

HB

348



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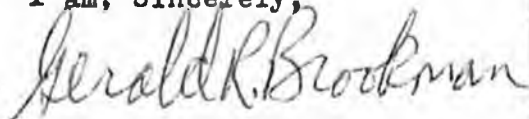
Representative Alvin Osterback  
Chairman, House Resources Committee  
Pouch V  
Juneau, Alaska 99811

1220 "F" Street  
Anchorage, Alaska 99501  
April 22nd, 1977

Dear Representative Osterback:

I realize that this session of the legislature is rapidly drawing to a close. However, since it still has to make it through the House Finance Committee, the full House, and then the Senate, if it is ever to be enacted into law, and since so far as I'm aware your committee hasn't yet held any hearings on it or given it any consideration, I hope that you will do your best to take action on H.B. 348, dealing with tax assessment of agricultural lands in our state. I believe that the passage of this bill is vital to the future of agriculture in our state, and I urge your favorable consideration of it at the earliest possible time.

I am, Sincerely,



Gerald R. Brookman

Michael S. O'Meara  
P. O. Box 1125  
Homer, Alaska 99603

April 18, 1977

*Theresa  
Put in  
file*

Hon. Alvin Osterback,  
Chairman, Resources Committee  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Osterback:

Upon reading House Bill No. 348, "An Act Relating to Assessment of Farm Use Lands," I was most favorably impressed. It is my desire to see legislation of this sort passed, and I strongly support the intent and general wording of this bill.

Having come to Alaska eight years ago, I obtained 120 acres of land near Homer with the intent of developing its agricultural potential. Not being an experienced farmer, and lacking great amounts of capital, I have been forced to proceed slowly, confining my efforts to research, small scale experimentation, and fence building, while supporting myself as a teacher. As a cooperater with the Soil Conservation District, I am starting to formulate a long-term agricultural plan and am attempting to develop my land in a methodical, responsible, environmentally sound manner. I do not look forward to enjoying any significant income from the land in the near future, therefore.

It has so far been my experience that those people who eventually have success with the land are willing to make a long term commitment to their goals, while those expecting a rapid return on their investments most frequently fail, destroying the quality of their land in the process. Unfortunately, the existing system of assessing and taxing land has served to discourage those patient people who could best manage our valuable agricultural lands. Conversely, this system supports and encourages the land speculator who is characteristically concerned with nothing but personal, short term, financial gain.

In our area, land values remained rather constant until the population expansion resulting from North Slope oil development and the resulting Alyeska Project became evident. At this time various individuals began to subdivide and market small parcels of land at relatively high prices. As inflation devalued our dollars, and high wages from oil related employment made more cash available, demand for real property increased dramatically. Much of the land, as I am sure you know, was and is purchased as a defense against inflation or for further speculation. Under existing law, of course, the local assessor values all

Hon. Alvin Osterback,  
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lands in the vicinity of such activity at or near the price of most recent sale, and there is a corresponding rise of everyone's tax rate. This is almost meaningless for the new property owner who holds small acreage, and the speculator is able to compensate through tax credit maneuvering or increased sale prices (in turn further inflating land values). What is the effect upon the agriculturalist, who must retain relatively large parcels of land, while enjoying at the most a modest income? Obviously we both know what happens as this process unfolds. Unable to support the expanding tax burden, farmers are forced to sell their holdings and the land is subdivided, further increasing what are already intolerable conditions for those who continue to pursue the agricultural course. This is, of course, a major reason that agricultural land in the United States is being removed from production at a rate of 1-1/4 million acres each year.

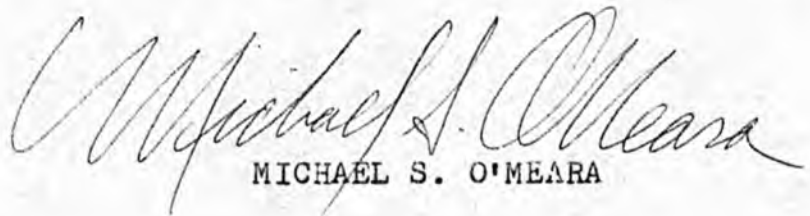
Since obtaining my property in 1971, I have watched the above mechanism function, raising my taxes by 130% in 1975, while this year my assessment forms indicate an intended increase of 82% over that high figure. Continuing at this rate, few years will be required to make it impossible for me to exist on this land. How can it be just for people such as myself to be destroyed while unscrupulous promoters are encouraged to realize as high as 1000% profit from sales of 1/4 acre, muskeg lots to youngsters from California who come seeking the Alaskan dream?

If the State of Alaska does, as stated so frequently, wish to encourage agriculture, a bill such as H.B. 348 is needed now. I would support any effort to establish such protection for the farm, while suggesting that two items be considered for inclusion in the final legislation. In Section 1(a) the bill refers to a "farm unit." To protect those of us now engaged in agricultural development, this should be clearly defined in such a way as to allow us to be qualified for agricultural assessment. Please do not allow this term to be so structured as to apply only to those areas of the state where new developments are being proposed. Then, in the last line of Section 2, the phrase "not compatible with farm use" appears. So as to avoid the error of forcing the clearing of land at a rate which is inconsistent with sound soil management and long-term planning, be sure to include lands held in the natural state in the "farm use" classification. With the application of the penalty clause to be found in Section 1, the bill can protect against abuse of the law by speculators claiming to be farmers.

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Perhaps I am a fool to persist in the idea that this Alaskan soil of ours means more than dollars. As I sit and look across it, however, I see open space for people and wildlife, wholesome food for a hungry world, and the promise of a non-destructive integration of human effort with abundant resources. Without your continuing support, such a vision may well prove to be an impossible delusion, however.

Sincerely,

A handwritten signature in cursive script that reads "Michael S. O'Meara". The signature is written in dark ink and is positioned above the printed name.

MICHAEL S. O'MEARA

MSO:jo

14B 348

March 14, 1977

The Honorable Hugh Malone  
Speaker of the House  
Alaska State Legislature  
Juneau, Alaska 99811

Dear Mr. Speaker:

Under the authority of art. III, sec. 18 of the Alaska Constitution, and in accordance with AS 24.30.060(b) and the Uniform Rules of the Alaska State Legislature, I am transmitting a bill relating to the assessment of farm use land.

The bill would create an enforcement mechanism by which the state could recover funds it currently pays to municipalities to reimburse them for revenues lost as a result of the differential assessment of farm use land under AS 29.53.035. The current statute provides that the owner of the land is liable to the state for this money when the land is converted to a use incompatible with farm use, but there is no mechanism for collection of these funds. Experience has shown that it is virtually impossible to do so, particularly since a change in land use frequently follows a change in ownership, and the previous owner frequently is outside the jurisdiction of the Alaska court. This bill would provide a mechanism for collection of this money following a change in land use by creating a lien in favor of the state against the property. The lien becomes enforceable on change of the land to a purpose not compatible with farm use.

The bill also would eliminate an apparent contradiction in the existing statute.

Sincerely,

Jay S. Hammond  
Governor

I. REQUEST  
 Bill/Resolution No. Proposed Legislation **HB 348**  
 Title An Act Relating to the Assessment of Farm Use Land  
 Requested by Office of the Governor Date March 3, 1977

II. FISCAL DETAIL  
 Agency Affected Department of Community and Regional Affairs  
 Program Category Affected Development  
 Budget Request Unit(s) Affected State Assessor - 21-73-3-01-16-00

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES		.3	.3	.3	.4	.4
200 TRAVEL						
300 CONTRACTUAL		.5	.5	.5	.6	.6
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		0	0	0	0	0
TOTAL		.8	.8	.8	1.0	1.0

FUNDING (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
GENERAL FUND		.8	.8	.8	1.0	1.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
FULL TIME		0	0	0	0	0
PART TIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

Administrative Costs; include approximately one week of clerical time involved in the preparation of approximately 100 lien forms (\$285) and recording fees of \$5.00 for each lien form filed for recordation. (\$500) No additional grant funds required.

Section 1 of the bill would eliminate an apparent contradiction in existing law relating to the dual assessment requirement which is necessary to determine the dollar amount of deferred tax liability.

Section 2 of the bill would create an enforcement mechanism by which the state could recover funds it currently pays to municipalities to reimburse them for revenues lost as a result of the differential assessment of farm use land under AS 29.53.035. The current statute provides that the owner of the land is liable to the state for this money when the land is converted to a use incompatible

Analysis Continued:

IV. DATE March 3, 1977 PREPARED BY *Robert Dwyer*  
 AGENCY Department of Community and Regional Affairs  
 PHONE 465-4730  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

with farm use, but there is no mechanism for collection of these funds. Experience has shown that it is virtually impossible to do so, particularly since a change in land use frequently follows a change in ownership, and the previous owner frequently is outside the jurisdiction of the Alaska court. This bill would provide a mechanism for collection of this money following a change in land use by creating a lien in favor of the state against the property. The lien becomes enforceable on change of the land to a purpose not compatible with farm use.

No Additional Grant Funding Required.

FY 77 BRU Grant (Authorized \$110,000)

<u>Preliminary Program Analysis</u>		<u>Average Per Applicant</u>
No. of Applicants	88	
No. of Acres	16,150	184
Deferred Value	11,562,457.	131,392.
Deferred Tax Dollars	\$99,179.	\$1,127.

FY 78 BRU Grant (Governor's request \$125,000)