

S B

1 1 3

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

January 30, 1986

SUBJECT: State and municipal tax exemptions
(HCSSB 113(C&RA))

TO: Representative Peter Goll, Chair
House Community and Regional Affairs
Committee

FROM: Tamara Brandt Cook *TBC*
Director
Division of Legal Services

You have asked for a comparison between SB 113 and the draft HCSSB 113(C&RA) attached. Section headings refer to the section in SB 113 with cross-references to the pertinent draft section, if any, contained in parentheses.

Section 1. The section has been eliminated from the draft.

Section 2. The section has been eliminated from the draft and AS 28.10.411(d) is repealed rather than amended. (Section 4.)

Section 3. The section has been eliminated from the draft.

Section 4. This is rewritten to eliminate the amendments relating to the surviving spouse. The Title 29 revision bill that passed last year addressed this issue. (Section 1.)

Section 5. This section has been eliminated from the draft because under the Title 29 revision bill the application process is limited to exemptions under subsection (e).

Section 6. The new subsections are eliminated because much of the material they contained was incorporated into AS 29.45.030(j) under the Title 29 revision bill. Material in subsections (n) and (o) of SB 113 that was not included in the revision bill has been added to AS 29.45.030(j) under the draft (Section 2.)

Representative Peter Goll
Page 2
January 30, 1986

Section 7. This is included in the draft without changes.
(Section 3.)

Section 8. The section has been eliminated from the draft because a proration provision was included in the Title 29 revision.

Section 9. The section has been eliminated from the draft because a proration provision was included in the Title 29 revision.

Section 10. The effective date is changed to January 1, 1987. (Section 5.)

TBC:mkr
M2:112

Enclosure

Cook
1/30/86

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

2 HOUSE CS FOR SENATE BILL NO. 113 (C&RA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state and municipal tax exemp-
7 tions; and providing for an effective date."

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

9 * Section 1. AS 29.45.030(e) is amended to read:

10 (e) The real property owned and occupied as a permanent place of
11 abode by a (1) resident 65 years of age or older [OVER]; (2) disabled
12 veteran; or (3) resident at least 60 years old who is the widow or
13 widower of a person who qualified for an exemption under (1) or (2) of
14 this subsection, is exempt from taxation on the first \$200,000 of the
15 assessed value of the real property. A municipality may, in a case of
16 hardship, provide for exemption beyond the first \$200,000 of assessed
17 value in accordance with regulations of the department. Only one
18 exemption may be granted for the same property and, if two or more
19 persons are eligible for an exemption for the same property, the
20 parties shall decide between or among themselves which will [SHALL]
21 receive the benefit of the exemption. Real property may not be
22 exempted under this subsection if the assessor determines, after
23 notice and hearing to the parties concerned, that the property was
24 conveyed to the applicant primarily for the purpose of obtaining the
25 exemption. The determination of the assessor may be appealed under
26 AS 44.62.560 - 44.62.570.

27 * Sec. 2. AS 29.45.030(j) is amended to read:

28 (j) One motor vehicle per household owned by a resident 65 years
29 of age or older on January 1 of the assessment year is exempt either

1 from taxation on its assessed value or from the registration tax under
2 AS 28.10.431. An exemption may be granted under this subsection only
3 upon written application on a form prescribed by the Department of
4 Public Safety. The state shall reimburse a municipality for tax
5 revenue [REVENUES] lost to it because of the exemption required by
6 this subsection. Reimbursement to a municipality equals the amount of
7 registration tax authorized under AS 28.10.431(b) for each vehicle
8 exempted under this subsection. To the extent that a municipality
9 exempts motor vehicles from taxation under AS 29.45.050(b)(5) that
10 would otherwise be exempt under this subsection, reimbursement will
11 not be made. If appropriations are inadequate to provide full
12 reimbursement to each municipality entitled to reimbursement under
13 this subsection, payments shall be prorated.

14 * Sec. 3. AS 29.45.040(c) is amended to read:

15 (c) To obtain a tax equivalency payment the eligible resident
16 must apply to the department for payment for the preceding year by
17 January 15 of each year on forms and in the manner prescribed by the
18 department. The department for good cause shown may waive an appli-
19 cant's failure to make timely application for a tax equivalency pay-
20 ment for the preceding year and accept the application as if timely
21 filed. Each applicant shall submit with the application rental re-
22 cepts or, if rental receipts are not available, other evidence satis-
23 factory to the department for determination of the fact of payment of
24 rent and the amount paid. A disabled veteran shall submit with the
25 application evidence of the disability rating.

26 * Sec. 4. AS 28.10.411(d) is repealed.

27 * Sec. 5. This Act takes effect January 1, 1987.
28
29

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 113
Title: State & Municipal Tax

Sponsor: _____
Requestor: DC & RA
Date of Request: _____

FISCAL DETAIL

Agency Affected: C & R A
Program Category Affected: _____
Social Service
BRU, Program or Subprogram(s) Affected: _____
Senior Citizens/disabled veterans tax relief

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES	0		25.4	26.7	23.0	29.4
200 TRAVEL						
300 CONTRACTUAL			.5	.5	.6	.6
400 SUPPLIES			.2	.2	.2	.2
500 EQUIPMENT			.8	-0-	-0-	-0-
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS	0	(151.3)	(166.4)	(183.0)	(201.3)	(221.4)
800 MISCELLANEOUS						
TOTAL OPERATING	0	(151.3)	(139.5)	(155.6)	(172.5)	(191.2)

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE						
----------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		(151.3)	(139.5)	(155.6)	(172.5)	(191.2)
FEDERAL FUNDS						
OTHER						
TOTAL	0	(151.3)	(139.5)	(155.6)	(172.5)	(191.2)

POSITIONS:

FULL-TIME	0	0	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

(See attached page)

Prepared By: Bob Kern Assistant State Assessor *BK* Phone: 465-4735
Division: Municipal & Regional Assistance Date: 1/7/85

Approved by Commissioner: *Ann Hall* Date: 1/9/85
Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

7/1/84

State of Alaska
1985 Legislative Session
Fiscal Note
ANALYSIS

Bill No.: _____

Title: State and Municipal Tax Exemption

Assumptions:

1. The estimated savings of \$20,000 in the motor vehicles tax exemption program is a fairly conservative estimate.
2. The \$200,000 cap on assessed value exempted under the senior citizens/disabled veterans homeowners tax exemption should produce a savings equal to 5% of the funding for the program.
3. After FY 87 personal services and contractual increased annually by 5%.
4. Grant savings increase 10% annually due to inflation and increasing importance of \$200,000 assessed value cap.

Program Summary: This bill would correct errors in the existing motor vehicles tax exemption program which now pays some municipalities twice and reimburses other municipalities that exempt all residents from this levy. The bill also curtails the exemptions allowed for senior citizen/disabled veterans homeowners to the first \$200,000 of assessed value.

1. Positions: This bill will create additional work in the State Assessor's office to address prorating and motor vehicle exemption changes. However, the department in taking a conservative approach to new positions, will not ask for additional staff at this time to address this and other new programs for disabled veterans and rural citizens that were created by the 13th Legislature. If this bill is enacted and when the new programs become fully operational the State Assessor's office will then review the adequacy of staffing levels. Since additional staff may be needed a Clerk Typist III is included starting with the FY 87 budget.
2. Funding: The bill should produce a general fund savings to the State of \$151,300 in FY 86.
3. Section cost analysis: General Fund savings are all in the grants line item. Costs which offset savings to some extent may begin in FY 87. This due to the need to hire a clerical position to address additional work.

Computations: \$20,000 will be saved due to the correction of the motor vehicles tax exemption program. \$131,300 (5% of the program's funding) will be saved by imposing the \$200,000 assessed value limitation on the senior citizen/disabled veterans homeowners tax exemption program.

Impact on Local Government: Under the homeowners tax exemption program only \$200,000 of the assessed value would be exempt. Therefore, the local assessor's staff would have to compute and levy against the remaining value and bill the senior citizen/disabled veteran for the balance.

1.	POSITION TITLE Clerk Typist III for FY 87				RANGE/STEP 08/A	BARG. UNIT GGU	PAGE/LINE	COV.	APPROV.	DISAPP.
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Juneau	ELECTION DISTRICT	LEG.		
3.	CONTINUATION LEVEL	ADDITION	JUSTIFICATION							
4.	TYPE OF EXPENDITURE			AMOUNTS						
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	19,570								
6.	Benefits	5,871								
7.	Supplemental Benefits									
8.	Fixed Benefits									
9.	TOTAL PERSONAL SERVICES	01	25,441							
10.	Travel	02	0							
11.	Contractual	03	500							
12.	Commodities	04	200							
13.	Equipment	05	800							
14.	Other									
15.	TOTAL COST		26,941							
	RECEIPT CODE	FUNDING SOURCE								
16.		General Receipts	1002							
17.		Match	1003							
18.		General Funds	1004	26,941						
19.		I-A Receipts	1005							
20.		Program Receipts	1028							
21.		Other								
FOR BSM USE ONLY KEY NUMBER _____										

This position may be needed in FY 87 to handle growing workload demands as a result of a modified motor vehicle tax exemption program, proposed prorating of reimbursements for senior citizen/disabled veterans homeowners tax exemptions and the inclusion of disabled veterans and rural residents in tax relief programs. There is some uncertainty on whether this work can be absorbed by existing staff and that is why it is not proposed for consideration until FY 87.

**REQUEST FOR
NEW POSITION**

AGENCY Community and Regional Affairs
 PROGRAM Community Development
 BRU Local Government Assistance
 COMPONENT State Assessor

Page _____ of _____
 Revised Date _____

FY 86

SECTIONAL ANALYSIS OF SB 113

Distributed by Senator Ferguson

Detailed analysis:

Section 1 extends the senior citizen exemption from the state motor vehicle registration fee (AS 28.10.411 and 28.10.421) to the municipal registration tax (AS 28.10.431). This section limits the exemption to vehicles used for personal, rather than commercial uses. In making this change, this section also removes an inaccurate and confusing use of the word "tax."

Section 2 limits reimbursements to municipalities to the amount of revenue lost as a result of the senior citizen exemption from the municipal registration tax. This section allows the department to prorate reimbursements if appropriations are less than the amount needed for full reimbursement.

Section 3 adds senior citizen-owned motor vehicles to the list of property that is exempt from municipal property taxes. (See sec. 6 of this bill.)

Section 4 limits the amount of exemption from property taxation of a home owned by a senior citizen to the first \$200,000 of the assessed value of the property. This section provides for additional exemption beyond that amount in case of hardship. It also allows the surviving spouse of a person who received the exemption to continue the exemption if the surviving spouse is at least 55 years of age.

Section 5 requires a separate application for each exemption claimed under AS 29.53.020. And it removes some inappropriate language regarding approval by the assessor.

Section 6 exempts one motor vehicle owned by a resident 65 years of age or older from municipal property taxation (see sec. 3 of this bill). This section also requires the state to reimburse municipalities for revenue lost as a result of this exemption, but only to the extent that the vehicle is not already exempt under AS 29.53.025(b)(4) (regarding optional tax exemption). It also provides for prorationing of reimbursements for the senior citizen and disabled veterans homeowners programs and the senior citizen motor vehicle exemption program.

Section 7 limits the department's authority to waive the untimeliness of an application for senior citizen property tax equivalency payment to the year following the year for which the payment is claimed.

Section 8 provides for prorationing of senior citizen and disabled veteran property tax equivalency payments.

Section 9 provides for proration of senior citizen and disabled veteran rent sales tax reimbursement.

Section 10 provides for a January 1, 1986 effective date.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

SB 113

January 30, 1985

The Honorable Don Bennett
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Bennett:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to state and municipal tax exemptions.

Alaska statutes provide senior citizens with exemptions from certain state and municipal fees and taxes. The state either reimburses the municipalities for revenue lost as a result of the exemptions or directly reimburses senior citizens for taxes paid.

This bill allows the Department of Community and Regional Affairs to prorate reimbursements to municipalities and individuals if appropriations are insufficient to cover all reimbursements. The bill creates new exemptions from municipal registration and property taxation for motor vehicles owned by senior citizens, and requires the department to reimburse municipalities for revenue lost as a result of the exemptions.

The bill also removes a provision that has resulted in double payments -- one from the state and one from senior citizens -- to some municipalities for vehicles owned by senior citizens in those municipalities.

A section-by-section description of the bill follows:

Section 1 extends the senior citizen exemption from the state motor vehicle registration fee (AS 28.10.411 and 28.10.421) to the municipal registration tax (AS 28.10.431). This section limits the exemption to vehicles used for personal, rather than commercial, uses. In making this change, this section also removes an inaccurate and confusing use of the word "tax."

Section 2 limits reimbursements to municipalities to the amount of revenue lost as a result of the senior citizen

exemption from the municipal registration tax. This section allows the department to prorate reimbursement if appropriations are less than the amount needed for full reimbursement.

Section 3 adds senior citizen-owned motor vehicles to the list of property that is exempt from municipal property taxes. (See sec. 6 of this bill.)

Section 4 limits the amount of exemption from property taxation of a home owned by a senior citizen to the first \$200,000 of the assessed value of the property. This section provides for additional exemption beyond that amount in case of hardship. It also allows the surviving spouse of a person who received the exemption to continue the exemption if the surviving spouse is at least 55 years of age.

Section 5 requires a separate application for each exemption claimed under AS 29.53.020. And it removes some inappropriate language regarding approval by the assessor.

Section 6 exempts one motor vehicle owned by a resident 65 years of age or older from municipal property taxation (see sec. 3 of this bill). This section also requires the state to reimburse municipalities for revenue lost as a result of this exemption, but only to the extent that the vehicle is not already exempt under AS 29.53.025(b)(4) (regarding optional tax exemptions). And it provides for proration of reimbursement.

Section 7 limits the department's authority to waive the untimeliness of an application for senior citizen property tax equivalency payment to the year following the year for which the payment is claimed.

Section 8 provides for proration of senior citizen property tax equivalency payments.

Section 9 provides for proration of senior citizen rent sales tax reimbursement.

Section 10 provides for a January 1, 1986 effective date.

Sincerely,



Bill Sheffield
Governor



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 30, 1985

The Honorable Don Bennett
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Bennett:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to state and municipal tax exemptions.

Alaska statutes provide senior citizens with exemptions from certain state and municipal fees and taxes. The state either reimburses the municipalities for revenue lost as a result of the exemptions or directly reimburses senior citizens for taxes paid.

This bill allows the Department of Community and Regional Affairs to prorate reimbursements to municipalities and individuals if appropriations are insufficient to cover all reimbursements. The bill creates new exemptions from municipal registration and property taxation for motor vehicles owned by senior citizens, and requires the department to reimburse municipalities for revenue lost as a result of the exemptions.

The bill also removes a provision that has resulted in double payments -- one from the state and one from senior citizens -- to some municipalities for vehicles owned by senior citizens in those municipalities.

A section-by-section description of the bill follows:

Section 1 extends the senior citizen exemption from the state motor vehicle registration fee (AS 28.10.411 and 28.10.421) to the municipal registration tax (AS 28.10.431). This section limits the exemption to vehicles used for personal, rather than commercial, uses. In making this change, this section also removes an inaccurate and confusing use of the word "tax."

Section 2 limits reimbursements to municipalities to the amount of revenue lost as a result of the senior citizen

exemption from the municipal registration tax. This section allows the department to prorate reimbursement if appropriations are less than the amount needed for full reimbursement.

Section 3 adds senior citizen-owned motor vehicles to the list of property that is exempt from municipal property taxes. (See sec. 6 of this bill.)

Section 4 limits the amount of exemption from property taxation of a home owned by a senior citizen to the first \$200,000 of the assessed value of the property. This section provides for additional exemption beyond that amount in case of hardship. It also allows the surviving spouse of a person who received the exemption to continue the exemption if the surviving spouse is at least 55 years of age.

Section 5 requires a separate application for each exemption claimed under AS 29.53.020. And it removes some inappropriate language regarding approval by the assessor.

Section 6 exempts one motor vehicle owned by a resident 65 years of age or older from municipal property taxation (see sec. 3 of this bill). This section also requires the state to reimburse municipalities for revenue lost as a result of this exemption, but only to the extent that the vehicle is not already exempt under AS 29.53.025(b)(4) (regarding optional tax exemptions). And it provides for proration of reimbursement.

Section 7 limits the department's authority to waive the untimeliness of an application for senior citizen property tax equivalency payment to the year following the year for which the payment is claimed.

Section 8 provides for proration of senior citizen property tax equivalency payments.

Section 9 provides for proration of senior citizen rent sales tax reimbursement.

Section 10 provides for a January 1, 1986 effective date.

Sincerely,



Bill Sheffield
Governor

SENATE LETTER OF INTENT

SB 113

It is the intent of the Legislature that exemptions from the \$200,000 assessment cap are to be granted liberally to senior citizens living in the same place of residence for a number of years, who might otherwise be forced to move due to high property taxes.

Adopted by the Senate May 8, 1985

State of Alaska
1985 Legislative Session
Fiscal Note
ANALYSIS

Bill No.: _____

Title: State and Municipal Tax Exemption

Assumptions:

1. The estimated savings of \$20,000 in the motor vehicles tax exemption program is a fairly conservative estimate.
2. The \$200,000 cap on assessed value exempted under the senior citizens/disabled veterans homeowners tax exemption should produce a savings equal to 5% of the funding for the program.
3. After FY 87 personal services and contractual increased annually by 5%.
4. Grant savings increase 10% annually due to inflation and increasing importance of \$200,000 assessed value cap.

Program Summary: This bill would correct errors in the existing motor vehicle tax exemption program which now pays some municipalities twice and reimburses other municipalities that exempt all residents from this levy. The bill also curtails the exemptions allowed for senior citizen/disabled veterans homeowners to the first \$200,000 of assessed value.

1. Positions: This bill will create additional work in the State Assessor's office to address prorationing and motor vehicle exemption changes. However, the department in taking a conservative approach to new positions, will not ask for additional staff at this time to address this and other new programs for disabled veterans and rural citizens that were created by the 13th Legislature. If this bill is enacted and when the new programs become fully operational the State Assessor's office will then review the adequacy of staffing levels. Since additional staff may be needed a Clerk Typist III is included starting with the FY 87 budget.
2. Funding: The bill should produce a general fund savings to the State of \$151,300 in FY 86.
3. Section cost Analysis: General Fund savings are all in the grants line item. Costs which offset savings to some extent may begin in FY 87. This due to the need to hire a clerical position to address additional work.

Computations: \$20,000 will be saved due to the correction of the motor vehicles tax exemption program. \$131,300 (5% of the program's funding) will be saved by imposing the \$200,000 assessed value limitation on the senior citizen/disabled veterans homeowners tax exemption program.

Impact on Local Government: Under the homeowners tax exemption program only \$200,000 of the assessed value would be exempt. Therefore, the local assessor's staff would have to compute and levy against the remaining value and bill the senior citizen/disabled veteran for the balance.

COMMITTEE REPORT

2/11

HOUSE

FURTHER:

FINANCE

((7))

5/11/85

Date: _____

The Committee on COMMUNITY & REGIONAL AFFAIRS has had SB 113

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

under consideration and recommends:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HCS SB 113 (CRA) same title new title
- and recommends that it do pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the _____ Committee *w/analysis Sep 83*

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Mr. [Signature]

Walt F. [Signature]

[Signature]

[Signature]

[Signature]

[Signature]

 CHAIRMAN

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 4, 1986

- POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

The Honorable Peter Goll
Alaska State Legislature
Chairman, House Community &
Regional Affairs Committee
P.O. Box V
Juneau, AK 99811

Dear Representative Goll:

RE: "HARDSHIP" UNDER SENATE BILL 113

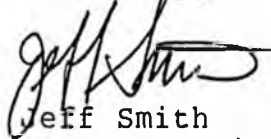
The Department has researched the concern raised by Representative Gruenberg regarding the definition of "hardship" for purposes of waiving property tax liability for persons residing in homes and on adjacent property valued over and above the \$200,000 tax cap. We have contacted social service agencies and other sources we felt might assist us in coming up with a concise, workable definition of financial hardship. We found that no agency had developed such a definition. The Department believes it is ill-equipped to define this somewhat nebulous term in light of the fact that both State and Federal agencies which deal with disadvantaged persons on a daily basis have not developed clear guidelines to identify hardship.

The Department would like to see SB 113 proceed through the Legislature. It is a good bill which accomplishes several desirable objectives. However, in addressing a major problem of the homeowners' exemption program it raises the difficult question of defining hardship. The Department would prefer that this situation be highlighted in a letter of legislative intent. This letter should instruct our Department and property taxing municipalities that it is not the intent of the Legislature for the \$200,000 tax cap to create a situation which would cause Senior Citizens or Disabled Veterans to lose their homes due to an inability to pay property taxes.

The Honorable Peter Goll
RE: "HARDSHIP" UNDER SB 113
February 4, 1986
Page 2

The Department is open to ideas and suggestions from legislators, Senior Citizen groups, social service agencies and any other knowledgeable sources in helping it to address the critical question of adequately defining and implementing a fair and comprehensive hardship policy. We would not like to see this critical bill stall due to this relatively minor difficulty.

Sincerely,



Jeff Smith
Deputy Commissioner

cc: Emil Notti, Commissioner, DCRA
Marty Rutherford, Director, MRAD, Anchorage
Doug Griffin, Deputy Director, MRAD, Juneau

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 4, 1986

BILL SHEFFIELD, GOVERNOR

- POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE: (907) 563-1073

The Honorable Peter Goll, Chairman
House Community and Regional Affairs
P.O. Box V
Juneau, AK 99811

Dear Representative Goll:

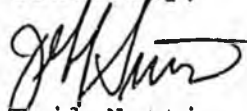
RE: PROPOSED COMMITTEE SUBSTITUTE FOR SENATE BILL 113

We have reviewed the proposed committee substitute Bill 113 (dated January 30, 1986) and have found the language to be very good. The Bill is concisely written and accomplishes everything intended in the original Bill.

We realize the passage last year of House Bill 72 and Senate Bill 190, both of which contained language directly relating to this Bill, served to complicate redrafting the Bill. We very much appreciate the fine job you have done in accomplishing that task.

We consider the adoption of Senate Bill 113 during this year a priority item. If we can be of assistance expediting its passage through your committee, please do not hesitate to contact us.

Sincerely,



Emil Notti
Commissioner

Original sponsor: Rules/Governor

GRUENBERG
AMENDMENTS

1 IN THE SENATE

2 HOUSE CS FOR SENATE BILL NO. 113 (C&RA)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state and municipal tax exemp-
7 tions; and providing for an effective date."

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

9 * Section 1. AS 29.45.030(e) is amended to read:

10 (e) The real property owned and occupied as the primary resi-
11 dence and [A] permanent place of abode by a (1) resident 65 years of
12 age or older [OVER]; (2) disabled veteran; or (3) resident at least 60
13 years old who is the widow or widower of a person who qualified for an
14 exemption under (1) or (2) of this subsection, is exempt from taxation
15 on the first \$200,000 of the assessed value of the real property. A
16 municipality may, in a case of hardship, provide for exemption beyond
17 the first \$200,000 of assessed value in accordance with regulations of
18 the department. Only one exemption may be granted for the same prop-
19 erty and, if two or more persons are eligible for an exemption for the
20 same property, the parties shall decide between or among themselves
21 who [which] is to [SHALL] receive the benefit of the exemption. Real prop-
22 erty may not be exempted under this subsection if the assessor deter-
23 mines, after notice and hearing to the parties [CONCERNED], that the
24 property was conveyed to the applicant primarily for the purpose of
25 obtaining the exemption. The determination of the assessor may be
26 appealed under AS 44.62.560 - 44.62.570.

27 * Sec. 2. AS 29.45.030(j) is amended to read:

28 (j) One motor vehicle per household owned by a resident 65 years
29 of age or older on January 1 of the assessment year is exempt either

1 from taxation on its assessed value or from the registration tax under
2 AS 28.10.431. Only one exemption may be granted for the same motor
3 vehicle and, if two or more persons are eligible for an exemption for
4 the same motor vehicle, the parties shall decide ^{who} ~~which~~ is to receive
5 the exemption. A motor vehicle that the assessor determines, after
6 notice and hearing to the parties, has been conveyed to the applicant
7 primarily for the purpose of obtaining the exemption may not be
8 exempted under this subsection. An exemption may be granted under
9 this subsection only upon written application on a form prescribed by
10 the Department of Public Safety. The state shall reimburse a municipi-
11 pality for tax revenue [REVENUES] lost to it because of the exemption
12 required by this subsection. Reimbursement to a municipality equals
13 the amount of registration tax authorized under AS 28.10.431(b) for
14 each vehicle exempted under this subsection. To the extent that a
15 municipality exempts motor vehicles from taxation under AS 29.45.-
16 050(b)(5) that would otherwise be exempt under this subsection, reim-
17 bursement will not be made. If appropriations are inadequate to
18 provide full reimbursement to each municipality entitled to reimburse-
19 ment under this subsection, payments shall be prorated.

20 * Sec. 3. AS 29.45.040(c) is amended to read:

21 (c) To obtain a tax equivalency payment the eligible resident
22 must apply to the department for payment for the preceding year by
23 January 15 of each year on forms and in the manner prescribed by the
24 department. The department for good cause shown may waive an appli-
25 cant's failure to make timely application for a tax equivalency pay-
26 ment for the preceding year and accept the application as if timely
27 filed. Each applicant shall submit with the application rental re-
28 cepts or, if rental receipts are not available, other evidence satis-
29 factory to the department for determination of the fact of payment of

1 rent and the amount paid. A disabled veteran shall submit with the
2 application evidence of the disability rating.

3 * Sec. 4. AS 28.10.411(d) is repealed.

4 * Sec. 5. This Act takes effect January 1, 1987.
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29

Alaska State Legislature

COMMITTEES:

Committee on Community and Regional Affairs
Committee on Transportation
Special Committee on Oil and Gas
Special Committee on Fisheries
Finance Sub-committee on Fish and Game




Andre Marrou
Representative

District 5

Kenai	Sterling
Soldotna	Anchor Point
Homer	Port Graham
Seldovia	English Bay
Kachemak	Nikolaevsk
Kasilof	Halibut Cove
Ninilchik	Clam Gulch

30 Jan 86

TO: Peter Goll, Chairman, C&RA Committee

FROM: Andre Marrou, Representative 

SUBJECT: Impact on Municipalities of Proposed Amendment to SB113

Day before yesterday, 28 Jan 86, I sent to your office a proposed amendment to SB 113, as discussed in the committee meeting on Monday, 27 Jan 86.

The information we have been able to obtain so far is:

Fairbanks--no information available from DCRA.

Anchorage--for FY85, would have amounted to 1.06% of the municipal budget; for FY86, would have been 1.23%, including veterans.

Kenai Peninsula Borough--for FY85, 0.5%; for FY86, 0.44%

Thus, we see an impact on the municipalities' budgets from less than $\frac{1}{2}$ of 1% to less than $1\frac{1}{4}$ %.

To put it in different terms: the impact varies from one part in 227 up to one part in 81.

Obviously, there would not be much impact on the municipalities' budgets.

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

PETE!
HARRIS SUGGESTED
AMENDMENT TO
SB 113, AS WG
DISCUSSED IN
COMM. RTG
YESTERDAY.

POUCH - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465-3800

MEMORANDUM

January 28, 1986

Andre
28 JAN 86
1:48 P

SUBJECT: State and municipal tax exemptions
(SB 113)

TO: Representative Andre Marrou

FROM: Richard A. Bradley
Legislative Counsel *R*

↓
ALSO:
NOTE
COUNSEL'S
COMMENTS
BELOW.
AA

The amendment you requested is enclosed.

And while your amendment has no serious problems (but see below), I note that the main bill itself has a one or two problems; I believe that the committee may be addressing them.

Among those problems is the fact that the revision of the municipal code rendered essentially all of the references to AS 29 sections obsolete, e.g., secs. 3 - 9 of the bill.

While some of the provisions have been carried forward in more or less the same phrasings, the references should be corrected.

And the revisor advises me that the 1986 revisor's bill (HB 493), now pending in the House Judiciary Committee, repeals AS 28.10.4100(d) because, I am advised, it is "rendered redundant and meaningless by the revised municipal code."

If I may be of further assistance, please advise.

RAB:csn
c5/028

A M E N D M E N T

Offered in the HOUSE

By Marrou

TO: SB 113

Page 1, lines 17 - 24:

Delete all material.

Renumber remaining bill sections.

29.45.030 J

Page 5, following line 24:

Insert a new bill section to read:

"* Sec. 9. AS 28.10.411(d) is repealed."

29.45.030 J

A M E N D M E N T

OFFERED in the HOUSE:

BY: Gruenberg

To: SB 113 (CRA)

Page 2 line 25 renumber current subsection "(e)" as "(e) (1)".

→ Page 3 line 14 insert a new subsection as follows:

"(e) (2) The department shall report to the legislature by the 10th day of the First Session of the Fifteenth Legislature concerning the regulations defining "hardship" under this subsection. The department may not adopt the regulations until 60 days after they are presented to the legislature."

Comment: This language is similar to the language in section 6 (b) in Ch. 33 SLA 1985 concerning the licensing of midwives, copy attached. It provides an opportunity for legislative review of the proposed regulations before they become effective.

period; conducting deliveries without supervision; and caring for neonates; in this paragraph "caring for" means performing preventive measures, detecting abnormal conditions in mother and child, procuring medical help, and executing emergency measures in the absence of medical help.

* Sec. 6. LAY MIDWIVES WORKING GROUP. (a) There is established in the Department of Health and Social Services a lay midwives working group composed of three lay midwives holding certificates from the Midwives Association of Alaska, one representative of the department, and one physician or nurse midwife licensed in this state. The commissioner shall appoint the members of the working group. The working group shall develop regulations for the commissioner to propose under AS 18.05.040 for the registration, training and education requirements, and disciplinary measures for lay midwives.

(b) The department shall report to the legislature by the 10th day of the Second Session of the Fourteenth Legislature concerning the regulations proposed by the working group. The department may not adopt the regulations until after they are presented to the legislature.

(c) Members of the working group are not entitled to receive compensation for their services or travel and per diem under AS 39.20.180.

* Sec. 7. Notwithstanding AS 08.64, a lay midwife practicing in this state on the effective date of this Act who is not registered by the Department of Health and Social Services may continue to practice until the department adopts regulations under AS 18.05.040 for the practice of lay midwifery and completes any review of the midwife's credentials required by the regulations. The midwife shall cooperate with the department in the review.

* Sec. 8. Section 6 of this Act is repealed on the day after the department completes the adoption of regulations for

(1) training, education, and experience requirements for lay midwives;

(2) standards for the practice of lay midwifery; and

(3) discipline of persons practicing lay midwifery.

* Sec. 9. This Act takes effect immediately in accordance with AS 01.10.070(c).

SLA 85

1. CONFORMITY WITH VOTING RIGHTS BILL
Why Ak. covered under act ? What circumstances caused; All
states Covered ?

2. INSURANCE MEMO

3. HB-487 : OPERATING, MAINTANANCE COSTS / CAPITAL PROJECTS
F.note. Jay Hogan. Drafter (d. Diierdorf)

4. SB-113 :SENIOR CITIZENS TAX EXEMPTIONS

5. A.P.A. / SMALL PROJECT TRANSFER
Call Bob Heath. Briefing by K. Dzenich.

6. Municipal Grant Regulations

7. BONDED INDEBTEDNESS

Introduced: 1/30/85
Referred: Community & Regional Affairs
and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SENATE BILL NO. 113

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to state and municipal tax exemp-
7 tions; and providing for an effective date."

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

9 * Section 1. AS 28.10.411(c) is amended to read:

10 (c) A resident 65 years of age or older on January 1 of the as-
11 essment year is entitled to an exemption from ~~the tax levied under~~
12 ~~AS 28.10.431(b)~~ and the registration fee required [TAX] under this
13 section for one motor vehicle subject to registration under AS 28.10.-
14 421(b)(1), (2), (5), or (6). An exemption may not be granted except
15 upon written application for the exemption on a form prescribed by the
16 department.

17 * Sec. 2 AS 28.10.411(d) is repealed and reenacted to read:

18 (d) The Department of Community and Regional Affairs shall reim-
19 burse a municipality that elects to levy a tax under AS 28.10.431 for
20 revenues lost because of the exemption from the tax provided by (c) of
21 this section. If appropriations are less than the amount necessary
22 for full reimbursement to all municipalities under this section, pay-
23 ments to all municipalities entitled to receive reimbursement under
24 this section must be prorated.

25 ~~* Sec. 3. AS 29.53.020(a) is amended to read:~~

26 (a) The following property is exempt from general taxation:
27 (1) ~~municipal, state or federally owned property, except~~
28 ~~that private leaseholds, contracts or other interest in the property~~
29 ~~shall be taxable to the extent of those interests;~~

*- This is now
provided by
AS 29.45.030(j)*

*See note
in next page
pg (10)*

2945 030
Required exemption

1 (2) household furniture of the head of a family or a house-
2 holder not exceeding \$500 in value;

3 (3) property used exclusively for nonprofit religious,
4 charitable, cemetery, hospital or educational purposes;

5 (4) property of a nonbusiness organization composed entire-
6 ly of persons with 90 days or more of active service in the armed
7 forces of the United States whose conditions of service and separation
8 were other than dishonorable, or the property of the auxiliary of such
9 organization;

10 (5) money on deposit;

11 (6) the real property of certain residents of the state to
12 the extent and subject to the conditions provided in (e) of this
13 section;

14 (7) real property to the extent and subject to the condi-
15 tions provided in (j) of this section;

16 (8) inventories located within a foreign trade zone estab-
17 lished under AS 45.77.010, before those inventories are cleared by the
18 United States Customs Service and admitted into domestic commerce;

19 (9) real property or an interest in real property that is
20 exempt from taxation under 43 U.S.C. 1620(d), as amended;

21 (10) a motor vehicle of certain residents of the state to
22 the extent and subject to the conditions provided in (m) of this sec-
23 tion.

This is now provided
to AS 29.45.030(g)

24 * Sec. 4. AS 29.^{45 3}020(e) is amended to read:

25 (e) The real property owned and occupied as a permanent place of
26 abode by a resident 65 years of age or older [OVER] or by a disabled
27 veteran is exempt from taxation of the first \$200,000 of the assessed
28 value of the real property. A municipality may, in the case of hard-
29 ship to an individual, provide for exemption beyond the first \$200,000

This section
must be
changed to
a bit to
include the
current
language of
AS 29.45.030

1 application for exemption is approved, the amount of tax that the
2 claimant may have already paid for the assessment year with respect to
3 the property exempted must [SHALL] be refunded to the claimant. The
4 assessor shall require proof in the form the assessor considers neces-
5 sary of the right to and amount of an exemption claimed under this
6 section, and shall require a disabled veteran claiming an exemption
7 under (e) of this section to provide evidence of the disability rat-
8 ing. The assessor may require proof under this section at any time.

9 * Sec. 6. AS 29.^{45 3 (1)}53.020 is amended ^{to read:} by adding new subsections to read: A

10 (m) One motor vehicle owned by a resident 65 years of age or
11 older on January 1 of the assessment year is exempt from the property
12 tax levied by a municipality under AS 29.53.010. Only one exemption
13 may be granted for the same motor vehicle and, if two or more persons
14 are eligible for an exemption for the same motor vehicle, the parties
15 shall decide who will receive the exemption. A motor vehicle that the
16 assessor determines, after notice and hearing to the parties con-
17 cerned, has been conveyed to the applicant primarily for the purpose
18 of obtaining the exemption may not be exempted under this subsection.

19 (n) The state shall reimburse a municipality for the revenue
20 lost to it under (m) of this section. // To the extent that a municipal-
21 ity exempts motor vehicles from taxation under AS 29.53.025(b)(4) that
22 would otherwise be exempt under this section, no reimbursement will be
23 made under this subsection.

24 ¹⁶⁰¹ If appropriations made for the purpose of reimbursement to a
25 municipality under (g) and (n) of this section are inadequate to pro-
26 vide full reimbursement to each municipality entitled to reimburse-
27 ment, payments to all municipalities entitled to receive reimbursement
28 under this section must be prorated.

29 * Sec. 7. AS 29.73.080(c) ^{45 4} is amended to read:

This is provided by AS 29.45.030(1)

Ordinance 57087

This should be included as a law amend to AS 29.45.030(1)

1 of assessed value under regulations of the Department of Community and
2 Regional Affairs. Only one exemption may be granted for the same
3 property and, if two or more persons are eligible for an exemption for
4 the same property, the parties shall decide between or among them-
5 selves which will [SHALL] receive the benefit of the exemption. ~~The~~
6 ~~surviving spouse of a person who had been receiving the benefits of an~~
7 ~~exemption may continue to receive the benefits of the exemption if the~~
8 ~~surviving spouse is at least 55 years of age.~~ Real property may not
9 be exempted under this subsection if the assessor determines, after
10 notice and hearing to the parties concerned, that the property was
11 conveyed to the applicant primarily for the purpose of obtaining the
12 exemption. The determination of the assessor may be appealed under
13 AS 44.62.560 -- 44.62.570.

14 * Sec. 5. AS 29.⁴⁵~~53~~.0³~~70~~(f) is amended to read:

15 (f) An exemption may not be granted except upon written applica-
16 tion for the exemption on a form approved by the state assessor for
17 use by local assessors. The claimant must file the application no
18 later than January 15 of the assessment year for which the exemption
19 is sought, but during the same year the governing body of the munici-
20 pality for good cause shown may waive the claimant's failure to make
21 timely application for the exemption for that year and authorize the
22 assessor to accept the application as if timely filed. The claimant
23 must file a separate application for each exemption and for each as-
24 sessment year in which the exemption is sought. The assessor shall
25 allow an exemption if [IF] an application is filed within the required
26 time and [IS APPROVED BY THE ASSESSOR, THE ASSESSOR SHALL ALLOW AN
27 EXEMPTION] in accordance with the provisions of this section. If a
28 claimant whose failure to file by January 15 of the assessment year
29 has been waived under [AS PROVIDED IN] this subsection and the

*This is
already in
AS 29.45.030(c)
except age
is 60 instead
of 55*

*A number of
changes have
been made
to
AS 29.45.030(f)*

*already taken
not of AS 29.45.040(c)*

1 (c) To obtain a tax equivalency payment, the eligible resident
2 must apply to the department for payment for the preceding year by
3 January 15 of each year, on forms and in the manner prescribed by the
4 department. The department for good cause shown may waive an appli-
5 cant's failure to make timely application for a tax equivalency pay-
6 ment for the preceding year and accept the application as if timely
7 filed. Each applicant shall submit with the application rental re-
8 cepts or, if rental receipts are not available, other evidence satis-
9 factory to the department for determination of the fact of payment of
10 rent and the amount paid. A disabled veteran shall submit with the
11 application evidence of the disability rating.

12 * Sec. 8. AS 29.73.060 is amended by adding a new subsection to read:
13 (f) ~~If appropriations made for the purpose of implementing this~~
14 ~~section are inadequate to provide full property tax equivalency pay-~~
15 ~~ments to each resident of the state entitled to receive a payment~~
16 ~~under this section, payments to each resident entitled to receive a~~
17 ~~payment under this section must be prorated.~~

*This is now
provided for
by AS
29.45.040(e)*

18 * Sec. 9. AS 29.73.062(b) is amended to read:
19 (b) The amount of a reimbursement payment under this section
20 equals the amount of sales taxes paid on the abode during the preced-
21 ing year by the eligible resident. If appropriations are less than
22 the amount necessary for a reimbursement to all eligible residents
23 under this section, payment residents entitled to receive reim-
24 bursements must be prorated.

*This is now
provided for
by AS
29.45.045(e)*

25 * Sec. 10. This Act takes effect January 1, 1987.

Alaska State Legislature
Representative Niilo Koponen

Pouch V
Juneau, Alaska 99811
(907) 465-4992

542 4th Avenue, Suite C
Fairbanks, Alaska 99701
(907) 456-8161

28 October, 1983

Honorable Ted Stevens
United States Senate
522 Hart Building
Washington, D.C. 20510

Dear Senator Stevens,

I am writing to express my alarm at the Gramm-Rudman proposal for balancing the federal budget. The proposal balances the budget largely by making cuts in social programs which the state of Alaska can ill afford.

As you know, Alaska already has enormous unmet needs in the area of basic health care. The 1981 Battelle study found that over twenty percent of Alaskans had no health insurance whatsoever. Medicaid is does not now provide an adequate "safety net" for these people and many become a serious burden to the state through the already grievously strained general relief medical and catastrophic illness programs. Any cut in the Medicaid program would exacerbate an already serious situation.

The Alaskan rate of low birth weight infants is still unacceptably high. The federally funded WIC and Headstart programs are important tools in the effort to improve the physical and social well-being of mothers at risk for low birth weight infants. Without these programs, the state can expect to be asked to pay for even more \$150,000 premature infants admitted to the Providence Neonatal Clinic. To provide the care for these seriously premature babies is expensive. To deny such care when it is requested is probably the most heart-rending and difficult of public policy decisions.

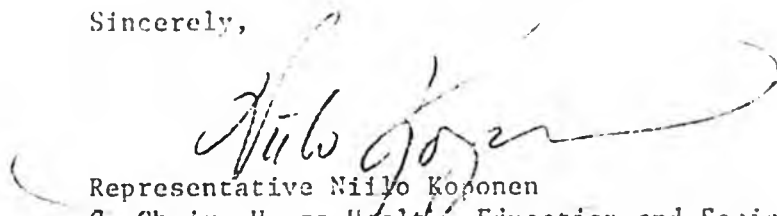
Very soon Fairbanks will experience the influx of the new light Infantry Division. These soldiers and their families are not wealthy. Almost all will be eligible for free services at any of Fairbanks social service agencies, even those which charge on a sliding scale basis. Although the Impact Report estimates an addition of 5,000 to 10,000 to the Fairbanks community, that report based its estimates on the number of military personnel who will receive orders to bring their families. Social service providers in Fairbanks predict that many military families will come even without orders, expecting to find both housing and jobs. These expectations are not likely to be met. Providers predict that a significant number of destitute and possibly homeless military family members will be in great need of social services soon after the arrival of the 11th. At a time when the

page 2

need for additional federal help for social services in Fairbanks is crucial, Gramm-Rudman would cut back on those funds.

Because Gramm-Rudman balances our federal budget by cutting funds for programs which help those most in need, it is poor policy. At a time of increasing federal impact on Alaska combined with decreasing state dollars Gramm-Rudman would be devastating for our state. I urge you to strongly oppose the plan.

Sincerely,

A handwritten signature in cursive script, appearing to read "Niilo Koponen", with a long, sweeping underline that extends to the right.

Representative Niilo Koponen
Co-Chair, House Health, Education and Social Services Committee
NK/DMN

MARK O. HATFIELD, OREGON, CHAIRMAN

TED STEVENS, ALASKA
LOWELL P. WEICKER, JR., CONNECTICUT
JAMES A. MCCLURE, IDAHO
PAUL LAXALT, NEVADA
JAKE GARN, UTAH
THAD COCHRAN, MISSISSIPPI
MARK ANDREWS, NORTH DAKOTA
JAMES ARDORF, SOUTH DAKOTA
ROBERT W. KASTEN, JR., WISCONSIN
ALFONSE M. DAMATO, NEW YORK
MACK MATTINGLY, GEORGIA
WARREN RUDMAN, NEW HAMPSHIRE
ARLEN SPECTER, PENNSYLVANIA
PETE V. DOMENICI, NEW MEXICO

JOHN C. STENNIS, MISSISSIPPI
ROBERT C. BYRD, WEST VIRGINIA
WILLIAM PROXMIRE, WISCONSIN
DANIEL K. INOUE, HAWAII
ERNEST F. HOLLINGS, SOUTH CAROLINA
LAWTON CHILES, FLORIDA
J. BENNETT JOHNSTON, LOUISIANA
QUENTIN N. BURDICK, NORTH DAKOTA
PATRICK J. LEAHY, VERMONT
JIM SASSER, TENNESSEE
DENNIS DICINCINI, ARIZONA
DALE BUMPERS, ARKANSAS
FRANK R. LAUTENBERG, NEW JERSEY
TOM HARKIN, IOWA

J. KEITH KENNEDY, STAFF DIRECTOR
FRANCIS J. SULLIVAN, MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON APPROPRIATIONS
WASHINGTON, DC 20510

November 6, 1985

The Honorable Niilo Koponen
Alaska House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Niilo:

Thanks for your letter regarding your opposition to the cuts in social programs which could be required if the Gramm-Rudman-Hollings proposal is passed into law.

Reducing the budget deficit is one of the most pressing issues facing Congress today. In order to balance the budget, tough decisions will have to be made as Congress cuts spending in the years to come.

I'll certainly keep your comments in mind as we continue to consider this issue. Enclosed is some background information on the Gramm-Rudman-Hollings proposal which I thought you might find interesting.

With best wishes,

Cordially,



TED STEVENS

Enclosure

FRANK H. MURKOWSKI
ALASKA

COMMITTEE ON ENERGY AND
NATURAL RESOURCES
COMMITTEE ON FOREIGN
RELATIONS
COMMITTEE ON VETERANS'
AFFAIRS
SELECT COMMITTEE
ON INDIAN AFFAIRS
SELECT COMMITTEE
ON INTELLIGENCE

United States Senate

WASHINGTON, DC 20510

WASHINGTON OFFICE:
(202) 224-8888

ANCHORAGE OFFICE:
701 C STREET, BOX 1
(907) 271-3735

FAIRBANKS OFFICE:
101 12TH AVENUE, BOX 7
(907) 480-0233

JUNEAU OFFICE:
FEDERAL BUILDING, BOX 1847
(907) 688

November 21, 1985

Honorable Niilo Koponen
Co-Chair, House Health, Education
and Social Services Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99801

Dear Niilo,

Thank you for your letter about the possible effects of the Gramm-Rudman-Hollings amendment on social programs.

The Gramm-Rudman proposal does not single out specific programs except Social Security. Medicaid, WIC, Headstart and other social programs will be treated in the same manner as other federal programs. The amendment simply creates deficit ceilings which cannot be exceeded and procedures to guarantee that the federal government lives within the ceiling guidelines.

Under Gramm-Rudman the President would still be free to present his budget recommendation to Congress at the beginning of the year and Congress would still consider and vote on an appropriate budget. The proposal, however, forces the President and Congress to live within specified deficit limits.

As currently drafted, Gramm-Rudman sets a deficit ceiling of \$180 billion in 1986, \$144 billion in 1987 and lower levels until 1991, when there should be no deficit.

It also provides for sequestering of funds, if spending exceeds 5% over the guidelines. If this occurs, cuts are to be made equally, half from increases in entitlement programs and half from all discretionary programs including defense.

Under this plan many social programs will only be subject to reductions in spending increases. Even if the social programs are discretionary programs, cuts would be made proportionately, across-the-board in all programs, activities, and projects. Gramm-Rudman will force Congress to either reduce spending or raise revenue. It is not intended to force unequal cuts in spending for social programs.

Hon. Nillo Koponen
Page 2.
November 21, 1985

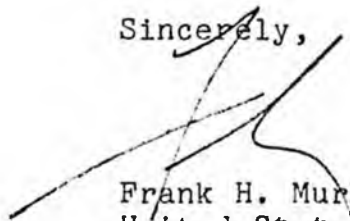
The major exception to the sequestering process would be Social Security, which has its own trust fund and therefore may be removed from the unified federal budget.

Congress must control the federal debt, which will soon be over \$2 trillion and is the accumulation of budget deficits. Currently, 15 cents of every dollar the government spends goes to pay the net interest on the federal debt. The money used to pay for interest does not go towards Medicaid, feeding children or financing any other worthy social programs.

The Senate-House Conference is now working on details of Gramm-Rudman, and the Senate will again consider the measure before the Congress recesses in December.

Thank you again for your comments on this important matter.

Sincerely,



Frank H. Murkowski
United States Senator

While this puts the responsibility on Congress - if we cut programs, our price goes - if we receive taxes and we go -

DON YOUNG
CONGRESSMAN FOR ALL ALASKA

WASHINGTON OFFICE
2331 RAYBURN BUILDING
TELEPHONE 202-225-5765

COMMITTEES:
INTERIOR AND INSULAR
AFFAIRS
MERCHANT MARINE AND
FISHERIES
POST OFFICE AND
CIVIL SERVICE



Congress of the United States
House of Representatives

Washington, D.C. 20515

January 14, 1986

Honorable Niilo Koponen
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Koponen:

I appreciated your communication regarding the Gramm-Rudman amendment to the current budget and debt ceiling measures. As you may know by now, I supported this legislation in its recent vote in the House.

This has been an extremely complex and difficult area of legislation with critical long-range implications. While the Gramm-Rudman measure has its shortcomings, I believe the extreme nature of our economic situation has come to require this admittedly drastic action.

I have worked on the deficit problem by supporting the balanced budget amendment to the Constitution. However, I have come to feel that the Gramm-Rudman amendment will augment this effort. While the constitutional amendment would provide the legal mandate for a balanced budget, Gramm-Rudman will provide the equally necessary procedural means by which the requirements of the law may be met. No one wishes to experience cutbacks in programs from which he or she benefits. Unfortunately, some reductions will simply have to be made if federal spending is ever to be brought under control.

I hope this sufficiently clarifies my position. Again, thank you for conveying your concerns to me.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Don Young', written over a horizontal line.

DON YOUNG
Congressman for all Alaska

DY/smb

DISTRICT OFFICES

701 C STREET BOX 3
ANCHORAGE ALASKA 99513
TELEPHONE 907 271-5978

BOX 10, 101 12TH AVENUE
FAIRBANKS ALASKA 99701
TELEPHONE 907 456-0210

401 FEDERAL BUILDING
P O BOX 1247
JUNEAU ALASKA 99802
TELEPHONE 907 586-7400

501 FEDERAL BUILDING
KETCHIKAN ALASKA 99902
TELEPHONE 907 225-6880

RT 1, BOX 3030
KENAI ALASKA 99611

BOX 177
KODIAK ALASKA 99615

P O BOX 1860
NOME ALASKA 99762



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith
Signature of Camera Operator

7/25/89
Date