

**SB 1119**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/6/92

FURTHER:

DATE TURNED INTO OFFICE: 3-19-92

The Finance Committee considered

SENATE BILL NO. 119

"An Act relating to the exemption from taxes and assessments of regional electrical authorities."

and recommends:

replace with \_\_\_\_\_ CS \_\_\_\_\_ (FINANCE)

or  adopt previous CS SB 119 (CRA)

attaches amendment(s)

same title  
 new title  
 technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES:** Dept/Date

zero fiscal notes \_\_\_\_\_

fiscal notes \_\_\_\_\_

appropriation--no fiscal note

**PREVIOUS FISCAL NOTES:** Dept/Date

zero fiscal notes DCRA 3-2-92

fiscal notes \_\_\_\_\_

**DO PASS:**

Jim Duncan

Al Adams

Dick Stroh

Rich King

Pat Humber

1. Pat Humber

Co-Chair: Signature/Recommendation

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. Kathleen DeRosa

Co-Chair: Signature/Recommendation

FISCAL NOTE

No. 1  
Bill Version: SB 119  
(S) Publish Date: 3-6-92

BILL N

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

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. 

0	0	0	0
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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 date [Signature] Come Aide (initial)

Prepared By: Remond Henriksen  
Division: Administrative Services Division

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

Approved by Commissioner: [Signature]  
Agency: Department of Community and Regional Affairs

Date: 3-2-92/

## CS FOR SENATE BILL NO. 119 (CRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 3/6/92  
Referred: Finance

Sponsor(s): SENATOR DUNCAN

## A BILL

## FOR AN ACT ENTITLED

1 "An Act relating to regional electrical authorities' exemption from taxes and assessments."

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

3 \* Section 1. AS 18.57.030(a) is amended to read:

4 (a) A regional electrical authority is exempt from payment of taxes or assessments, other  
5 than assessments that may be levied under AS 29.46.010, on property owned by the authority  
6 that is used for generation and transportation of electricity [FOR A PERIOD OF 20 YEARS  
7 FROM JUNE 5, 1975].

8 \* Sec. 2. AS 18.57.030(b) is amended to read:

9 (b) All obligations issued under this chapter are issued by a body corporate and public  
10 that [WHICH] is a political subdivision of the state and for an essential public and governmental  
11 purpose, and the obligations, and the interest and income on and from the obligations, and all  
12 fees, charges, funds, revenues, income, and other money pledged or available to pay or secure  
13 the payment of the obligations or interest are exempt from taxation [FOR A PERIOD OF 20  
14 YEARS FROM JUNE 5, 1975,] except for transfer, inheritance, and estate taxes.



# 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 Pat Pourchot, Co-Chairman  
Senate Finance Committee

FROM: Senator Jim Duncan

DATE: March 6, 1992

SUBJECT: Hearing for Senate Bill 119.

RECEIVED 3 1992

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 Finance Committee at your earliest convenience.

Senate Bill #119 will allow for the continuation of the tax exemptions available to regional electrical authorities under AS 18.57.030. This tax exemption is due to expire in 1995. The change is necessary to maintain the economic viability of the regional electrical authority created under this statute. This limitation should be eliminated!

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

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR

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ANCHORAGE, ALASKA 99508-4302  
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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

## SENATE BILL #119

In 1975 the legislature found that there was an acute shortage of adequate, safe, reliable electrical facilities in rural areas of the state. Inadequate revenue projections for proposed electric facilities in rural areas prohibited the private sector from offering electric service. Local governments were also considered inappropriate because the boundaries required for boroughs and boundaries necessary for cities to operate as cities would, in many cases, not be adequate to provide appropriate and reliable electrical needs.

The legislature realized that adequate housing, public facilities, economic development and the health, safety, welfare and prosperity of rural residents as well as the growth of rural communities rely heavily on adequate, safe, reliable electrical facilities.

The 1975 law provides for the creation of regional electrical authorities as public corporations that are considered political subdivisions of the state. Section 18.57.030., Tax Exemption, provides that, "A regional electrical authority is exempt from payment of taxes or assessments on property owned by the authority that is used for generation and transportation of electricity for a period of 20 years from June 5, 1975."

Senate Bill #119 will allow for the continuation of the tax exemptions available to regional electrical authorities under AS 18.57.030. This tax exemption is due to expire in 1995. The change is necessary to maintain the economic viability of the regional electrical authority created under this statute. This limitation should be eliminated!

Tlingit-Haida Regional Electrical Authority serves the following communities:

1. Hoonah
2. Angoon
3. Kake
4. Klawock
5. Kasaan

Headquarters facilities are located in Auke Bay.

Sales taxes on power sales in each community are collected and paid to each community on a quarterly basis.

## 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.