8 Sec. 43.17.100. ROAD MAINTENANCE. During each fiscal year the
9 state shall pay to a city or organized borough of any class which has
10 power to provide for road maintenance and exercises the power a sum
11 equal to \$1,500 a mile for each mile of road, street or highway main-
12 tained by the local government, excluding the official state highway
13 system, roads, streets, or highways not dedicated to public use, any
14 roads, streets or highways maintained under the local service road pro-
15 gram (AS 19.30.111 - 19.30.251), and alleyways, in accordance with regu-
16 lations adopted by the Department of Highways. No payments may be made
17 for maintenance of roads not used by automotive equipment. Frozen
18 waterways and connections from inhabited areas to the waterways which
19 may be safely used for public transportation by automotive equipment and
20 are so used during a portion of a year are eligible for payments of \$900
21 per mile if the waterways and connections are maintained during the
22 period of use by a municipality or combination of municipalities. The
23 Department of Community and Regional Affairs, after consultation with
24 the Department of Highways, shall determine which waterways and connec-
25 tions qualify and, where the waterways or connections lie outside the
26 corporate limits of a municipality, which municipality is eligible for
27 the shared revenue unless the municipalities involved have agreed in
28 writing to a particular distribution.

29 Sec. 43.17.110. REGULATIONS. The department shall adopt regula-

1 tions necessary to carry out the purposes of this chapter. The regula-
2 tions shall include minimum standards of service required to qualify a
3 municipality for service unit credit for each service and provisions for
4 a performance report adequate to demonstrate to the department that each
5 service for which credit was allowed was actually performed by the
6 municipality at least at the prescribed minimum level.

7 Sec. 43.17.120. EXPENDITURE OF FUNDS. Funds received by a munici-
8 pality under this chapter may be expended for any public purpose for
9 which the municipality has power to expend funds except as provided in
10 sec. 40 of this chapter.

11 Sec. 43.17.130. DEFINITIONS. In this chapter

12 (1) "department" means the Department of Community and
13 Regional Affairs;

14 (2) "municipality" for revenue sharing purposes means a city,
15 borough or unified municipality incorporated under the laws of the State
16 of Alaska except a second class city incorporated after the effective
17 date of this Act and lying within an organized borough.

18 * Sec. 5. AS 43.18.010 - 43.18.050 are repealed.

19 * Sec. 6. Other provisions of this Act notwithstanding, a municipality
20 which would receive less money under the provisions of this Act than it was
21 entitled to receive in fiscal year 1976 under the provisions of AS 43.18
22 repealed by this Act shall continue to receive an amount equal to that
23 authorized for fiscal year 1976 under the former provisions of AS 43.18, in
24 accordance with those provisions.

25 * Sec. 7. AS 29.18.020 is amended to read:

26 Sec. 29.18.020. SECOND CLASS CITIES. A community outside an
27 organized borough having 25 or more permanent residents may incorporate
28 as a second class city. A community located within an organized borough
29 having 125 or more permanent residents may incorporate as a second class

1 city.

2 * Sec. 8. AS 43.70.010 is repealed.

3 * Sec. 9. AS 43.70.030(a) is amended to read:

4 (a) The license fee for each business is \$25 [PLUS A SUM EQUAL
5 TO ONE-HALF OF ONE PER CENT OF THE GROSS RECEIPTS IN EXCESS OF \$20,000
6 FROM THE BUSINESS DURING THE YEAR FOR WHICH THE LICENSE IS ISSUED,
7 EXCEPT THAT ALL GROSS VOLUME IN EXCESS OF \$100,000 A YEAR IS TAXED AT
8 THE RATE OF ONE-QUARTER OF ONE PER CENT. THE ANNUAL LICENSE FEE PAID BY
9 A PROFESSIONAL PERSON TO HIS PROFESSIONAL BOARD SHALL BE CREDITED
10 AGAINST THE INITIAL FEE REQUIRED UNDER THIS CHAPTER].

11 * Sec. 10. AS 43.70.030(c) is amended to read:

12 (c) The license for the privilege of taking orders through use of
13 catalogs and by mail order offices in the state is the same as set out
14 in this chapter for business generally [AND GROSS VOLUME OF BUSINESS OF
15 THOSE OFFICES INCLUDES ALL ORDERS TAKEN AT THEM WHETHER DELIVERY OF THE
16 MERCHANDISE IS MADE THROUGH THE OFFICES OR NOT].

17 * Sec. 11. AS 43.70.030(d) is amended to read:

18 (d) The initial fee of \$25 applies to all of the provisions of
19 this section, and shall accompany the application. The balance under
20 sec. 30(b) of this chapter is due and payable on December 31st of each
21 year and shall be paid before the first day of March following, except
22 that the department may extend the time until the 30th of the following
23 April upon application showing that the extension is necessary to enable
24 the applicant to ascertain the amount of license money due. To enable
25 accurate determination of the balance of the tax due at the end of each
26 year, each person to whom this chapter applies shall keep records, give
27 statements under oath, and make returns which the department requires.
28 Returns are made under penalty of perjury.

29 * Sec. 12. AS 43.70.040(a) is amended to read:

1 (a) As soon as practicable after the final payment of the tax
2 under sec. 30(b) of this chapter, the department shall examine the
3 return and determine the correct amount of the tax and, if an error is
4 found, shall notify the taxpayer of the error and examine the taxpayer's
5 records as authorized in AS 43.05.040, and take other proper steps to
6 determine the amount due.

7 * Sec. 13. AS 43.70.040(b) is amended to read:

8 (b) If an agreement cannot be reached with the taxpayer as to the
9 amount of a license tax due under sec. 30(b) of this chapter, the
10 department may set a time and place of hearing on the question, upon at
11 least 60 days' notice of the hearing by mail to the taxpayer. At the
12 hearing a person may be required to appear and testify and produce
13 records and other papers as provided in AS 43.05.040.

14 * Sec. 14. AS 43.70.110(2) is repealed.

15 * Sec. 15. AS 43.17 is amended by adding a new section to read:

16 Sec. 43.17.140. ADDITIONAL GRANTS TO REPLACE LOST REVENUE. In
17 addition to all other revenue sharing with municipalities, a munici-
18 pality is entitled to and shall receive each year an amount equal to the
19 amount of money it was entitled to receive under AS 43.70.080 for the
20 year 1978.

21 * Sec. 16. AS 43.56.010(a) is amended to read:

22 (a) An annual tax of 20 mills is levied each tax year beginning
23 January 1, 1974 to December 31, 1976, and 21 mills each tax year begin-
24 ning January 1, 1977, on the full and true value of taxable property
25 taxable under this chapter.

26 * Sec. 17. AS 29.53.050(b) is amended to read:

27 (b) No municipality, or combination of municipalities occupying
28 the same geographical area, in whole or in part, may levy taxes (1)
29 which will result in tax revenues from all sources exceeding \$1,250

1 [\$1,000] a year until January 1, 1978 and not exceeding \$1,500 a year
2 thereafter for each person residing within their boundaries or (2) upon
3 values which, when combined with the value of property otherwise tax-
4 able by the municipality, exceed the product of 225 per cent of the
5 average per capita assessed full and true value of property in the state
6 multiplied by the number of residents of the taxing municipality. If
7 two or more municipalities occupying the same geographical area, in
8 whole or in part, attempt to levy a tax (1) the combined levy of which
9 would result in tax revenues from all sources exceeding \$1,250 [\$1,000]
10 a year until January 1, 1978 and not exceeding \$1,500 a year there-
11 after for each person residing within their boundaries or (2) upon
12 value which, when combined with the value of property otherwise taxable
13 by the municipality, exceed the product of 225 per cent of the average
14 per capita assessed full and true value of property in the state multi-
15 plied by the number of residents of the taxing municipality, the com-
16 missioner of community and regional affairs shall apportion the lawful
17 levy and equitably divide these revenues on the basis of need, services
18 performed and other considerations in the public interest. For the
19 purpose of this subsection, population shall be determined by the com-
20 missioner of community and regional affairs based on the latest statis-
21 tics of the United States Bureau of the Census or on other reliable
22 population data. For purposes of this subsection the average per
23 capita assessed full and true value of property in the state shall be
24 calculated without regard to the assessed value of taxable property
25 under AS 43.58.

26 * Sec. 18. Section 2 of this Act is retroactive to January 1, 1975.

27 * Sec. 19. Sections 1, 2, 3, 16, 17 and 18 of this Act take effect immedi-
28 ately in accordance with AS 01.10.070(c). Sections 4, 5, 6 and 7 of this
29 Act take effect July 1, 1976. Sections 8, 9, 10, 11, 12, 13, 14 and 15 of

1 this Act take effect January 1, 1979.

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