

S B

367

FIRST COMMITTEE OF REFERRAL

Date of _____ 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: Finance

**FISCAL NOTE(S) ATTACHED _____ **
IN ACCORDANCE WITH AS 24.08.035
(see below)

1/25/88 DATE TURNED INTO OFFICE _____
Mr. President:

C&RA _____ Committee considered SB 367

optional exemptions from municipal taxes

and recommended:

- replace with CS for SB 367 same title
- attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Alfred Sanchez - Do not pass

Tim Kelly - Do Not Pass

Cecilia Stangherlin DePoma

Chairman signature and recommendation

Committee Backup Attached

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

TO: Senate C&RA Committee

February 3, 1988

FROM: Senate C&RA Staff

A handwritten signature in dark ink, appearing to be "MEL".

RE: SB 367 "An Act relating to optional exemptions from municipal taxes."

In this packet is a sectional analysis by Senator Duncan, a position paper and fiscal note by the Department of Community and Regional Affairs, a position paper by the Alaska Municipal League, and some background information from the Juneau Economic Development Council.

DC&RA and the AML both support the bill but suggest amendments in their position papers.

BY SENATOR DUNCAN

Senate Bill 367

"An Act relating to optional exemptions from municipal taxes."

Section 1.

Sub-paragraph (6) provides that a municipality may by ordinance grant a total or partial exemption from inventory taxation any type of inventory that is created from the processing or manufacturing in Alaska of natural resources originating in Alaska.

Sub-paragraph (7) provides that a municipality may by ordinance grant up to a 100 percent tax exemption to real or personal property that is used in the processing or manufacture of fisheries resources this includes all aquatic plants and animals.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

February 3, 1988

POSITION PAPER

RE: Senate Bill 367: "An Act relating to optional exemptions from municipal taxes."

SPONSOR: Senator Duncan

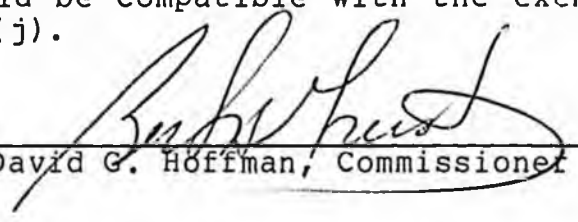
Program Summary

This bill relates to property taxes and adds two sections to the optional exemptions that municipalities may adopt under AS 29.45.050. Under current law, municipalities may exempt all business inventories from taxation. Paragraph (6) of this bill would allow municipalities to classify and exempt certain inventories from taxation, specifically, those inventories made in Alaska from Alaska resources.

Paragraph (7) of the bill would allow municipalities to exempt real and personal property used in the processing of marine resources. This is similar to existing language which currently allows municipalities to exempt up to 75% of timber processing property [AS 29.45.050 (j)].

Comments

The Department supports passage of this bill with two amendments. We recommend that the percentage of exemption currently allowed under AS 19.45.050(j) (see attached) be changed from 75% to 100% to be consistent with paragraph (7) of this bill. In addition, we suggest the bill be amended to provide for an exemption which would not exceed five years in duration. That amendment would be compatible with the exemption allowance under AS 29.45.050 (j).



David G. Hoffman, Commissioner

ATTACHMENT

Section 1.(7) amend by adding:

An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration.

Section 2. AS 29.45.050(j) is amended to read:

A municipality may by ordinance approved by the voters exempt real or personal property in a taxing unit used in processing timber after it has been delivered to the processing site from up to 100 [75] percent of the rate of taxes levied on other property in that taxing unit. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act relating to optional exemptions from municipal taxes."
Sponsor: Duncan
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Local Government Assistance

Components: State Assessor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: 1-27-88

Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs

Date: 1-27-88

Distribution (by preparer):


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

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: The Honorable Jim Duncan, Senator

FROM: Scott A. Burgess, Executive Director 

DATE: February 2, 1988

SUBJECT: SB 367 - Optional exemptions from municipal taxes

On behalf of its 135 municipal members, the Alaska Municipal League supports SB 367, allowing municipalities to exempt inventory and property taxes on certain natural resources industries. In addition, I would like to offer the following comments.

The AML's support is based on the 1988 AML Policy Statement language below:

PART X - ECONOMIC DEVELOPMENT, B. INCENTIVES:

1. Local Incentives: The League urges the Legislature to adopt legislation which would allow local municipalities greater flexibility through the use of local options in offering property tax incentives to new and expanding industry and business.

The bill would accomplish this in the area of optional exemptions on "inventories produced from the processing or manufacturing in the state of a natural resource originating in the state" and optional exemptions on "real and personal property used in the processing or manufacturing of fisheries resources". A similar provision is provided in AS 29.45.050(j), allowing a more limited exemption for timber processing.

The AML would request that you or the Senate Community and Regional Affairs Committee broaden the language to allow municipalities the option of exempting taxes on any business or industry. Many municipalities do not enjoy the wealth of natural resources available to Juneau and, therefore, cannot attract resource-related industries or businesses. However, once a municipality identifies the type of industry or business it wishes to attract or support, it should have similar "tools" available such as offering tax incentives.

Again, the AML supports SB 367 but asks that it be broadened to allow all municipalities to benefit from flexibility in the statutes dealing with local taxing powers. Allowing optional tax exemptions for all businesses and industries will provide municipalities another option in developing community development strategies to fit their unique circumstances.

cc: Senator Sturgulewski, Chair, Senate Community and Regional Affairs Committee

JUNEAU ECONOMIC DEVELOPMENT COUNCIL

907 463-3002
463-3662

P.O. Box 21227 • 1107 West 8th St.

Juneau, Alaska 99802



MEMBERS

Greg O. Claras, Chairperson
Deborah Bates, Vice-Chairperson

William Brock, Treasurer
Patrick Anderson
William M. Howe

Peter Hilde
John B. Sisk

CHI REPRESENTATIVES

Mayor Ernest E. Polley
Kevin Ritchie

MEMORANDUM

TO: Kevin Ritchie
FROM: James M. Kohler
DATE: November 5, 1987
SUBJ: AML Policy Proposals

I have attached a draft of two proposed additions to the AML Policies which could be introduced during the upcoming AML Conference.

The first addresses the need to change existing state statute to allow a local exemption from property tax on inventory that is needed in the manufacture of product within the community. This is something that Mayor Polley tried to enact locally but couldn't because of conflicting state law.

The second would embed into AML policy the preference for state economic development support at the local and regional level to come in the form of financial assistance to execute local and regional plans -- not to have them created at the state level and passed down. The specific resolution supporting the regional entity funding by the Department of Commerce and Economic Development, enacted by the Assembly on November 2, is one example of this type of program or legislation.

I will be happy to review these proposed policy insertions with you and the Juneau delegation at your convenience.

JUNEAU ECONOMIC DEVELOPMENT COUNCIL

907 463 3662

P.O. Box 21227 • 1107 West 5th St

Juneau, Alaska 99802



MEMBERS

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Deborah Bates, Vice Chairperson

William Brock, Treasurer
Patrick Anderson
William M. Howe

Peter Hildre
John B. Sisk

CBI REPRESENTATIVES

Mayor Ernest E. Pulley
Kevin Ritchie

DRAFT
PROPOSED POLICY STATEMENTS
AML CONFERENCE
NOVEMBER 11-13, 1987

PART I: TAXATION AND FINANCE

D. LOCAL TAXES

6. Local Taxes: The League endorses legislation that would amend AS 29.45.050(j), permitting a local option exemption from property taxes for inventory used in the in-state manufacture of product *DERIVED FROM ALASKA RESOURCES.*

PART X: ECONOMIC DEVELOPMENT

B. INCENTIVES

2. The League urges state programs be implemented and/or legislation be enacted that encourages, through direct financial assistance, economic development efforts to be developed and implemented at the local and regional levels.

Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



P. O. BOX V
JUNEAU, ALASKA 99811
(907) 465-4989

March 10, 1988

Senate Community and Regional Affairs Committee

SCHEDULE

Tuesday, March 15, 1988

CS for SB 337 - "An Act relating to taxpayer notice of use of state aid."

SB 308 - "An Act relating to the energy efficient home equity fund."

SB 404 - "An Act relating to the transportation and municipal regulation of alcohol."

SB 367 - "An Act relating to optional exemptions from municipal taxes."

Thursday, March 17, 1988


SB 447 - "An Act relating to liability for damage or injury resulting from hazardous recreational activities."

SB 448 - "An Act relating to civil liability of certain volunteers."

SB 454 - "An Act relating to the allocation of the fisheries business tax to municipalities by the Department of Community and Regional Affairs." - postponed until 3/22/88 at sponsor's request

SB 166 - "An Act relating to regulations affecting small entities."

All meetings in the Butrovich Room, 3:30pm - 5:00 pm

 All bills on Tuesday have been heard previously. Please bring your files for SB 404 and SB 367.

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

MUNICIPAL & REGIONAL ASSISTANCE DIVISION

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KOTZEBUE, ALASKA 99752-0350
PHONE: (907) 442-3696

P.O. BOX 41
NOME, ALASKA 99762-0041
PHONE: (907) 443-5457

February 18, 1988

Mr. McKie Campbell
Aide to Senate Committee
on Community and Regional Affairs
Capitol, Room 427
Juneau, AK, 99811

Dear Mr. *McKie* Campbell:

The "Formula Funding Demonstration" (copy enclosed) presented to the Senate Community and Regional Affairs Committee on February 9, 1988 during testimony by the Alaska Municipal League (AML) pointed to several examples which supposedly showed the relationship between optional property tax exemptions and their effect on total revenues of a municipality. We believe each of these examples was presented incorrectly. Following are the same examples as we believe they would actually occur.

The "demonstration" assumes \$70,000,000 to be optionally exempted for purposes of illustration. The municipality used as the model for this exercise was Matanuska-Susitna Borough. Mat-Su presently exempts \$4,708,8000 of assessed value under AS 29.45.050 as certified to our office in last year's Annual Report from the Borough (see copy attached). At a millage rate of 5.30, the revenues "lost" from those exemptions amount to \$24,957, or about \$.56 per capita annually. That loss of revenues is about 15 times lower than the \$371,000 used in the example.

It is important to remember that passing legislation to allow municipalities the option of exempting property does not create a loss in revenues. Municipal assemblies and councils bear the responsibility of deciding whether or not optional exemptions will be adopted into law. We do not believe it is realistic to think the assembly of a borough such as Mat-Su would exempt \$70,000,000 in assessed values to benefit commerce or industry, considering the current amount of assessed value actually exempted there. The \$70,000,000 used in the example appears to us to have been arbitrarily and inappropriately selected.

Mr. McKie Campbell
February 18, 1988
Page Two

In order for revenue sharing entitlements to be affected by property tax exemptions, one must assume the loss in revenues created by the exemptions would not be offset by shifting the tax burden to other taxable properties. In fact, municipal budgets usually stay the same or increase each year, which necessarily causes such a shift in the tax burden to occur.

For that reason, we believe the granting of an optional exemption would have no impact on the level of revenue sharing funds received by municipalities. The amount of local effort required by municipalities is based on the Full Value Determination which is developed by our office. The granting of optional exemptions does not influence the Full Value Determination. Therefore, it is not possible for the level of local education funding to change due to the granting of such an exemption.

Summary:

We believe the \$70,000,000 hypothetical level of exemption in the "demonstration" is unrealistic. We further believe the shift of the tax burden to other taxable property would cause no negative impact to the municipality in the state revenue sharing program. In any event, granting exemptions would have no impact on local effort for education funding. Instead of the \$1,248,072 of fiscal loss alleged by the AML document, the total fiscal impact which actually exists in the borough due to the granting of local option exemptions is \$24,957.

Our Position on SB 367:

Proposals to exempt property from taxation are usually met with little resistance from the general taxpaying public. We believe one reason for this is that many people do not fully understand the concept of shifting the tax burden. But even if there were a widespread understanding of that concept, the impact to individual taxpayers resulting from such a shift is normally so minimal as to go almost unnoticed. That argument is often used by those who speak against bills which provide for optional exemptions. We do not believe, however, that argument is a valid one when dealing with a bill which intends to provide long term economic benefits for the good of the community by granting a short term exemption.

We believe the answer to this issue is not to deny municipalities choices by defeating proposals such as those contained in SB 367. The proper way to address the problem is for municipal assessing offices and offices like ours to be

Mr. McKie Campbell
February 18, 1988
Page Three

certain municipal governing bodies understand all the ramifications of granting optional property tax exemptions to certain sectors of the taxpaying public. If the benefits accruing to a community as a result of granting an exemption are greater than the cost to the taxpaying public of shifting the tax burden, we believe the exemption should be granted.

Sincerely



Michael W. Worley
State Assessor

Enclosures

cc: Scott Burgess, AML
Gary Lewis

FORMULA FUNDING DEMONSTRATION

	SMART BOROUGH	NOTSO BOROUGH	LOCAL REVENUE LOSS
locally assessed			
REAL PROPERTY	\$2,365,476,800	\$2,539,851,700	
PERSONAL PROP.	\$169,156,760	\$358,626,570	
OIL & GAS	\$4,119,140	\$4,199,140	
	2,538,752,700	2,902,677,410	
MILLRATE SET	5.30	5.30	
DCIRA full value	2,902,677,410	2,902,677,410	
LESS optional exempt			
WHATEVER	0	60,000,000	
INCENTIVES	0	10,000,000	
TOTAL EXEMPT AS 29 45 050		70,000,000	\$371,000 TAX EXEMPT (2.4%)
full value determina	2,902,677,410	2,972,677,410	
TAX REVENUE 89XB11	13,455,389	13,084,389	
MILLAGE RATE EQUIVAL	4.64	4.40	
POPULATION	44,200	44,200	
REVENUE SHARING			
POPULATION	44,200	44,200	
MILLRATE EQUIV	0.00464	0.00440	
ENTITLEMENT	205	195	
APPLIED TO POPULATIO	9,056,117	8,599,045	\$457,072 REVENUE SHARING
			\$1.23
			PER \$ EXEMPT
SCHOOL FOUNDATION FUNDING			
INSTRUCT UNITS	539	539	
VALUE PER UNIT	60,000	60,000	
BASIC NEED	32,340,000	32,340,000	
LOCAL CONTRIBUTION			
max 6 mills CURREN	17,416,064	17,836,064	
ENTITLEMENT	\$14,923,936	\$14,503,936	\$420,000 FNDATION FUNDING
			\$1.13
			PER \$ EXEMPT
TOTAL FISCAL LOSS			\$1,248,072
			LOCAL COST PER TAX DOLLAR EXEMPTED \$3.36

THIS IS A DEMONSTRATION OF THE RELATIONSHIP BETWEEN OPTIONAL PROPERTY TAX EXEMPTION (AS29.45.050) AND AFFECT ON TOTAL REVENUES OF A MUNICIPALITY. IT SHOWS THAT THE INCREASED REVENUE BURDEN ON OTHER TAXPAYERS IS FAR GREATER THAN JUST THE AMOUNT OF TAX DOLLARS EXEMPTED. THE RESULTS OF EXERCISE WILL VARY IN DIFFERENT MUNICIPALITIES AND DIFFERENT LEVELS OF LOCAL CONTRIBUTION TO EDUCATION HOWEVER IN ALL CASES THERE ARE HIDDEN COSTS TO BE CONSIDERED IN DECISION TO OPTIONALLY EXEMPT PROPERTY FROM LOCAL LEVY.

ANNUAL REPORT
OF
ASSESSMENT AND TAXATION

The information published in Alaska Taxable, and in other documents, is based upon the annual reporting of full and true assessment and taxation from each municipality. Your cooperation in completing this report is essential to the accuracy of the publications and information distributed by the Department of Community and Regional Affairs. This report is also a requirement under AS 29.20.640(a)(3) as a prerequisite for receipt of state shared revenue under AS 29.60, and will be used to develop the Full Value Determination for that and other state programs, including education funding under AS 14.17.140.

It is required that the report be certified -- both by the Assessor, who has chief responsibility for values, and the Chief Administrator, who has a large degree of responsibility for rates and overall administration.

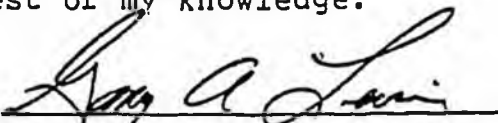
CERTIFICATION

I, Gary A. Lewis, Assessor for the
(type or print name)

Matanuska-Susitna Borough, hereby certify
(municipality)

the information contained in the attached forms is complete and correct according to the best of my knowledge.

Signed



Dated

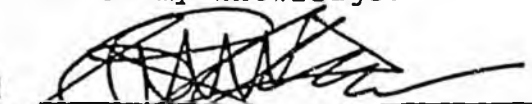
7-23-87

I, John Hale, Chief Administrator
(type or print name)

for the Matanuska-Susitna Borough, hereby certify
(municipality)

the information contained in the attached forms is complete and correct according to the best of my knowledge.

Signed



Dated

7/23/87

Dept of Revenue

~~bill in~~
~~gas~~

all personal properties

1 or all types of motor vehicles from taxation;

2 (6) classify as to type and exempt or partially exempt any

3 or all inventories produced from the processing or manufacturing in

4 the state of a natural resource originating in the state;

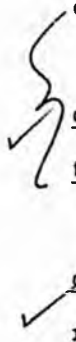
5 (7) exempt real or personal property used in the processing

6 or manufacturing of fisheries resources from up to 100 percent of the

7 rate of taxes levied on other property; for purposes of this paragraph

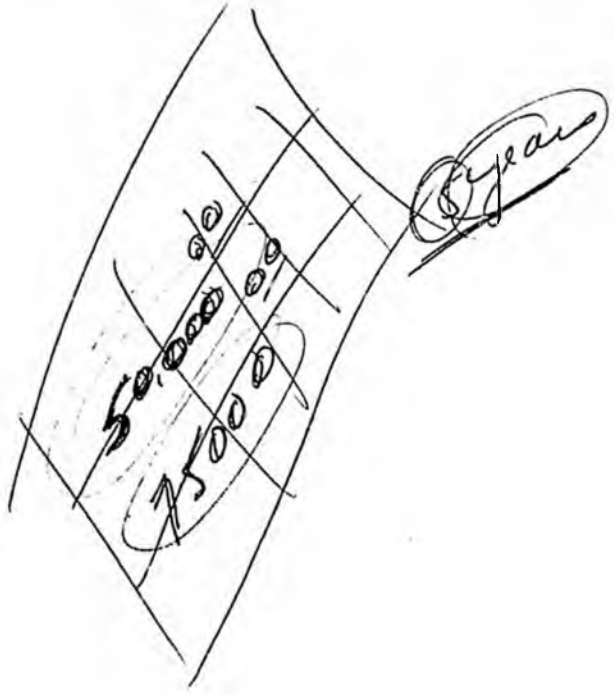
8 "fisheries resources" includes all aquatic plants and animals.

mining



wholesale

5yr time limit



43.5B.210

*James Egan
Dev. Council.*

1 IN THE SENATE

BY DUNCAN

2

SENATE BILL NO. 367

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6 For an Act entitled: "An Act relating to optional exemptions from munic-
7 ipal taxes."

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

9 * Section 1. AS 29.45.050(b) is amended to read:

10 (b) A municipality may by ordinance

11 (1) classify boats and vessels for the purposes of taxation
12 and may establish the assessed valuation of boats and vessels on the
13 basis of their registered or certificated net tonnage;

14 (2) classify and exempt from taxation

15 (A) the property of an organization not organized for
16 business or profit-making purposes and used exclusively for
17 community purposes if the income derived from rental of that
18 property does not exceed the actual cost to the owner of the use
19 by the renter;

20 (B) historic sites, buildings, and monuments;

21 (C) land of a nonprofit organization used for agricul-
22 tural purposes if rights to subdivide the land are conveyed to
23 the state and the conveyance includes a covenant restricting use
24 of the land to agricultural purposes only; rights conveyed to the
25 state under this subparagraph may be conveyed by the state only
26 in accordance with AS 38.05.069(c);

27 (3) exempt personal property from taxation;

28 (4) exempt business inventories from taxation;

29 (5) classify as to type and exempt or partially exempt any

Interior Public Employees Coalition

452-2023

2118 Cushman
Fairbanks, Alaska 99701

File 4

Feb. 8, 1988

Dear Anissa,

Enclosed are those documents related to S.B. 372 that you requested.

I appreciate the time you spent with me. I always enjoy our talks.

Sincerely
Barry

Barry Haight

A roll call vote was heard on the motion to postpone said resolution, as follows:

YEAS: Cleworth, Hajdukovich, Hayes
NAYS: Halvarson, Purcell
ABSENT: Norum
The Mayor declared Resolution No. 2933,
POSTPONED INDEFINITELY, which is as follows:

(Copy Resolution No. 2933)

l) Resolution No. 2934 - A resolution recommending approval of a contract to purchase two police cars from Seekins Ford under terms of FE-87-71 and subsequent reimbursement from a Highway Safety Planning Project, was presented. Hayes, seconded by Purcell, moved to adopt Resolution No. 2934.

The City Manager stated the city is in process of receiving grant funds for the funding of these vehicles as well as other items for the Police Department, which will be submitted at a later date as an amendment to the appropriation ordinance.

A roll call vote was heard on the motion to postpone said resolution, as follows:

YEAS: Hayes, Halvarson, Cleworth,
Hajdukovich, Purcell
NAYS: None
ABSENT: Norum
The Mayor declared Resolution No. 2934,
PASSED and APPROVED, which is as follows:

(Copy Resolution No. 2934)

m) Resolution No. 2935 - A resolution to encourage developers to construct the upcoming 801 Housing Project within the city limits of Fairbanks, was presented. Halvarson, second by Purcell, moved to adopt Resolution No. 2935.

The Mayor asked if there was objection to the motion and, hearing none, declared the motion CARRIED.

The Mayor declared Resolution No. 2935,
PASSED and APPROVED, which is as follows:

(Copy Resolution No. 2935)

n) Resolution No. 2936 - A resolution opposing continuance of PERA provisions for binding arbitration for municipalities, was presented. Cleworth moved to adopt Resolution No. 2936. without a second.

The Mayor declared Resolution No. 2936,
DIED for lack of a second.

o) Ordinance No. 4734 - An ordinance to FGC Section 2.482 (F), renewal of certificate, by allowing plumbing contractors and journeyman plumbers to renew certificates that have been expired more than ninety days; and setting an effective date, was presented. Halvarson, seconded by Purcell, moved that a public hearing be scheduled for the next regular meeting of 2/8/88, the ordinance be advanced from first to second reading to be read by title only and come up for final passage at that time.

★ Fairbanks North Star Borough

809 Pioneer Road

P.O. Box 1267

Fairbanks, Alaska 99707

907 452-4761

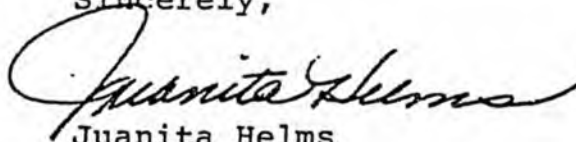
February 1, 1988

Honorable Mitch Abood
Chairman
Senate State Affairs Committee
P.O. Box V
Juneau, AK 99811

Dear Senator Abood:

I urge you to defeat SB 372. As a strong supporter of collective bargaining, I see this bill as the beginning of the end for public employee collective bargaining.

Sincerely,



Juanita Helms
Borough Mayor

JH:rlf

cc: Members, Senate State Affairs Committee
Interior Delegation

TESTIMONY TO SENATE STATE AFFAIRS COMMITTEE

SENATE BILL 372

February 3, 1988

My name is Barry Haight. I represent the Fairbanks Fire Fighters Association and I am also a professional fire fighter. The Fairbanks Fire Fighters oppose S.B. 372 and support the right of municipal employees to bargain collectively. That support includes binding arbitration as the appropriate method of impasse resolution for public safety employees.

While Fairbanks had originally opted out of the Public Employee Relations Act; bargaining of sorts continued with some employee groups. Then in the fall of 1983 due to discord; and lack of uniformity in dealing with employees, the City Council voted unanimously to place the City under PERA. Today you have before you legislation proposing to change that law as a solution to a local issue. We maintain that changing state law is not the answer and will not solve the local problem.

According to news reports, Fairbanks' Mayor requested this legislation so the City can avoid going to binding arbitration with police and fire fighters. He claims this is necessary because an arbitrator won't award pay and benefit concessions in favor of the City. Then the assertion is made that layoffs of fire and police personnel will be the result. Such statements and conclusions are not based on fact or experience and leave out relevant information.

I would like to take a couple minutes and provide some of that information to this committee.

The Fairbanks Fire Fighters have negotiated only one contract with the City since coming under PERA. That contract was amicably concluded five months ago without impasse or arbitration. It was approved by the City Council and not vetoed by the Mayor. It is remarkable that while negotiations were in progress, the Mayor was making public demands for concessions that were not made by the City's actual negotiator.

I think it is important for the committee to know agreements reached with the fire fighters contained wage and benefit concessions. In fact, all City employee groups have made a variety of wage, benefit and reduction of hours concessions.

Staffing levels in both the police and fire departments have been less than adequate for nearly a decade. In 1979 fire fighters and policemen were laid off and attrition by nonreplacement was begun and continues to date. The lack of public safety employees in Fairbanks today is not simply the result of the current revenue crisis. To attempt to draw a connection between lack of fire fighters and binding arbitration is deceptive and untrue. The present City Mayor has opposed hiring the proper number of fire fighters for almost six years, and this includes those years when huge amounts of shared revenue were available from the state and federal government.

The Fairbanks City Council does not share this negative view of binding arbitration or bargaining and rejected a resolution opposing binding arbitration at the January 25th council meeting. The resolution died for lack of a second.

Fairbanks has a local problem and part of that problem is revenue. While other communities have that same revenue problem they have reacted differently to it. Unlike Fairbanks they have a sales tax, and unlike Fairbanks their property taxes are considerably more than 2.8 mills.

Two Budget Committees selected and appointed by the Mayor within the last two years have urged increases in local effort for revenues. These recommendations were shelved and twice the council's efforts at raising local revenues were vetoed by the Mayor.

City employees are doing their part; in addition to wage and benefit concessions, other noncontractual money saving work arrangements have been accomplished. Now all that is needed is a property tax increase of less than one mill to deterr further layoffs and start Fairbanks off in a more positive direction for the future.

Senate Bill 372 will not solve our problem. It will add to the mistrust and may deterr voluntary cooperation between employee groups and local government.

We ask you to allow Fairbanks to solve its own difficulties and not pass S.B. 372 from committee.

February 10, 1988

Honorable Arliss Sturgelewski
P.O. Box V
Juneau, AK
99811

Dear Senator Sturgelewski:

Senate bill SB 372, regarding PERA, is a solution being proposed for a non-existent problem. SB 372 is proposing to undo that which is already working well.

The argument that more local control is needed by municipalities is a smoke screen to the real issue. Accountability of government must rest with the elected officials. Disenfranchising public employees is not the way to assert tighter fiscal controls.

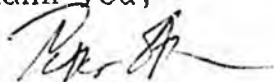
The Fairbanks Firefighters have NEVER used binding arbitration to settle an impasse on wages in its contract negotiations. During the contract talks in 1987 the Association agreed to wage reductions and changes in working conditions which led to cost savings.

Binding arbitration is being held up as the "boogey man" to Fairbanks' budget problems. Nothing could be further from the truth. The Mayor of the Northstar Borough has stated her opposition to this bill. The Council of the City of Fairbanks refused to advance a resolution favoring SB 372. Only the Mayor of Fairbanks is making SB 372 a personal crusade.

The need to restore public confidence in local government is of paramount importance. SB 372 does nothing toward this goal except to set the stage for disrupting the stable relationship between the employees who provide essential city services and the residents who expect such services. PERA has worked well and continues to work well giving a stable framework for the City and its employees to bargain in good faith with each other.

I urge you to vote against SB 372.

Thank you,


Peter Stern
Box 60285
Fairbanks AK 99706

February 10, 1988

Senator Arliss Sturgulewski
Alaska Senate
P.O. Box V, MS-3100
Juneau, Alaska 99811

Dear Senator Sturgulewski:

As a person involved in an effort to start a secondary seafood processing business in Southeast Alaska, I want to express support for several measures currently before the House and Senate.

In our business planning, it is clear that secondary processing is on the verge of being viable in Alaska when compared with existing locations, primarily Seattle. Although it is still more practical to produce in Seattle, I believe the combination of HB 400 (SB 350), HB 408, and SB 367 will tip the scale and be the decisive factor in making possible ventures such as the one we plan.

The resulting growth of the processing industry in Alaska will shift a major source of employment and revenues from Seattle to Alaska and add year-round stability to the fisheries industry in Alaska.

I am sure you will find much resistance from existing companies who already base their operations outside the state. Keep in mind that your decision will not affect the total market for Alaskan resources ... all our fish are seeing increasing demand beyond our current supplies. However, your decision will affect the portion of money and jobs related to our fisheries that stays in the state! Please refer to the many studies, articles, and seafood usage reports which will substantiate this point (ex: U.S. Dept. of Commerce "Fisheries of the United States, 1986"). Even while frozen supplies of eastern cod are in surplus this year, frozen supplies of Alaskan fish are selling more rapidly each year.

It is time to increase Alaska's share of the money created from our fish resources. I encourage your support of these measures!

Sincerely,


Larry J. Smith

Box 901
Haines, AK. 99827

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

February 3, 1988

POSITION PAPER

RE: Senate Bill 367: "An Act relating to optional exemptions from municipal taxes."

SPONSOR: Senator Duncan

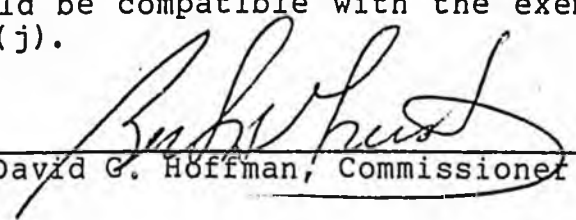
Program Summary

This bill relates to property taxes and adds two sections to the optional exemptions that municipalities may adopt under AS 29.45.050. Under current law, municipalities may exempt all business inventories from taxation. Paragraph (6) of this bill would allow municipalities to classify and exempt certain inventories from taxation, specifically, those inventories made in Alaska from Alaska resources.

Paragraph (7) of the bill would allow municipalities to exempt real and personal property used in the processing of marine resources. This is similar to existing language which currently allows municipalities to exempt up to 75% of timber processing property [AS 29.45.050 (j)].

Comments

The Department supports passage of this bill with two amendments. We recommend that the percentage of exemption currently allowed under AS 19.45.050(j) (see attached) be changed from 75% to 100% to be consistent with paragraph (7) of this bill. In addition, we suggest the bill be amended to provide for an exemption which would not exceed five years in duration. That amendment would be compatible with the exemption allowance under AS 29.45.050 (j).



David G. Hoffman, Commissioner

ATTACHMENT

Section 1.(7) amend by adding:

An ordinance adpoted under this subsection may not provide for an exemption that exceeds five years in duration.

Section 2. AS 29.45.050(j) is amended to read:

A municipality may by ordinance approved by the voters exempt real or personal property in a taxing unit used in processing timber after it has been delivered to the processing site from up to 100 [75] percent of the rate of taxes levied on other property in that taxing unit. An ordinance adopted under this subsection may not provide for an exemption that exceeds five years in duration.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act relating to optional exemptions from municipal taxes."
Sponsor: Duncan
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Local Government Assistance
Components: State Assessor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance
Approved by Commissioner: [Signature]
Agency: Community & Regional Affairs

Phone: 465-4750
Date: 1-27-88
Date: 1-27-88

Distribution (by preparer):


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

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: The Honorable Jim Duncan, Senator

FROM: Scott A. Burgess, Executive Director 

DATE: February 2, 1988

SUBJECT: SB 367 - Optional exemptions from municipal taxes

On behalf of its 135 municipal members, the Alaska Municipal League supports SB 367, allowing municipalities to exempt inventory and property taxes on certain natural resources industries. In addition, I would like to offer the following comments.

The AML's support is based on the 1988 AML Policy Statement language below:

PART X - ECONOMIC DEVELOPMENT, B. INCENTIVES:

1. Local Incentives: The League urges the Legislature to adopt legislation which would allow local municipalities greater flexibility through the use of local options in offering property tax incentives to new and expanding industry and business.

The bill would accomplish this in the area of optional exemptions on "inventories produced from the processing or manufacturing in the state of a natural resource originating in the state" and optional exemptions on "real and personal property used in the processing or manufacturing of fisheries resources". A similar provision is provided in AS 29.45.050(j), allowing a more limited exemption for timber processing.

The AML would request that you or the Senate Community and Regional Affairs Committee broaden the language to allow municipalities the option of exempting taxes on any business or industry. Many municipalities do not enjoy the wealth of natural resources available to Juneau and, therefore, cannot attract resource-related industries or businesses. However, once a municipality identifies the type of industry or business it wishes to attract or support, it should have similar "tools" available such as offering tax incentives.

Again, the AML supports SB 367 but asks that it be broadened to allow all municipalities to benefit from flexibility in the statutes dealing with local taxing powers. Allowing optional tax exemptions for all businesses and industries will provide municipalities another option in developing community development strategies to fit their unique circumstances.

cc: Senator Sturgulewski, Chair, Senate Community and Regional Affairs Committee

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

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

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

Senate C+R.A 2-9-88 3:35p.m.

FORMULA FUNDING DEMONSTRATION

	SMART BOROUGH	NOTSO BOROUGH	LOCAL REVENUE LOSS
locally assessed			
REAL PROPERTY	\$2,365,476,800	\$2,539,851,700	
PERSONAL PROP.	\$169,156,760	\$358,626,570	
OIL & GAS	\$4,119,140	\$4,199,140	
	2,538,752,700	2,902,677,410	
MILLRATE SET	5.30	5.30	
DC&RA full value	2,902,677,410	2,902,677,410	
LESS optional exempt			
WHATEVER	0	60,000,000	
INCENTIVES	0	10,000,000	
TOTAL EXEMPT AS 29 45 050		70,000,000	\$371,000 TAX EXEMPT (2.4%)
full value determina	2,902,677,410	2,972,677,410	
TAX REVENUE B9XB11	13,455,389	13,084,389	
MILLAGE RATE EQUIVAL	4.64	4.40	
POPULATION	44,200	44,200	
REVENUE SHARING			
POPULATION	44,200	44,200	
MILLRATE EQUIV	0.00464	0.00440	
ENTITLEMENT	205	195	
APPLIED TO POPULATIO	9,056,117	8,599,045	\$457,072 REVENUE SHARING \$1.23 PER \$ EXEMPT
SCHOOL FOUNDATION FUNDING			
INSTRUCT UNITS	539	539	
VALUE PER UNIT	60,000	60,000	
BASIC NEED	32,340,000	32,340,000	
LOCAL CONTRIBUTION			
max 6 mills CURREN	17,416,064	17,836,064	
ENTITLEMENT	\$14,923,936	\$14,503,936	\$420,000 FNDATION FUNDING \$1.13 PER \$ EXEMPT
TOTAL FISCAL LOSS		\$1,248,072	
LOCAL COST PER TAX DOLLAR EXEMPTED		\$3.36	

THIS IS A DEMONSTRATION OF THE RELATIONSHIP BETWEEN OPTIONAL PROPERTY TAX EXEMPTION (AS29.45.050) AND AFFECT ON TOTAL REVENUES OF A MUNICIPALITY. IT SHOWS THAT THE INCREASED REVENUE BURDEN ON OTHER TAXPAYERS IS FAR GREATER THAN JUST THE AMOUNT OF TAX DOLLARS EXEMPTED. THE RESULTS OF EXERCISE WILL VARY IN DIFFERENT MUNICIPALITIES AND DIFFERENT LEVELS OF LOCAL CONTRIBUTION TO EDUCATION HOWEVER IN ALL CASES THERE ARE HIDDEN COSTS TO BE CONSIDERED IN DECISION TO OPTIONALLY EXEMPT PROPERTY FROM LOCAL LEVY.



Matanuska-Susitna Borough

BOX B. PALMER, ALASKA 99645 • PHONE 745-9642
DEPARTMENT OF ASSESSMENT

February 26, 1988

McKie
Mr. McKie Campbell
Aide to Senate Committee
on Community & Regional Affairs
Capitol, Room 427
Juneau, AK. 99811

Dear Mr. Campbell:

I have read with interest Mr. Worley's rebuttal to testimony given regarding a demonstration of relationship of optional property exemptions and Municipal Revenue Sharing and School Foundation Funding.

The statements I made were intended to emphasize the fact that optional exemptions have effect on state funding received and little more. Inaccuracies exist but, in theory and fact, the concept of local effort and mill rate equivalent are affected by Full Value Determination and hence affect revenues of the respective programs.

I will not belabor the fact of whether 70 million is a possible and realistic "could be" estimate. It certainly is reasonable in view of AS29.45.050(a) based on about 14000 residences, to say nothing of other optional exemptions a municipality may adopt.

It is surprising "the number" issue is presented in that motor vehicle value optionally exemption, under AS29.45.050, for which a tax is specifically levied in AS10.431 is added to the Full Value Determination of even those municipalities which have not exempted other personal property. This addition to Full Value Determination for the MSB in 1987 was over 180 million of assessed value.

The second page, paragraph two, contains statement "the granting of optional exemptions does not influence the Full Value Determination". I trust this is offered in the heat of debate as you will note that the report attached to Mr. Worley's memo even indicates, in handwritten notation, that the value of optional exemptions be added to Full Value Determination. Also, it is common knowledge that vehicle value, AS29.45.050(b)(2)(C)(5) was appealed by 10 municipalities this past year.

All of this aside, my purpose in discussing the cost of optional exemptions from property taxation is to call attention to results, not specifics.

1. It results in lost tax revenue
2. It affects Revenue Sharing receipts
3. It affects School Foundation Funding

It is the subsidiary financial aspects of additions to AS29.45.050 which need to be carefully considered in regard to proposals such as SB367 and HB429.

Granted, adoption of such exemptions would rest in local municipalities and I heartily agree that legislative and local governing bodies fully understand the impact of such options.

Sincerely,



Gary A. Lewis
Borough Assessor

ys

cc: Scott Burgess, AML
Wayne Haerer, President AAAO
Mike Worley, State Assessor

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

MUNICIPAL & REGIONAL ASSISTANCE DIVISION

- | | | | |
|---|---|---|---|
| <input type="checkbox"/> 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 561-8586 | <input type="checkbox"/> P.O. BOX 348
BETHEL, ALASKA 99559-0348
PHONE: (907) 543-3475 | <input type="checkbox"/> P.O. BOX 10041
DILLINGHAM, ALASKA 99576-1041
PHONE: (907) 842-5135 | <input type="checkbox"/> 1514 CUSHMAN STREET, ROOM 210
FAIRBANKS, ALASKA 99701-6286
PHONE: (907) 452-7126 |
| <input checked="" type="checkbox"/> P.O. BOX BH
JUNEAU, ALASKA 99811-2110
PHONE: (907) 465-4750 | <input type="checkbox"/> 710 MILL BAY RD.
KODIAK, ALASKA 99615-6340
PHONE: (907) 486-5736 | <input type="checkbox"/> P.O. BOX 350
KOTZEBUE, ALASKA 99752-0350
PHONE: (907) 442-3696 | <input type="checkbox"/> P.O. BOX 41
NOME, ALASKA 99762-0041
PHONE: (907) 443-5457 |

February 18, 1988

Mr. McKie Campbell
Aide to Senate Committee
on Community and Regional Affairs
Capitol, Room 427
Juneau, AK, 99811

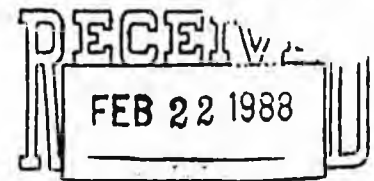
Dear Mr. *McKie* Campbell:

The "Formula Funding Demonstration" (copy enclosed) presented to the Senate Community and Regional Affairs Committee on February 9, 1988 during testimony by the Alaska Municipal League (AML) pointed to several examples which supposedly showed the relationship between optional property tax exemptions and their effect on total revenues of a municipality. We believe each of these examples was presented incorrectly. Following are the same examples as we believe they would actually occur.

The "demonstration" assumes \$70,000,000 to be optionally exempted for purposes of illustration. The municipality used as the model for this exercise was Matanuska-Susitna Borough. Mat-Su presently exempts \$4,708,8000 of assessed value under AS 29.45.050 as certified to our office in last year's Annual Report from the Borough (see copy attached). At a millage rate of 5.30, the revenues "lost" from those exemptions amount to \$24,957, or about \$.56 per capita annually. That loss of revenues is about 15 times lower than the \$371,000 used in the example.

It is important to remember that passing legislation to allow municipalities the option of exempting property does not create a loss in revenues. Municipal assemblies and councils bear the responsibility of deciding whether or not optional exemptions will be adopted into law. We do not believe it is realistic to think the assembly of a borough such as Mat-Su would exempt \$70,000,000 in assessed values to benefit commerce or industry, considering the current amount of assessed value actually exempted there. The \$70,000,000 used in the example appears to us to have been arbitrarily and inappropriately selected.

ASSESSMENT DEPT.



Mr. McKie Campbell
February 18, 1988
Page Two

In order for revenue sharing entitlements to be affected by property tax exemptions, one must assume the loss in revenues created by the exemptions would not be offset by shifting the tax burden to other taxable properties. In fact, municipal budgets usually stay the same or increase each year, which necessarily causes such a shift in the tax burden to occur.

For that reason, we believe the granting of an optional exemption would have no impact on the level of revenue sharing funds received by municipalities. The amount of local effort required by municipalities is based on the Full Value Determination which is developed by our office. The granting of optional exemptions does not influence the Full Value Determination. Therefore, it is not possible for the level of local education funding to change due to the granting of such an exemption.

Summary:

We believe the \$70,000,000 hypothetical level of exemption in the "demonstration" is unrealistic. We further believe the shift of the tax burden to other taxable property would cause no negative impact to the municipality in the state revenue sharing program. In any event, granting exemptions would have no impact on local effort for education funding. Instead of the \$1,248,072 of fiscal loss alleged by the "ML" document, the total fiscal impact which actually exists in the borough due to the granting of local option exemptions is \$24,957.

Our Position on SB 367:

Proposals to exempt property from taxation are usually met with little resistance from the general taxpaying public. We believe one reason for this is that many people do not fully understand the concept of shifting the tax burden. But even if there were a widespread understanding of that concept, the impact to individual taxpayers resulting from such a shift is normally so minimal as to go almost unnoticed. That argument is often used by those who speak against bills which provide for optional exemptions. We do not believe, however, that argument is a valid one when dealing with a bill which intends to provide long term economic benefits for the good of the community by granting a short term exemption.

We believe the answer to this issue is not to deny municipalities choices by defeating proposals such as those contained in SB 367. The proper way to address the problem is for municipal assessing offices and offices like ours to be

Mr. McKie Campbell
February 18, 1988
Page Three

certain municipal governing bodies understand all the ramifications of granting optional property tax exemptions to certain sectors of the taxpaying public. If the benefits accruing to a community as a result of granting an exemption are greater than the cost to the taxpaying public of shifting the tax burden, we believe the exemption should be granted.

Sincerely



Michael W. Worley
State Assessor

Enclosures

cc: Scott Burgess, AML
Gary Lewis ✓

FORMULA FUNDING DEMONSTRATION

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ANNUAL REPORT
OF
ASSESSMENT AND TAXATION

The information published in Alaska Taxable, and in other documents, is based upon the annual reporting of full and true assessment and taxation from each municipality. Your cooperation in completing this report is essential to the accuracy of the publications and information distributed by the Department of Community and Regional Affairs. This report is also a requirement under AS 29.20.640(a)(3) as a prerequisite for receipt of state shared revenue under AS 29.60, and will be used to develop the Full Value Determination for that and other state programs, including education funding under AS 14.17.140.

It is required that the report be certified -- both by the Assessor, who has chief responsibility for values, and the Chief Administrator, who has a large degree of responsibility for rates and overall administration.

CERTIFICATION

I, Gary A. Lewis, Assessor for the
(type or print name)

Matanuska-Susitna Borough, hereby certify
(municipality)

the information contained in the attached forms is complete and correct according to the best of my knowledge.

Signed

Gary A. Lewis

Dated

7-23-87

I, John Hale, Chief Administrator
(type or print name)

for the Matanuska-Susitna Borough, hereby certify
(municipality)

the information contained in the attached forms is complete and correct according to the best of my knowledge.

Signed

[Signature]

Dated

7/23/87

AS 29.45.050
OPTIONAL EXEMPTIONS AND EXCLUSIONS

(do not include property required to be exempt under state statutes.)

Please break down your optional exemptions and exclusions into three categories as follows:

- 1) a \$10,000 residential exemption;
- 2) an exemption for Seniors/Disabled Veterans, adopted by ordinance, for assessed value that exceeds \$150,000; and
- 3) any other optional exemptions adopted by the municipality.

AS 29.45.050(a) Residential Property Exemption

This exemption is up to the first \$10,000 of residential property.

Has your municipality adopted this exemption? _____ yes X no

° Total Amount Exempted: \$ _____

AS 29.45.050(i) states:

(i) A municipality may by ordinance approved by the voters exempt from taxation the assessed value that exceeds \$150,000 of real property owned and occupied as a permanent place of abode by a resident who is

(1) 65 years of age or older;

(2) a disabled veteran; or

(3) at least 60 years old and a widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection.

Has your municipality passed such an ordinance? _____ yes X no

° Total Estimated Value
Exempt Beyond \$150,000: \$ _____

AS 29.45.050 Remainder of Optional Exemptions

Real Property Exempt

° No. of Properties Tax Exempt: 43

° Estimated Value of Properties: \$ 4,708,800

Citation of Statute(s) Authorizing Exemption(s):

AS 29. 45.050(b)(2)(A)

AS 29. _____

AS 29. _____