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SENATE FINANCE COMMITTEE REPORT

DATE: 4/17/90

FURTHER:

DATE TURNED INTO OFFICE: 4/20/90

The Finance Committee considered

SB 308

"An Act relating to taxation of certain state property by municipalities; and providing for an effective date."

and recommended:

replace with _____ CS SB 308 (Finance)
 or adopt _____ CS _____
 attached amendment(s)
 _____ letter of intent adopted

same title
 new title
 technical title change
 (HB only)

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

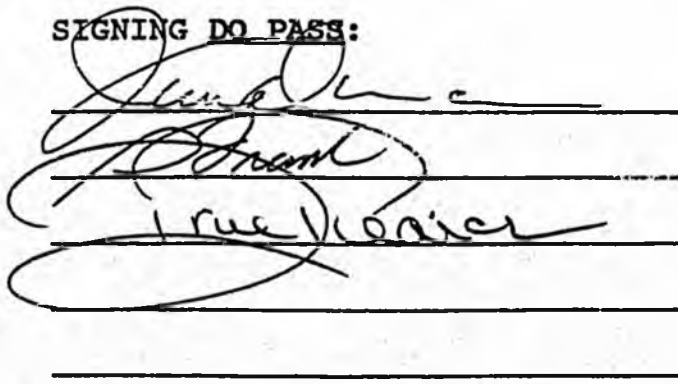
ATTACHES NEW FISCAL NOTE(S):

fiscal note(s) DC&ED 4/18/90
426.2

zero fiscal note(s) _____

appropriation-no fiscal note

SIGNING DO PASS:

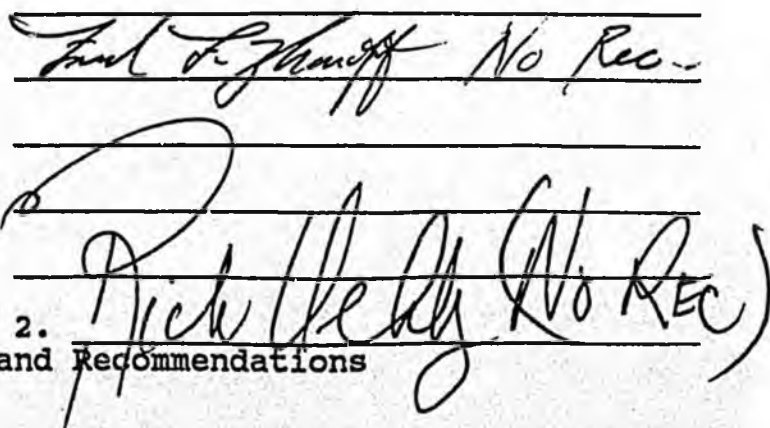


APPROVES PREVIOUS:

fiscal note(s) _____ Dept/Date: _____

zero fiscal note(s) _____

OTHER RECOMMENDATIONS:



1. _____

2. _____

Co-Chairs: Signatures and Recommendations

FISCAL NOTE

REQUEST:

Revision Date: 4/17/90
Title: An Act relating to taxation of certain state property by municipalities
Sponsor: Pearce
Requestor: Senate Finance

Agency Affected: Commerce & Economic Dev.
BRU: Alaska Industrial Development & Export Authority: Division of Investments
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	426.2	426.2	426.2	426.2	426.2	426.2
TOTAL OPERATING	426.2	426.2	426.2	426.2	426.2	426.2

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (See	426.2	426.2	426.2	426.2	426.2	426.2
TOTAL Analysis	426.2	426.2	426.2	426.2	426.2	426.2

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) No fiscal impact for FY 90.

SEE ATTACHED

Prepared by: Guy Bell, Director
Division: Administrative Services

Phone: 465-2505
Date: 4/17/90

Approved by Commissioner: Larry Merculieff
Agency: Department of Commerce & Economic Development

Date: 4/18/90

Distribution (by preparer):

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

Changes in CSSB 308 (Fin) have no fiscal impact. This fiscal note is appropriate. see 4/20/90

**ANALYSIS
CSSB 308 (C&RA)**

Alaska Industrial Development and Export Authority:

The tax on \$27 million of defaulted loans at an average of 15 mills would equate to approximately \$400,000. Over the years, property acquired through foreclosures should decrease while the value of property will increase. No property owned by the authority under its development program is included (DeLong Mountain) as CSSB 308 (C&RA) would not put them on the tax rolls.

<u>LOCAL GOVERNMENT</u>	<u>NUMBER OF PROPERTIES</u>	<u>ASSESSED VALUE</u>	<u>AIDEA PAYMENT (Excluding Bank Owned Portion)</u>
Municipality of Anchorage	39	\$17,434,400	\$292,001
Fairbanks North Star Borough	6	2,088,620	32,392
Kenai Peninsula Borough	5	2,602,900	27,418
Matanuska-Susitna Borough	7	2,148,800	26,592
City & Borough of Juneau	2	565,000	6,905
City & Borough of Sitka	1	825,730	3,606
City of Valdez	1	817,400	12,220
North Slope Borough	<u>1</u>	<u>482,900</u>	<u>8,871</u>
Total	<u>62</u>	<u>\$26,965,750</u>	<u>\$410,005</u>

The funding source for the AIDEA appropriation is corporation receipts.

Division of Investments:

The Division of Investments has reviewed the fund-owned repossessed property and estimated the property tax that would have been paid to municipalities in 1989 if the state were not exempt from property taxes.

Boroughs do require the state to pay taxes the year that the property is repossessed. After notifying the boroughs that the property is owned by the state, future years' taxes are exempt.

The following breakdown by taxing jurisdiction has been adjusted for these amounts:

<u>BOROUGH</u>	<u>ESTIMATED 1990 R.E. TAXES</u>	<u>TAXES DUE UNDER CURRENT PROCEDURES</u>	<u>PROPOSED INCREASE</u>
Mat-Su	\$ 818.40		\$ 818.40
Anchorage	12,876.57	\$2,908.72	9,967.85
Juneau	4,744.96		4,744.96
Fairbanks	2,003.63	1,619.56	384.07
Ketchikan	<u>238.25</u>	<u> </u>	<u>238.25</u>
	<u>\$20,681.81</u>	<u>\$4,528.28</u>	<u>\$16,153.53</u>

It is anticipated that the 1991 tax amounts would not be materially different from the 1990 taxes.

The funding source for the Division of Investments' appropriation is loan funds, including Veterans, Small Business, Child Care and Residential Energy.

TOTAL:

AIDEA	\$410.0
Division of Investments	<u>16.2</u>
	<u>\$426.2</u>

(Pearce)

COOK
6-1332J
Adopted
by SFC
4/20/90

Original sponsor(s): SEN. PEARCE

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 308 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to taxation by municipalities of
7 certain property of governmental entities; and
8 providing for an effective date."

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

10 * Section 1. AS 29.45.030(a) is amended to read:

11 (a) The following property is exempt from general taxation:

12 (1) municipal or [,] state [, OR FEDERALLY OWNED] property,
13 except that

14 (A) a private leasehold, contract, or other interest
15 in the property is taxable to the extent of the interest;

16 (B) notwithstanding any other provision of law, prop-
17 erty acquired by an agency, corporation, or other entity of the
18 state through foreclosure or deed in lieu of foreclosure and
19 retained as an investment of a state entity is taxable; this
20 subparagraph does not apply to property exempt from municipal
21 taxation under AS 14.25.200(a) or AS 39.35.500;

22 (2) household furniture and personal effects of members of
23 a household;

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

26 (4) property of a nonbusiness organization composed entire-
27 ly of persons with 90 days or more of active service in the armed
28 forces of the United States whose conditions of service and separation
29 were other than dishonorable, or the property of an auxiliary of that

1 organization;

2 (5) money on deposit;

3 (6) the real property of certain residents of the state to
4 the extent and subject to the conditions provided in (e) of this
5 section;

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

8 (8) property of a political subdivision, agency, corpo-
9 ration, or other entity of the United States to the extent required by
10 federal law.

11 * Sec. 2. AS 29.45 is amended by adding a new section to read:

12 Sec. 29.45.295. COLLECTION OF DELINQUENT TAXES ON CERTAIN STATE
13 OR FEDERAL PROPERTY. AS 29.45.300 - 29.45.490 do not apply to state
14 property taxable under AS 29.45.030(a)(1) or to federal property not
15 exempted under AS 29.45.030(a)(8). A municipality may bring an action
16 in the superior court to compel payment of property taxes due from the
17 state or federal entity if the entity does not pay the amount due
18 within six months after the date that the taxes are due.

19 * Sec. 3. AS 44.88.140(a) is amended to read:

20 (a) Except as provided in AS 29.45.030(a)(1), the [THE] real and
21 personal property of the authority and its assets, income, and re-
22 ceipts are declared to be the property of a political subdivision of
23 the state and, together with any project or development project fi-
24 nanced under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, and a
25 leasehold interest created in a project or development project fi-
26 nanced under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, de-
27 voted to an essential public and governmental function and purpose,
28 and the property, assets, income, receipts, project, development
29 project, and leasehold interests shall be exempt from all taxes and

1 special assessments of the state or a political subdivision of the
2 state, including, without limitation, all boroughs, cities, municipal-
3 ities, school districts, public utility districts and other taxing
4 units. All bonds of the authority are declared to be issued by a
5 political subdivision of the state and for an essential public and
6 governmental purpose and to be a public instrumentality, and the
7 bonds, and the interest on them, the income from them and the transfer
8 of the bonds, and all assets, income and receipts pledged to pay or
9 secure the payments of the bonds, or interest on them, shall at all
10 times be exempt from taxation by or under the authority of the state,
11 except for inheritance and estate taxes and taxes on transfers by or
12 in contemplation of death. Nothing in this section affects or limits
13 an exemption from license fees, property taxes, or excise, income or
14 any other taxes, provided under any other law, nor does it create a
15 tax exemption with respect to the interest of any business enterprise
16 or other person, other than the authority, in any property, assets,
17 income, receipts, project, development project, or lease whether or
18 not financed under this chapter. By January 10 of each year, the
19 authority shall submit to the governor and the legislature a report
20 describing the nature and extent of the tax exemption of the property,
21 assets, income, receipts, project, development project and leasehold
22 interests of the authority under this section.

23 * Sec. 4. This Act takes effect January 1, 1991.
24
25
26
27
28
29

Alaska State Legislature

3111 C Street, Suite 150
Anchorage, Alaska 99503
(907) 561-2038



During Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-4993

Senator Drue Pearce
District G

MEMORANDUM

TO: Rick Uehling, Co-Chair
Senate Finance Committee

FROM: Drue Pearce *Drue Pearce*

RE: SB 308

DATE: April 11, 1990

SB 308 relating to the taxation of state and federal properties by municipalities passed out the Senate Labor and Commerce Committee this afternoon. This Bill makes taxable real property acquired by state or federal government agencies through foreclosure or deed in lieu of foreclosure and retained for investment purposes.

The legislation was requested by the Alaska Municipal League because millions of dollars of assessed values are being removed from assessment rolls across the state by certain governmental agencies which have foreclosed on property in which they have a security interest. Some state agencies have been exempted from taxation while others have been required to pay them. Inequities are also created because exempt properties bear no tax burden but receive the same services they did while in private ownership.

The Bill corrects this situation and extends to federal properties similarly held and not otherwise exempt from taxation by federal law.

This legislation is obviously important to the municipalities and for this reason I am requesting that you expedite its scheduling and calendar it, if at all possible, for the week of April 15, 1990.

DP:pc

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION
February 22, 1990

STEVE COWPER, GOVERNOR

ELEVENTH FLOOR
STATE OFFICE BUILDING
P.O. BOX SB
JUNEAU, ALASKA 99811-0400

The Honorable Mike Szymanski
Chairman
Senate Community & Regional Affairs Committee
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Dear Senator Szymanski:

At the request of your committee, I compare below the estimated increases in Public Employees' and Teachers' Retirement Systems ("PERS" and "TRS") contributions for certain municipalities and their expected increased revenue from taxes on PERS and TRS property as a result of SB 308:

	<u>Increased Contributions</u>	<u>Increased Taxes</u>
Anchorage	\$ 80,376	\$176,374
Fairbanks	21,276	21,555
Juneau	10,638	15,766
Other Municipalities	<u>92,196</u>	<u>180,305</u>
Total Municipalities	\$204,486	\$394,000

No municipality above stands to lose although Fairbanks appears to be a wash. Although other municipalities as a whole benefit, it is obvious that any municipality which does not have PERS or TRS property on its tax rolls would lose, though the amounts are undoubtedly rather minor. PERS and TRS foreclosed properties exist in -- besides the above three municipalities -- only the following:

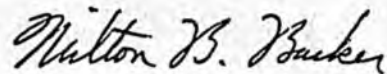
Bethel
Big Lake
Delta Junction
Dillingham
Eagle River
Glennallen
Homer
Kenai
Ketchikan
Kodiak
Palmer
Sand Point
Seward
Sitka
Soldotna
Valdez
Wasilla
Whittier

The Honorable Mike Szymanski
February 22, 1990
Page 2

Several of these municipalities have only one PERS or TRS parcel and might not gain from SB 308.

Also enclosed is the requested estimation of foreclosed property disposals in the coming years.

Yours truly,



Milton B. Barker
Deputy Commissioner

MBB/ph

encls.

cc: The Honorable Drue Pearce

90-38

OTHER REAL ESTATE OWNED SOLD (OREOS)
COMBINED PERS & TRS TRUSTS

	<u>ANNUAL TOTAL OREOS</u>		<u>OREOS SOLD</u>	
FY 87	88	\$11,358,655	22	\$ 3,155,576
FY 88	144	\$18,338,681	22	\$ 2,766,937
FY 89	205	\$23,787,548	31	\$ 3,050,978
FY 90 (ESTIMATED)	205	\$23,787,548	40	\$ 4,641,440
FY 91 (ESTIMATED)	185	\$21,466,669	50	\$ 5,801,800
FY 92 (ESTIMATED)	145	\$16,825,220	60	\$ 6,962,160

Projected OREO sales will increase due to economic stability!

Annual Total OREO increase will reverse and continue with steady decline due to economic stability!

(Estimates for FY's 90, 91 and 92 are based on FY 89 average figures;
\$116,036 per loan)

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to taxation of certain state property by municipalities
Sponsor: Pearce
Requestor: Senate C&RA

Agency Affected: Commerce & Economic Dev.
BRU: Alaska Industrial Development & Export Authority
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	400.0	400.0	400.0	400.0	400.0	400.0
TOTAL OPERATING	400.0	400.0	400.0	400.0	400.0	400.0

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	400.0	400.0	400.0	400.0	400.0	400.0
TOTAL	400.0	400.0	400.0	400.0	400.0	400.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) No fiscal impact for FY 90.

SEE ATTACHED

Prepared by: Bertram L. Wagon, Executive Director Phone: (907) 561-8050
Division: Alaska Industrial Development & Export Authority Date: 4/6/90

Approved by Commissioner: Larry Mercutt Date: 4/6/90
Agency: Department of Commerce & Economic Development

Distribution (by preparer):

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

**ANALYSIS
CSSB 308 (C&RA)**

The tax on \$27 million of defaulted loans at an average of 15 mills would equate to approximately \$400,000. Over the years, property acquired through foreclosures should decrease while the value of property will increase. No property owned by the authority under its development program is included (DeLong Mountain) as CSSB 308 (C&RA) would not put them on the tax rolls.

<u>LOCAL GOVERNMENT</u>	<u>NUMBER OF PROPERTIES</u>	<u>ASSESSED VALUE</u>	<u>AIDEA PAYMENT (Excluding Bank Owned Portion)</u>
Municipality of Anchorage	39	\$17,434,400	\$292,001
Fairbanks North Star Borough	6	2,088,620	32,392
Kenai Peninsula Borough	5	2,602,900	27,418
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City of Valdez	1	817,400	12,220
North Slope Borough	<u>1</u>	<u>482,900</u>	<u>8,871</u>
Total	<u>62</u>	<u>\$26,965,750</u>	<u>\$410,005</u>

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An Act relating to taxation of certain state property by municipalities
 Sponsor: Pearce
 Requestor: Senate C & RA

Dept. of Commerce
 Agency Affected: & Economic Development
 BRU: AK Industrial Development and Export Authority
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	1,000.0	1,000.0	1,100.0	1,200.0	1,200.0	1,200.0
TOTAL OPERATING	1,000.0	1,000.0	1,100.0	1,200.0	1,200.0	1,200.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	1,000.0	1,000.0	1,100.0	1,200.0	1,200.0	1,200.0
TOTAL	1,000.0	1,000.0	1,100.0	1,200.0	1,200.0	1,200.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) No fiscal impact for FY 90.
 The tax on \$27 million of defaulted loans at an average of 15 mills would equate to approximately \$400,000. The DeLong Mtns. Transportation Project at \$150 million at 4 mills would equate to approximately \$600,000. Over the years, property acquired thru foreclosure should decrease while development projects (Red Dog, Dutch Harbor, et.al.) should increase.

Prepared by: Bertram L. Wagon, AIDEA Phone: (907) 561-8050
 Division: A I D E A Date: _____

Approved by Commissioner: [Signature] Date: 25/1/90
 Agency: Commerce and Economic Development

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

2-6-90
 (S) CRA
 LFC
 FIN

STATE OF ALASKA
 1990 LEGISLATIVE SESSION

Bill Version: SB 308
 Publish Date: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: An Act relating to taxation of certain state property by municipalities
 Sponsor: Pearce
 Requestor: Senate C & RA

Agency Affected: Department of Revenue
 BRU: PERS & TRS
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	394.0	350.0	325.0	300.0	275.0	250.0
TOTAL OPERATING	394.0	350.0	325.0	300.0	275.0	250.0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	394.0	350.0	325.0	300.0	275.0	250.0
TOTAL	394.0	350.0	325.0	300.0	275.0	250.0

POSITIONS:

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

ANALYSIS: attach a separate page for analysis. No fiscal impact for FY 90.
 The tax on \$23.5 million of defaulted loans at an average of 17 mills would equate to approximately \$394,000. Over the years, property acquired thru foreclosure should decrease.

Prepared By: Milton B. Barker MB
 Division: Treasury

Phone: 465-2350

Date: 1-31-90

Approved by Commissioner: _____
 Agency: Department of Revenue

Date: 2/1/90

Distribution (by preparer):

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

2/16/90
(S) CRA
L & C
FIN

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act relating to taxation of certain state property by municipalities."
 Sponsor: Senator Pearce
 Requestor: Senate C&RA

Agency Affected: Department of Education
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	*See Below					

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

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

FUNDING: (Thousands of Dollars)

GENERAL FUND	*See Below					
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) There is no fiscal effect for FY 90.

*In its present form, SB 308 would increase the local obligation for education funding in certain municipalities, thereby proportionately reducing the state funding obligation. At this time, it is not clear in which municipalities or to what extent the education funding level would be impacted.

Prepared by: Jim Plasman, Deputy Director

Phone: 465-4750

Division: Municipal & Regional Assistance

Date: 2-9-90

Approved by Commissioner: David G. Hoffm
 Agency: Community & Regional Affairs

Date: 2-9-90

Distribution (by preparer):

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

This fiscal note did not accompany the bill.

SB 308