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SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 2/13/91

FURTHER: Finance

Date of 5-Day Notice: 2/27/92
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3/6/92

C&RA Committee considered SB 119

Exemption from taxes and assessments of regional electrical authorities.

and recommended:

- replace with _____ CS SB 119 (CRA) same title
- attached amendment(s) new title
- _____ letter of intent adopted

- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

fiscal note(s) CRA

zero fiscal note(s)

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

Do Pass
Chair: Signature and Recommendation

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

150 THIRD STREET
JUNEAU, ALASKA 99801-1291
PHONE: (907) 465-4700

949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

February 27, 1992

POSITION PAPER

RE: SB 119

SPONSOR: Senator Duncan

Program Effects of Bill:

SB 119 proposes to make permanent a 20 year property tax exemption adopted in 1975. This exemption applies to the property of regional electrical authorities located within property taxing jurisdictions across the state. As nearly as we can determine, there is only one regional electrical authority in the state whose property is located within a property taxing jurisdiction. For this reason, this proposal would have a very minimal effect on municipal governments.

Comments:

The Department of Community and Regional Affairs takes no position on the proposed bill.

Ed. Blatchford

Edgar Blatchford, Commissioner



Alaska State Legislature

SENATOR JIM DUNCAN

P. O. Box V JUNEAU, ALASKA 99811-3100
(907) 465-4766

COMMITTEES:
VICE CHAIR –
FINANCE
VICE CHAIR –
STATE AFFAIRS
RULES
BUDGET & AUDIT
ETHICS REFORM

MEMORANDUM

TO: Senator Steve Frank, Chairman
Senate Community and Regional Affairs Committee

FROM: Senator Jim Duncan

DATE: February 7, 1992

SUBJECT: Hearing for Senate Bill 119.

I request that you schedule Senate Bill 119, "relating to the exemption from taxes and assessments of regional electrical authorities," for a hearing before the Senate Community and Regional Affairs Committee at your earliest convenience.

SB 119 will allow for the continuation of the tax exemptions available to regional electrical authorities under AS 18.57.030. These electrical authorities, the Alaska Village Electrical Cooperative and Tlingit-Haida Regional Electrical Authority were created as political subdivisions and as such are tax exempt entities. This change in the statute is necessary to clean up the enabling statute which was enacted in 1975. The effects of regionalization for such activities was unknown at the time, as a result the exemption is to expire in 1995. The successes of the existing authorities indicates that this limitation should be eliminated.

I thank you in advance for your favorable consideration of this request.

Tax Exemption For Regional Electrical Authorities

The regional electrical authority structure was authorized by the Legislature in 1975 as a potential solution for rural electrical energy problems. The structure was designed to allow rural communities to jointly address the complex task of financing, constructing, operating and maintaining electrical systems in rural Alaska. Entities formed under the legislation would enjoy improved economies of scale, reduced duplication of effort, lower fixed costs and the ability to hire and retain professional expertise. A variety of financing vehicles were enabled, including bonding, state and federal loans, and grants.

Electrical authorities were meant to be specialized organizations whose sole purpose was to provide adequate, safe and reliable electrical service in the rural areas. An important distinction was status as a political subdivision of the state, because that provided the opportunity to use tax-exempt bonding as a financing vehicle and because it meant freedom from taxation by other political subdivisions. A 20-year sunset provision on tax exemption was included in the 1975 legislation as a check on any problems that might arise as experience was gained with the electrical authority structure.

In 1977 Tlingit Haida Regional Electrical Authority (THREA) was formed as the first, and thus far only, active regional electrical authority in Alaska. Over the past 15 years, THREA has proven to be a success. Rates have steadily declined and Power Cost Equalization (PCE) assistance has been reduced by a combination of increased efficiency and decreased fixed costs. THREA serves as a model for joint action by rural communities in providing their residents with essential electric service.

There are three other types of electric utilities in Alaska: Private for-profit, electric cooperatives and municipal. The private systems pay the same taxes as any private business. Cooperatives are exempt from taxes except for a gross-receipts tax of \$0.0005/kwh which is paid to the state. Municipal systems pay no taxes unless they are assessed by the individual municipalities. Anchorage, for instance, has a "municipal utility service assessment" based on net book value of the utility systems there. Most municipal systems pay no taxes except for collection of sales taxes. THREA collects and pays sales taxes to the individual communities it serves.

The success of THREA, a not-for-profit entity, is due in part to the tax exemption which is due to expire in 1995. If THREA is to continue its success, and if new electrical authorities are to be successful, it is important to preserve the tax exemption as provided in SB 119. Moreover, a tax on electrical authorities would become part of operating costs that are now being offset by PCE.

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. SB 119

Revision Date: _____
 Title: "...Act relating to exemption from taxes and assessments...regional electrical authorities."
 Sponsor: Senator Duncan
 Requestor: (S) CRA

Department Affected: Community and Regional Affairs
 BRU: _____
 Component: _____
 COMPONENT SERIAL NO.

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0.0	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Changes in CS SB 119 (CRA)
 reflect NO FISCAL CHANGE from the original
 fiscal note. This fiscal note is appropriate.
3/5/92 [Signature]
 date Comte Aide (initial)

Prepared By: Remond Henderson
 Division: Administrative Services Division

Phone: 465-4708
 Date: 3/2/92

Approved by Commissioner: E. RUTY
 Agency: Department of Community and Regional Affairs

Date: 3-2-92/

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., & Impacted Agency(ies).



Alaska State Legislature

SENATOR JIM DUNCAN

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COMMITTEES:

VICE CHAIR –
FINANCE

VICE CHAIR –
STATE AFFAIRS

RULES

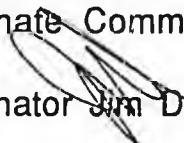
BUDGET & AUDIT

ETHICS REFORM

MEMORANDUM

1991

TO: Senator Steve Frank, Chairman
Senate Community and Regional Affairs Committee

FROM:  Senator Jim Duncan

DATE: April 22, 1991

SUBJECT: Hearing schedule for Senate Bill 119.

I would like to request that you schedule Senate Bill 119, "relating to the exemption from taxes and assessments of regional electrical authorities," for a hearing at your earliest convenience.

SB 119 allows for the continuation of the tax exemptions allowed for regional electrical authorities under AS 18.57.030. These electrical authorities, Alaska Village Electrical Cooperative and Tlingit-Haida Regional Electrical Authority were created as political subdivisions and as such are tax exempt entities. This change in the statute is necessary to clean up the enabling statute which was enacted in 1975. The effects of regionalization for such activities was unknown at that time as a result the exemption is to expire in 1995. The successes of the existing authorities indicates that this limitation should be eliminated.

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