

**SB70**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/6/91

FURTHER:

DATE TURNED INTO OFFICE: 3/28/91

The Finance Committee considered SENATE BILL NO. 70

"An Act relating to taxation by municipalities of certain property of governmental entities; efd."

and recommended:

replace with \_\_\_\_\_ CS SB 70 (Fin)  same title  
 or adopt \_\_\_\_\_ CS \_\_\_\_\_  new title  
 attached amendment(s)  technical title change (HB only)  
 \_\_\_\_\_ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

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

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

fiscal note(s) DC&ED-Investments 3/22/91  fiscal note(s) \_\_\_\_\_  
DC&ED-AIDEA 3/21/91  
DOR-Treas/PERS&TRS 3/19/91

zero fiscal note(s) DOR-AHFC 3/22/91  zero fiscal note(s) DC&RA 3/13/91  
DDA-R&B 3/21/91

appropriation-no fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

John Langer - No Rec  
John Huff - Do Not Pass  
Paul Uhlig (No Rec)

1. Pat [Signature] do pass

2. [Signature] NO Rec

Co-Chairs: Signatures and Recommendations

**FISCAL NOTE**

**STATE OF ALASKA**  
**1991 LEGISLATIVE SESSION**

**BILL NO. CSSB 70 (C&RA)**

Revision Date: \_\_\_\_\_ Department Affected: Commerce & Economic Dev.  
 Title: An Act Relating to Taxation BRU: Investments  
by Municipalities Component: \_\_\_\_\_  
 Sponsor: Pearce  
 Requestor: Pearce COMPONENT SERIAL NO. 

|  |   |   |   |
|--|---|---|---|
|  | 3 | 8 | 3 |
|--|---|---|---|

**Expenditures/Revenues: (Thousands of Dollars)**

| OPERATING              | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|------------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES      |       |       |       |       |       |       |
| TRAVEL                 |       |       |       |       |       |       |
| CONTRACTUAL            |       |       |       |       |       |       |
| SUPPLIES               |       |       |       |       |       |       |
| EQUIPMENT              |       |       |       |       |       |       |
| LAND & STRUCTURES      |       |       |       |       |       |       |
| GRANTS, CLAIMS         |       |       |       |       |       |       |
| MISCELLANEOUS          | 0     | 16.0  | 16.0  | 16.0  | 16.0  | 16.0  |
| <b>TOTAL OPERATING</b> | 0     | 16.0  | 16.0  | 16.0  | 16.0  | 16.0  |

|         |   |   |   |   |   |   |
|---------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

|         |   |   |   |   |   |   |
|---------|---|---|---|---|---|---|
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

**FUNDING: (Thousands of Dollars)**

|               |   |      |      |      |      |      |
|---------------|---|------|------|------|------|------|
| GENERAL FUND  |   |      |      |      |      |      |
| FEDERAL FUNDS |   |      |      |      |      |      |
| OTHER         | 0 | 16.0 | 16.0 | 16.0 | 16.0 | 16.0 |
| <b>TOTAL</b>  | 0 | 16.0 | 16.0 | 16.0 | 16.0 | 16.0 |

**POSITIONS:**

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

Estimate of current year impact: 0

**ANALYSIS: (Attach a separate page if necessary.)**

SEE ATTACHED

Prepared By: Martin Richard, Director Phone: 465-2510  
 Division: Investments Date: March 22, 1991  
 Approved by Commissioner: Glenn A. Olds *Asst. Comm.*  
 Agency: Department of Commerce & Economic Development Date: March 22, 1991

Changes in CSSB 70 (Fin) inance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).  
 have no fiscal impact. This  
 fiscal note is appropriate.

3/28/91  
 date Wilson  
 Comte Aide (initial):

Division of Investments:

All costs associated with this legislation will be paid from Investments' foreclosure reserves and do not require legislative appropriation.

The Division of Investments has reviewed the fund-owned repossessed property and estimated the property tax that would have been paid to municipalities in 1990 if the state were not exempt from property taxes.

Boroughs currently 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<br/>1991 R.E. TAXES</u> | <u>TAXES DUE UNDER<br/>CURRENT PROCEDURES</u> | <u>PROPOSED<br/>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 1992 tax amounts would not be materially different from the 1991 taxes.

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. CS for S.B. 70 (CRA)

Revision Date: February 15, 1991 Department Affected: Commerce & Economic Development  
 Title: An Act Relating to Taxation by BRU: AK Industrial Development and Export Authority  
 Municipalities: \_\_\_\_\_ Component: \_\_\_\_\_  
 Sponsor: Pearce  
 Requestor: Senate Finance COMPONENT SERIAL NO. 

|   |   |   |   |
|---|---|---|---|
| 1 | 2 | 3 | 4 |
|---|---|---|---|

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING         | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES |       |       |       |       |       |       |
| TRAVEL            |       |       |       |       |       |       |
| CONTRACTUAL       |       |       |       |       |       |       |
| SUPPLIES          |       |       |       |       |       |       |
| EQUIPMENT         |       |       |       |       |       |       |
| LAND & STRUCTURES |       |       |       |       |       |       |
| GRANTS, CLAIMS    |       |       |       |       |       |       |
| MISCELLANEOUS     | 0     | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |
| TOTAL OPERATING   | 0     | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |

|         |  |         |  |  |  |  |
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| CAPITAL |  | N O N E |  |  |  |  |
|---------|--|---------|--|--|--|--|

|         |   |   |   |   |   |   |
|---------|---|---|---|---|---|---|
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

FUNDING: (Thousands of Dollars)

|               |   |       |       |       |       |       |
|---------------|---|-------|-------|-------|-------|-------|
| GENERAL FUND  |   |       |       |       |       |       |
| FEDERAL FUNDS |   |       |       |       |       |       |
| OTHER         | 0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |
| TOTAL         | 0 | 400.0 | 400.0 | 400.0 | 400.0 | 400.0 |

POSITIONS:

|           |  |         |  |  |  |  |
|-----------|--|---------|--|--|--|--|
| FULL-TIME |  |         |  |  |  |  |
| PART-TIME |  | N O N E |  |  |  |  |
| TEMPORARY |  |         |  |  |  |  |

Estimate of current year impact: - 0 -

ANALYSIS: (Attach a separate page if necessary.) Payment of taxes would be approximately \$420.0 in FY 93, assuming the taxable properties remain at \$29 million and mill rates remain constant. The attached illustrates the projected payments by political subdivision. Amounts payable will vary with changes in mill rate, assessed valuation and disposals of property. This analysis assumes the status quo remains through FY 97 which should be the worst case scenario.

Prepared By: Bertram J. Wagon, Executive Director Phone: (907) 561-8050 / Rev. 3/20/91  
 Division: AK Industrial Development & Export Authority Date: March 18, 1991  
 Approved by Commissioner: Glenn A. Olds / ASST. COMM  
 Agency: Department of Commerce & Economic Development Date: 3-21-91

Changes in CSSB 70 (Fin) nce, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies) have no fiscal impact. This fiscal note is appropriate.

3/28/91 Wilson  
 date Comte Aide (initial)

FISCAL NOTE  
SENATE BILL 70

All costs associated with this legislation will be paid from AIDEA and Investments foreclosure reserves and do not require legislative appropriation.

Alaska Industrial Development and Export Authority:

The tax on \$29 million of defaulted loans at an average of 15 mills would equate to approximately \$435,000. Over the years, property acquired through foreclosures should decrease while the value of property will increase. The first payment to local governments would be July 1, 1992 which would occur in FY93.

AS OF DECEMBER 31, 1990

| <u>LOCAL GOVERNMENT</u>      | <u>NUMBER OF PROPERTIES</u> | <u>ASSESSED VALUE</u> | <u>AIDEA PAYMENT (Excluding Bank Owned Portion)</u> |
|------------------------------|-----------------------------|-----------------------|---|
| Municipality of Anchorage    | 41                          | \$15,828,742          | \$257,080   |
| Fairbanks North Star Borough | 9                           | 4,375,387             | 53,695  |
| Kenai Peninsula Borough      | 13                          | 4,442,086             | 42,840  |
| Matanuska-Susitna Borough    | 10                          | 2,269,530             | 27,968  |
| City & Borough of Juneau     | 5                           | 850,185               | 10,379  |
| City & Borough of Sitka      | 1                           | 501,480               | 6,174   |
| City of Valdez               | 1                           | 858,270               | 12,810  |
| North Slope Borough          | <u>1</u>                    | <u>507,045</u>        | <u>9,314</u>  |
| Total                        | <u>81</u>                   | <u>\$29,632,725</u>   | <u>\$420,260</u>                                    |

FISCAL NOTE

BILL NO. CS SB 70

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: March 19, 1991

Department Affected: Revenue

Title: An act relating to taxation of certain State property by municipalities BRU: Treasury/PERS & TRS

Component: \_\_\_\_\_

Sponsor: Pearce

Requestor: Senate C & RA

Component Serial No.

|  |   |   |   |
|--|---|---|---|
|  | 1 | 2 | 1 |
|--|---|---|---|

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING              | FY 92        | FY 93        | FY 94        | FY 95        | FY 96        | FY 97        |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| PERSONAL SERVICES      |              |              |              |              |              |              |
| TRAVEL                 |              |              |              |              |              |              |
| CONTRACTUAL            |              |              |              |              |              |              |
| SUPPLIES               |              |              |              |              |              |              |
| EQUIPMENT              |              |              |              |              |              |              |
| LAND & STRUCTURES      |              |              |              |              |              |              |
| GRANTS, CLAIMS         |              |              |              |              |              |              |
| MISCELLANEOUS          | 116.5        | 200.0        | 175.0        | 150.0        | 125.0        | 100.0        |
| <b>TOTAL OPERATING</b> | <b>116.5</b> | <b>200.0</b> | <b>175.0</b> | <b>150.0</b> | <b>125.0</b> | <b>100.0</b> |

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| CAPITAL |  |  |  |  |  |  |
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|---------|--|--|--|--|--|--|
| REVENUE |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

|               |              |              |              |              |              |              |
|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| GENERAL FUND  |              |              |              |              |              |              |
| FEDERAL FUNDS |              |              |              |              |              |              |
| OTHER         | 116.5        | 200.0        | 175.0        | 150.0        | 125.0        | 100.0        |
| <b>TOTAL</b>  | <b>116.5</b> | <b>200.0</b> | <b>175.0</b> | <b>150.0</b> | <b>125.0</b> | <b>100.0</b> |

POSITIONS:

|           |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|
| FULL-TIME |  |  |  |  |  |  |
| PART-TIME |  |  |  |  |  |  |
| TEMPORARY |  |  |  |  |  |  |

Estimate of current year impact:

ANALYSIS: The tax cost on the March 12, 1991 balance of \$21.6 million of foreclosed real estate loans owned by the retirement funds using average mill rates by location equates to \$232,962. This tax cost approximates a statewide levy of 10.8 mills. Loan balances were used because it would not be practical to obtain current assessed values on each of the properties. Using assessed values may result in a higher or lower tax result. The effective date of January 1, 1992 would create a tax bill of approximately \$116.5 for FY 92. Over the years, property acquired through foreclosure should decrease because of the improved State economy and reduction in real properties owned.

Prepared by: Brian C. Andrews

Phone: 465-2350

Division: Treasury

Date: March 19, 1991

Approved by Commissioner: 

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Rev 10/90

Changes in CS SB 70 (Fin) have no fiscal impact. This fiscal note is appropriate.

3/28/91 Wilson  
date Comptroller (initial)



STATE OF ALASKA  
OFFICE OF THE GOVERNOR

BILL ANALYSIS

|  |                      |  |                   |
|--|----------------------|--|-------------------|
| DEPARTMENT<br>Revenue  | DIVISION<br>Treasury | BILL NUMBER<br>CS SB 70                        | SPONSOR<br>Pearce |
| SHORT TITLE OF BILL<br>An act relating to taxation of certain State property by municipalities |                      |  |                   |
| DEPARTMENT POSITION<br>See below.  |                      |  |                   |
| PREPARED BY<br>Brian C. Andrews <i>OK</i>  | DATE<br>3-19-91      | COMMISSIONER'S SIGNATURE<br><i>[Signature]</i> | DATE<br>3-19-91   |

SUMMARY

|  |                                       |
|--|---------------------------------------|
| OTHER AGENCIES AFFECTED BY BILL<br>AIDEA                               | CONSTITUENT GROUP(S) AFFECTED BY BILL |
| ORGANIZATIONAL SUPPORT FOR BILL<br>Municipalities and local government | ORGANIZATIONAL OPPOSITION TO BILL     |

FISCAL IMPACT:  NONE  FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

The intent of this bill is to place all real property of PERS and TRS onto the tax rolls of the municipality within which it is located. Current law exempts such property from taxation.

ANALYSIS OF BILL/PROGRAM EFFECTS

Makes all real property of the PERS and TRS subject to real property taxes effective January 1, 1992. PERS and TRS have no direct single ownership of real estate investments. PERS and TRS properties that were once collateral to loans and through default have since become other real estate owned, would result in an annual tax bill of approximately \$232,962 based on loan balances using average actual mill rates by location. This results in an average 10.8 mill levy for all property. Loan balances were used because it is not practical to obtain assessed values. Assessed values may be higher or lower than loan balances.

AMENDMENTS PROPOSED DEPARTMENT POSITION

Opposed because as fiduciary, endorsing such action would not be in the best interest of beneficiaries.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. SB 70 (CRA)

Revision Date: \_\_\_\_\_  
Title: An Act relating to taxation by municipalities of certain property of governmental entities; and for an effective date.  
Sponsor: Senator Pearce

Department Affected: Revenue  
BRU: Alaska Housing Finance Corporation  
Component: Alaska Housing Finance Corporation  
Requestor: \_\_\_\_\_

COMPONENT SERIAL NO. 

|   |   |   |
|---|---|---|
| 1 | 1 | 0 |
|---|---|---|

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING              | FY 92    | FY 93    | FY 94    | FY 95    | FY 96    | FY 97    |
|------------------------|----------|----------|----------|----------|----------|----------|
| 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        |
| LAND & STRUCTURES      | 0        | 0        | 0        | 0        | 0        | 0        |
| GRANTS, CLAIMS         | 0        | 0        | 0        | 0        | 0        | 0        |
| MISCELLANEOUS          | 0        | 0        | 0        | 0        | 0        | 0        |
| <b>TOTAL OPERATING</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

|         |   |   |   |   |   |   |
|---------|---|---|---|---|---|---|
| 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         | 0        | 0        | 0        | 0        | 0        | 0        |
| <b>TOTAL</b>  | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> |

POSITIONS:

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

Estimate of current year impact:

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Judy DeSpain  
Division: Alaska Housing Finance Corporation/Administration

Phone: (907)561-1900  
Date: March 27, 1991

Approved by Commissioner: [Signature]  
Agency: DEPARTMENT OF REVENUE

Date: 3-27-91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impact

Changes in CSB 70 (Fin) have no fiscal impact. This fiscal note is appropriate.

Rev 10/90

6j89102

3/28/91 date [Signature] Comte Aide (initial)

FISCAL NOTE

BILL NO. CSSB 70

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: "An act relating to taxation by municipalities  
of property of governmental agencies"  
Sponsor: Senate Community and Regional affairs Committee  
Requestor: \_\_\_\_\_

Department Affected: Administration  
BRU: Retirement and Benefits  
Component: Retirement and Benefits  
COMPONENT SERIAL NO. 64

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING         | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|-------------------|-------|-------|-------|-------|-------|-------|
| 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     |
| LAND & STRUCTURES | 0     | 0     | 0     | 0     | 0     | 0     |
| GRANTS, CLAIMS    | 0     | 0     | 0     | 0     | 0     | 0     |
| MISCELLANEOUS     | 0     | 0     | 0     | 0     | 0     | 0     |
| TOTAL OPERATING   | 0     | 0     | 0     | 0     | 0     | 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         | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL         | 0 | 0 | 0 | 0 | 0 | 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 |

Estimate of current year impact: zero

ANALYSIS: (attach a separate page if necessary.)  
The Department of Revenue estimates that this bill will result in a decrease of \$232,000 per year in PERS and TRS fund earnings. The system's actuary does not recommend a change in the current earnings assumption of 9% because this proposed reduction represents less than .01% of the combined funds invested. If this type of restriction to the earnings potential of the systems were to result in a reduction of the earnings assumption, a corresponding increase in the employers rates would become necessary.

Prepared By: Gary Bader *Gary M. Bader* Phone: 465-4460  
Division: Retirement and Benefits Date: \_\_\_\_\_

Approved by Commissioner: Millett Keller *Millett Keller* Date: 3/28/91  
Agency: Department of Administration

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB & Impacted Agency(ies).

Rev 10/90

Changes in CSSB 70 (Fin)  
have no fiscal impact. This  
fiscal note is appropriate.  
3/28/91 *Millett*  
date Comte Aide (initial)

FISCAL NOTE

No. 1

Bill Version: SB 70

(S) Publish Date: 2/15/91

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Community & Regional Affairs

Title: "An Act relating to taxation..of certain property of governmental...." BRU: \_\_\_\_\_  
Component: \_\_\_\_\_

Sponsor: Senator Pearce

Requestor: Senate C&RA Committee

COMPONENT SERIAL NO. 

|  |  |  |  |
|--|--|--|--|
|  |  |  |  |
|--|--|--|--|

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING         | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES |       |       |       |       |       |       |
| TRAVEL            |       |       |       |       |       |       |
| CONTRACTUAL       |       |       |       |       |       |       |
| SUPPLIES          |       |       |       |       |       |       |
| EQUIPMENT         |       |       |       |       |       |       |
| LAND & STRUCTURES |       |       |       |       |       |       |
| GRANTS, CLAIMS    |       |       |       |       |       |       |
| MISCELLANEOUS     |       |       |       |       |       |       |
| TOTAL OPERATING   | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |

|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| CAPITAL |  |  |  |  |  |  |
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|         |  |  |  |  |  |  |
|---------|--|--|--|--|--|--|
| 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 |     |     |     |     |     |     |

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

Changes in (SSB 70) (CRA)  
have no fiscal impact. This  
fiscal note is appropriate.

2/14/91  
date

[Signature]  
Comte Aide (initial)

Prepared By: Remond Henderson, Director

Phone: 465-4708

Division: Administrative Services

Date: 2/13/91

Approved by Commissioner: \_\_\_\_\_

Agency: Community & Regional Affairs

Changes in (SSB 70) (Fin)  
have no fiscal impact. This  
fiscal note is appropriate.

3/28/91  
date

[Signature]  
Comte Aide (initial)

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Reql

CS FOR SENATE BILL NO. 70 (FINANCE)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATOR PEARCE

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to taxation by municipalities of certain property of governmental entities;  
2 and providing for an effective date."

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

4 \* Section 1. AS 14.25.200(a) is amended to read:

5 (a) Except as provided in AS 29.45.030(a)(1), member [MEMBER] contributions and  
6 other amounts held in the system on behalf of a member or other person who is or may become  
7 eligible for benefits under the system are exempt from Alaska state and municipal taxes and are  
8 not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge  
9 of any kind, either voluntary or involuntary, before they are received by the person entitled to  
10 the amount under the terms of the system, and any attempt to anticipate, alienate, sell, transfer,  
11 assign, pledge, encumber, charge, or otherwise dispose of any right to amounts accrued in the  
12 system is void. However, a member's right to receive benefits may be assigned under a qualified  
13 domestic relations order.

14 \* Sec. 2. AS 29.45.030(a) is amended to read:

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

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

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

5 (B) notwithstanding any other provision of law, property acquired by  
6 an agency, corporation, or other entity of the state through foreclosure or deed in  
7 lieu of foreclosure and retained as an investment of a state entity is taxable;

8 (C) an ownership interest of a municipality in real property located  
9 outside the municipality acquired after December 31, 1990, is taxable by another  
10 municipality; however, a borough may not tax an interest in real property located  
11 in the borough and owned by a city in that borough;

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

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

15 (4) property of a nonbusiness organization composed entirely of persons with 90  
16 days or more of active service in the armed forces of the United States whose conditions of  
17 service and separation were other than dishonorable, or the property of an auxiliary of that  
18 organization;

19 (5) money on deposit;

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

22 (7) real property or an interest in real property that is exempt from taxation under  
23 43 U.S.C. 1620(d), as amended;

24 (8) property of a political subdivision, agency, corporation, or other entity  
25 of the United States to the extent required by federal law; except that a private leasehold,  
26 contract, or other interest in the property is taxable to the extent of that interest.

27 \* Sec. 3. AS 29.45 is amended by adding a new section to read:

28 Sec. 29.45.295. COLLECTION OF DELINQUENT TAXES ON CERTAIN  
29 GOVERNMENTAL PROPERTY. AS 29.45.300 - 29.45.490 do not apply to property taxable  
30 under AS 29.45.030(a)(1)(B) or (C) or to federal property not exempted under  
31 AS 29.45.030(a)(8). A municipality may bring an action in the superior court to compel payment

1 of property taxes due from the state, municipal, or federal entity if the entity does not pay the  
2 amount due within six months after the date that the taxes are due.

3 \* Sec. 4. AS 39.35.500 is amended to read:

4 Sec. 39.35.500. SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE SYSTEM. Except  
5 as provided in AS 29.45.030(a)(1), employee [EMPLOYEE] contributions and other amounts  
6 held in the system are exempt from Alaska state and local taxes. Amounts held on behalf of, or  
7 payable to, any employee or other person who is or may become eligible for benefits under the  
8 system are not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance,  
9 or charge of any kind, either voluntary or involuntary, before being received by the person  
10 entitled to the amount under the terms of the system. An attempt to anticipate, alienate, sell,  
11 transfer, assign, pledge, encumber, charge, or otherwise dispose of a right to amounts held under  
12 the system is void. However, an employee's right to receive benefits may be assigned under a  
13 qualified domestic relations order.

14 \* Sec. 5. AS 44.88.140(a) is amended to read:

15 (a) Except as provided in AS 29.45.030(a)(1), the [THE] real and personal property of  
16 the authority and its assets, income, and receipts are declared to be the property of a political  
17 subdivision of the state and, together with any project or development project financed under  
18 AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177, and a leasehold interest created in a project  
19 or development project financed under AS 44.88.155 - 44.88.159 or 44.88.172 - 44.88.177,  
20 devoted to an essential public and governmental function and purpose, and the property, assets,  
21 income, receipts, project, development project, and leasehold interests shall be exempt from all  
22 taxes and special assessments of the state or a political subdivision of the state, including, without  
23 limitation, all boroughs, cities, municipalities, school districts, public utility districts and other  
24 taxing units. All bonds of the authority are declared to be issued by a political subdivision of  
25 the state and for an essential public and governmental purpose and to be a public instrumentality,  
26 and the bonds, and the interest on them, the income from them and the transfer of the bonds, and  
27 all assets, income and receipts pledged to pay or secure the payments of the bonds, or interest  
28 on them, shall at all times be exempt from taxation by or under the authority of the state, except  
29 for inheritance and estate taxes and taxes on transfers by or in contemplation of death. Nothing  
30 in this section affects or limits an exemption from license fees, property taxes, or excise, income  
31 or any other taxes, provided under any other law, nor does it create a tax exemption with respect

1 to the interest of any business enterprise or other person, other than the authority, in any property,  
2 assets, income, receipts, project, development project, or lease whether or not financed under this  
3 chapter. By January 10 of each year, the authority shall submit to the governor and the  
4 legislature a report describing the nature and extent of the tax exemption of the property, assets,  
5 income, receipts, project, development project and leasehold interests of the authority under this  
6 section.

7 \* Sec. 6. This Act takes effect January 1, 1992.

3/22/91 SFC  
ADOPTED  
(see p 2, line 9  
for Pearce Am.)  
7-LS0420/G  
Work Draft to be  
prepared.

CS FOR SENATE BILL NO. 70 (<sup>Fin</sup>~~CRA~~)

IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

Offered: 2/15/91

Referred: Labor & Commerce and Finance

Sponsor(s): SENATOR PEARCE

A BILL

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7 lieu of foreclosure and retained as an investment of a state entity is taxable;

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9 outside the municipality<sup>acquired after Dec 31, 1990,</sup> is taxable by another municipality; however, a borough may  
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11 that borough;

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14 hospital, or educational purposes;

15 (4) property of a nonbusiness organization composed entirely of persons with 90  
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17 service and separation were other than dishonorable, or the property of an auxiliary of that  
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3/22/91  
SFL

90: moved  
No Ob

~~ADMITTED~~

# Alaska State Legislature

Incorporated into

~~ADMITTED~~

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



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

## Senator Drue Pearce

District G

MEMORANDUM

TO: Senator Pat Pourchot, Co-Chair  
Senator Jay Kerttula, Co-Chair  
Senator Jim Duncan, Vice-Chair  
Senator Al Adams  
Senator Lyman Hoffman  
Senator Dick Shultz  
Senator Rick Uehling

Senate Finance Committee

FROM: Senator Drue Pearce *Drue Pearce*

DATE: March 19, 1991

RE: CSSB 70 (C&RA), Taxation by municipalities of certain property of governmental entities

CSSB 70 (C&RA) is on the Senate Finance Committee calendar tomorrow, Wednesday. The following is an amendment I would like to offer to the committee:

TO: CSSB 70 (C&RA)

Page 2, line 9, following the first "municipality":

Insert "acquired after December 31, 1990,"

This amendment would provide that property located in another municipality prior to January 1, 1991 would not be subject to taxation. This would address possible revenue bond financing problems that could arise because of taxes unforeseen at the time financing was secured.

If you have any objections to this amendment, please call Tally Johnson of my staff.

Thank you.

DP:tej

Attachment

A M E N D M E N T

OFFERED IN THE SENATE  
TO: CSSB 70(CRA)

BY SENATOR PEARCE

Page 2, line 9, after "the municipality":

Insert "acquired after December 31, 1990,"



# Fairbanks North Star Borough

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1000

May 19, 1993

Kathy Holmquist  
Committee Secretary  
Senate Finance Committee  
Mail Stop 3100  
State Capitol  
Juneau, AK 99801-1182

Re: Senate Bill 70

Dear Ms. Holmquist:

Thank you for the copies of the files you sent to me on the above-referenced senate bill. I have enclosed two documents from the copies you sent and a certification for your signature. Please sign the certification and have your signature notarized, then return it to me at the above address.

I appreciate all your help in this matter. If you have any questions, please call me at 459-1318.

Thank you.

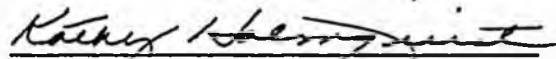
Very truly yours,

BILLIE J. KLINE  
Paralegal

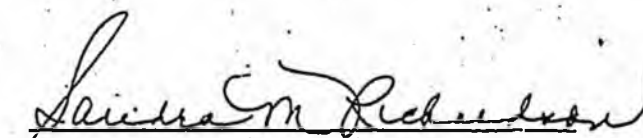
## CERTIFICATION

I, Kathy Holmquist, Committee Secretary, hereby certify that the attached memo to Representatives Mike Navarre and Eileen MacLean from Senator Drue Pearce, dated May 16, 1991, which is labeled Attachment 2, is a true and correct copy of the original kept on file at the Senate Finance Committee Office in Juneau, Alaska and that the attached portion of the Senate Finance Committee minutes dated March 22, 1991, which is labeled Attachment 3, is a true and correct copy of the original kept on file at the Senate Finance Committee Office in Juneau, Alaska.

DATED this 21<sup>st</sup> day of May, 1993.

  
KATHY HOLMQUIST

SUBSCRIBED AND SWORN TO BEFORE ME on this 21 day of May, 1993.

  
Notary Public in and for Alaska  
Commission Expires: 8/25/93

# Alaska State Legislature

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

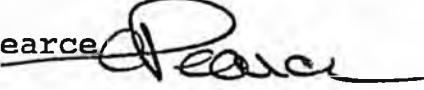


During Session:  
P.O. Box V  
Juneau, Alaska 99811  
(907) 465-4993

**Senator Drue Pearce**  
District G

## MEMORANDUM

TO: Representative Mike Navarre, Co-Chair  
House Finance Committee  
  
Representative Eileen MacLean, Co-Chair  
House Finance Committee

FROM: Senator Drue Pearce 

DATE: May 16, 1991

RE: CSSB 70 (FIN), Taxation by municipalities of certain  
property of governmental entities

CSSB 70 (FIN) would allow taxation of real property acquired by state and federal agencies through foreclosure or deed in lieu of foreclosure and retained for investment purposes.

This legislation was requested by the Alaska Municipal League. Millions of dollars of assessed value 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, like Alaska Industrial Development and Export Authority (AIDEA), the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS), have been exempted from taxation by the statutes which created the agency, while others, like the Alaska Housing Finance Corporation (AHFC) pay local property taxes.

Inequities have been created since these exempt properties bear no tax burden but receive the same services they did while in private ownership. CSSB 70 (FIN) will correct these inequities and will give municipalities the revenue to which they are entitled for the services they supply (i.e. roads, utilities, police and fire protection).

CSSB 70 (FIN) extends to federal properties similarly held and not otherwise exempt from taxation by the provisions of federal law. Currently, several large federal agencies, such as the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), Housing and Urban Development (HUD), and Veterans Administration (VA), pay municipalities taxes for property which they have taken title to under a foreclosure proceeding. Farm Home Administration (FmHA) feel they are exempted by our statutes. CSSB 70 (FIN) would clarify this and Farm Home Administration would be required to pay taxes on their foreclosed property if this legislation is passed.

In the Senate Community & Regional Affairs Committee an amendment was adopted to provide that municipal real property located outside the municipality is taxable by another municipality. This amendment (page 2, line 8 through line 11) was adopted as part of the Alaska Municipal League 1991 Municipal Platform.

A concern was raised that the real property tax base in a number of municipalities could be eroded by the ownership and acquisition of real property by municipalities located outside the city or borough required to provide services. The host municipality providing services such as roads, utilities, and police and fire protection for these properties will need a stable tax base in order to provide these services particularly as state revenues decline.

Without this limited exception to municipal tax immunity, real property which would otherwise be taxed would continue to be exempt from taxes even though the outside municipality owning the real property has no governmental responsibilities or obligations to the citizens of the municipality required to provide services.

It makes evident that real property owned by a city is not taxable by a borough when it is owned by a city in that borough.

CSSB 70 (FIN) is supported by the Municipality of Anchorage and the Alaska Association of Assessing Officers. Letters of support are included in your packet.

I urge your support for CSSB 70 (FIN).

Thank you.

DP:tej

Testimony was presented by Commissioner Keller, Mr. Rexwinkel, and Mr. Welker. The bill was subsequently HELD in committee for further discussion.

SB 204 An Act authorizing the Department of Revenue to purchase either the guaranteed investment contracts held by the supplemental benefits system or the underlying securities; and providing for an effective date.

Testimony was presented by Commissioner Keller and Darrel Rexwinkel. CSSB 204 (Fin), new title, was REPORTED OUT of committee without recommendation, accompanied by indeterminate fiscal notes from the Dept. of Administration and Dept. of Revenue.

SENATE BILL NO. 70

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

SENATOR DRUE PEARCE, sponsor, directed her comments to CSSB 70 (CRA). The bill, which was originally requested by the Alaska Municipal League, would allow taxation of real property acquired by State and federal agencies through foreclosure or deed in lieu of foreclosure and retained for investment purposes. Some State agencies (Alaska Industrial Development and Export Authority, Public Employees' Retirement System, Teachers' Retirement System) are exempt from taxation by statute, while others (Alaska Housing Finance Corporation) pay local property taxes. Inequities have been created because exempt properties bear no tax burden but receive the same services as when they were in private ownership. CSSB 70 (CRA) would correct inequities and give municipalities the revenue to which they are entitled. The bill also extends to similarly held federal properties not otherwise exempt. Currently, several large federal agencies (Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Housing and Urban Development, and Veterans' Administration) pay municipal taxes on property to which they have taken title. However, Farmers Home Administration feels that it is exempt by Alaska statutes because the statutes are silent.

SENATOR PEARCE advised that an amendment was adopted by the Community and Regional Affairs Committee at the request of the Alaska Municipal League and the City and Borough of Juneau. It provides that municipal real property located outside the municipality is taxable by another municipality. The amendment is reflected on page 2, lines 8-11, and was adopted as part of the League's 1991 municipal platform.

SENATOR PEARCE then directed attention to a proposed amendment to CSSB 70 (CRA):

page 2, line 9

between "municipality" and "is" INSERT

acquired after December 31, 1990,

The amendment provides that property located in another municipality prior to January 1, 1991, would not be subject to taxation. This would address possible revenue bond financing problems that could arise because of taxes unforeseen at the time financing was secured. That is the situation in Juneau.

SENATOR PEARCE advised that SB 70 is supported by the municipality of Anchorage and the Alaska Association of Assessing Officers. Letters of support are in members' files. Also included are fiscal notes from the Dept. of Revenue, PERS and TRS; the Dept. of Commerce, AIDEA and Division of Investments; and the Dept. of Community and Regional Affairs. She noted that pertinent representatives were in attendance to answer questions.

(Senator Uehling left the meeting.)

Referring to FHA, Co-chairman Pourchot asked if Section 2(a)(8) contains the provision expected to bring the federal government into compliance. SENATOR PEARCE indicated that the bill drafter explained that it makes clear that FHA will have to pay along with other federal agencies. Co-chairman Pourchot noted the deletion of "federally owned" in subsection (1). He then voiced his hope that new language does as intended, because there are federal agencies paying under current Alaska statutes. Co-chairman Kerttula asked that written clarification from Legislative Legal Services be provided. He also inquired about a possible Finance Letter of Intent with specifications.

Co-chairman Pourchot then asked for an explanation of language in Section 2(a)(1)(C), relating to one municipality owning property in another municipality.

(Senator Uehling rejoined the meeting.)

SENATOR PEARCE said she did not fully understand the situation in Juneau. It has to do with financing schemes where one municipality could come in, and through tax-exempt bonds, provide a facility. The new Dept. of Environmental Conservation building in Juneau is being done in this manner. "And it's the building that (a) caused the amendment, and (b) is causing the amendment to the amendment."

Senator Duncan indicated that the above explanation by Senator Pearce was basically correct. The bill impacts construction of new property as well as property that has been in private hands for some time in the municipality of Juneau. The city of Kaasan has become the owner of that property. As a municipality, it has tax exempt status. "To require that they'd now start paying property taxes would do serious damage to the financing of the project," which is already under construction. He further explained, "It is possible for a municipality to come into another municipality and buy property and take it off the tax rolls." The grandfather clause says that the bill would apply only to property acquired after December 31, 1990.

There was further discussion on the amendment proposed by Senator Pearce. Co-chairman Pourchot said he was sympathetic to the amendment. SENATOR PEARCE indicated that the DEC building in Juneau is the only situation of which she is aware. "So we're stopping something before it becomes a problem."

Senator Adams mentioned that the bill carries an effective date of January 1, 1992. Co-chairman Pourchot noted that the revised fiscal note for the Dept. of Commerce and Economic Development, Division of Investments, reflects a cost in FY 92.

Senator Adams noted that most PERS and TRS properties are in urban areas. He suggested that rural communities making employee contributions to PERS and TRS would be affected without receiving the services provided through taxation. SENATOR PEARCE replied that she would not characterize SB 70 that way. She said there is no direct control over investments of PERS and TRS. Further,

The municipalities feel, and I agree with them, that it is not equitable that they end up providing services to properties that are owned by PERS and TRS without taxes being paid.

Co-chairman Pourchot commented that the converse is that the benefits of those good investments accrue to all PERS and TRS contributors, including those in rural Alaska, regardless of the location of the investments. Senator Hoffman maintained that the bill represents reduced benefits to rural Alaskans, because they do not see the services resulting from the taxes.

There was discussion of page 2 of the March 18, 1991, letter to Senator Pourchot from Brian Andrews, comptroller, Division of Treasury, Dept. of Revenue, concerning the following analysis:

Combined FY 90 investment income of the PERS and TRS was \$404.4 million. The projected taxes of \$232,962 would represent an approximate loss of combined investment income of .06%. This cost would not have an immediate impact on

the actuarial contribution assumptions. However, this is an actual cost to the funds which would affect future actuarial analysis. How much of an effect this cost has on future contribution levels would be impossible to determine at this time.

DARREL REXWINKEL, deputy commissioner, Treasury, Dept. of Revenue, pointed out that the above analysis does not appear on the current, revised fiscal note.

Referring to the Dept. of Revenue letter, Senator Duncan voiced his hope that who determines the actuarial impact on the PERS and TRS funds would remain consistent. A statement from the Dept. of Administration, Division of Retirement and Benefits, with its actuaries reflecting the impact of the bill is needed. He voiced concern that it could have an increasing impact on the fund over the years.

Co-chairman Pourchot asked how the .06% figure was derived and if it was calculated in conjunction with the Division of Retirement and Benefits. MR. REXWINKEL responded, "The .06% is merely a percentage of what the additional taxation would be as a per cent of the overall investment earnings of the fund." He mentioned that Senator Duncan is correct in that perhaps an actuary could make a more definitive statement. However, .06% is a very small percentage, together with all the other assumptions. Mr. Rexwinkel also acknowledged, "There is additional cost, and at some point in time, that would have to be made up." Co-chairman Pourchot said that he thought the point made by Senator Duncan was well taken.

Senator Adams inquired regarding the Dept. of Revenue position on the bill. MR. REXWINKEL responded,

As we indicated in the bottom part of our fiscal note, we're opposed. As fiduciaries of the system, we're supposed to do everything we can to enhance and protect the gains and control the expenses of the system. So technically, we're opposed to the bill from that standpoint.

In response to observations by Co-chairman Kerttula, MR. REXWINKEL indicated that, if the department saw a significant block of property deteriorating, it would come to a different conclusion to protect its interest in the property. He acknowledged that if "I were sitting here speaking as a chief fiscal officer of a municipality or something . . . or the Alaska Municipal League, I'd be fully in favor of this." Speaking as a member of the AIDEA board, he noted that the board had the same discussion. The board determined that,

Yes, we are receiving services for the properties that AIDEA has, and we thought from that position that it was proper for taxes to be levied on those properties, because there are services being rendered to the property.

At this time, MIKE WORLEY, state assessor, Dept. of Community and Regional Affairs, came before committee stating department support for passage of SB 70. He further noted that the department submitted a position paper to committee, and he said that he hoped it served to clarify the effects of the bill.

MR. WORLEY next addressed questions from Co-chairman Kerttula regarding Federal Mortgage Home Association property. He said he had been involved with the issue for two years, working closely with Gary Lewis and Mike Gaddy from the Matanuska-Susitna Borough. There is a problem because of constitutional language that has been interpreted in two different ways: one way by a Mat-Su Borough attorney and another by the federal government. There is also the problem of statutory language, alluded to earlier by Co-chairman Pourchot. Mr. Worley described the relationship between the Mat-Su Borough and the federal government as not "overly antagonistic." He said that he had seen an explanation, in writing, from the federal government to the borough indicating that the federal government is perfectly willing to pay the tax, "but unfortunately, by the federal interpretation, we have precluded that from happening . . . we simply don't have the authority levied against it." He noted that he and the Mat-Su attorney were personally involved in drafting language for SB 70. They are convinced that the language will take care of the problem.

During discussion of new language on page 2, lines 24-26, Co-chairman Pourchot noted that it should be read to say that "property of the United States" is taxable unless specifically exempted under federal law. MR. WORLEY concurred.

Again, addressing earlier comments by Co-chairman Kerttula regarding need for a level playing field as far as taxation is concerned, MR. WORLEY advised that the property will be mandatorily taxed by every property tax in jurisdiction. "The only bumps in [the] playing field will be that there are obviously different levels of millage rates, which will be levied by each municipality."

At this time, GARY BADER, Division of Retirement and Benefits, Dept. of Administration, told members that the division does not have any specifics other than what were provided in the Dept. of Revenue letter. He indicated that he would raise above-noted concern with the actuary to see if it would affect actuarial calculations. Senator Duncan made a formal request for a statement from the actuary.

In response to questioning by Co-chairman Pourchot as to why a fiscal note from the division was not forthcoming, MR. BADER explained that the division viewed the bill as relating to an investment issue, and the Dept. of Revenue had already provided a note. Co-chairman Pourchot requested that the Division of Retirement and Benefits also provide a fiscal note, describing any and all impacts on the PERS and TRS funds.

Co-chairman Kerttula voiced concern that

Each time we do some little thing to impact that [PERS/TRS] fund, it'll be the State of Alaska general fund, one day, that'll have to get the whole program back into actuarial sync. And so, each little erosion that we participate in makes the State more liable.

At this time, SCOTT BURGESS, Alaska Municipal League, thanked the sponsor for her diligence in introducing the legislation again this year. He voice full Alaska Municipal League support for SB 70, and said he felt that most of the questions had been answered.

END SFC 91-34, SIDE 1  
BEGIN SFC 91-34, SIDE 2

MR. BURGESS acknowledged that increased costs will be incurred. But, because in this situation these properties are in competition with the private sector, where rents are being charged, there is a revenue stream, and they enjoy the same services as the private sector that pays taxes. He reiterated Alaska Municipal League support for the bill.

For purposes of clarification, Senator Duncan inquired regarding the reason for not including PERS and TRS when the bill was originally introduced. SENATOR PEARCE noted that PERS and TRS were deleted from the bill in Senate Finance last year. It was, however, her intent that both be included. Because of miscommunication when the bill was drafted, the omission was not caught until after the bill was introduced. Thereafter, she asked that it be put back in the Community and Regional Affairs Committee Substitute. She said she considered it "a fairness question." She further stated:

We definitely should be concerned over the financial stability of our PERS and TRS, but I think we should also be concerned about the financial stability of our municipalities throughout the State. They are losing tax revenues. . . . The PERS and TRS very clearly can own properties that become tax exempt even [when] they're receiving the income from them . . . . For people within those areas who are paying property taxes, they have to pay

for the services provided just for a particular class of people . . . .

Senator Duncan likened the proposal to "taking money out of one pocket and putting it in the other." Discussion followed.

Senator Duncan requested that the Dept. of Revenue provide a list of properties involved and when they were invested in by the funds. MR. REXWINKEL explained that a summary by category was sent to Co-chairman Pourchot. It was his understanding that some of the information is confidential. Senator Duncan was interested in location, when the investment was made, and "a little history on how the appraisals of those properties have changed." MR. REXWINKEL indicated that taxes were computed based on the loan value, not the assessed value.

Co-chairman Pourchot announced that a packet of new and revised fiscal notes would be provided to committee members before the next hearing on SB 70, together with a list of investment properties and assessed values.

During further discussion, MR. REXWINKEL added that the PERS and TRS funds do not have any direct, single-ownership real estate investments.

Although he said that he understood that all AHFC properties are presently taxed, Senator Hoffman requested that the Dept. of Revenue provide that information in the form of a fiscal note; i.e., zero, if that is the case.

(Co-chairman Kerttula left the meeting.)

MR. REXWINKEL volunteered that the FDIC, which has a substantial amount of foreclosed property around the State, also pays property taxes on the properties.

Without objection, Senator Duncan MOVED for ADOPTION of the AMENDMENT presented by Senator Pearce (See page 3.)

Without objection, Senator Duncan MOVED for ADOPTION of CSSB 70 (Finance), incorporating the amendment.

(Senator Hoffman left the meeting.)

Concerning the request for information relating to PERS, TRS, and AHFC properties, SENATOR PEARCE asked that information also be provided on the number of properties that generate income. She remarked that they are receiving income; they are just not paying taxes.

CSSB 70 (Finance) was HELD in committee pending receipt of requested information.

(Co-chairman Kerttula rejoined the meeting.)

SENATE BILL NO. 204

An Act authorizing the Department of Revenue to purchase either the guaranteed investment contracts held by the supplemental benefits system or the underlying securities; and providing for an effective date.

Co-chairman Pourchot noted that the bill was introduced through the Legislative Budget and Audit Committee at the request of the administration.

DEPT. OF ADMINISTRATION COMMISSIONER MILLET KELLER explained that the legislation is a joint effort of the Dept. of Administration, Dept. of Revenue, and the Legislative Budget and Audit Committee. It is specifically designed to address a serious problem in the annuity program resulting from a series of bad investments that were made from 1987 to 1989. In order to accomplish what amounts to a rescue for the Alaska Supplemental Benefits System (SBS), this legislation is required in order to purchase the guaranteed investment contracts (GIC). The GICs would then be held by the Dept. of Revenue, and the department would try to work out the contracts, either by exchanging them for underlying securities or by selling them.

COMMISSIONER KELLER further stated:

We're up against a situation where the legislation is required before we can accomplish the workout. The alternative of doing nothing is that the contracts could become valueless, in our judgment, because of the serious financial condition of Executive Life. There is a budget effect that will take place as a result of this, and we don't know the total amount of it and won't until after we see how the workout will be effected. But we know, at least, there will be a loss of interest income to the general fund, because, in effect, they're transferring cash from the general fund to the SBS annuity program.

There is one other possible effect, although at the present time, it doesn't affect our fiscal year '92 budget. . . . In the past, the accounting reports, that are the State's financial reports that are prepared normally in October and November, will show what amounts to what in the final carry-forward balance in the general fund, which in the past has been used as a source of revenue for subsequent years or as a source of revenue for supplemental appropriations of

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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(907) 465-3867 or 465-2450  
FAX (907) 465-2029

Deliveries to: 240 Main Street  
Court Plaza, Room 500  
Mail Stop 3101

### MEMORANDUM

February 19, 1991

**SUBJECT:** Municipal Taxation of Property of Governmental Entities  
(CSSB 70(CRA))

**TO:** Senator Drue Pearce

**FROM:** Tamara Brandt Cook  
Director *TBC*

Here is the sectional summary you requested for CSSB 70 (CRA).

Section 1. Modifies the current tax exemption applicable to the Teachers' Retirement Fund to recognize the power of a municipality to impose taxes under section 2 of the bill.

Sec. 2. Removes the exemption from municipal taxation for property of a state entity acquired through foreclosure or deed in lieu of foreclosure and retained as an investment. Removes the exemption for property of another municipality if the property is located in the taxing municipality, except that a borough is prohibited from taxing property of a city located in the borough. Provides that property of an entity of the United States is exempt from municipal taxation only to the extent required by federal law.

Sec. 3. Foreclosure procedures do not apply to property of governmental entities that is taxable under the first section of the bill. A municipality may bring an action in superior court to compel payment of the taxes.

Sec. 4. Modifies the current tax exemption applicable to the Public Employee's Retirement System to recognize the power of a municipality to impose taxes under section 2 of the bill.

Sec. 5. Modifies the current tax exemption provision of the statutes dealing with the Alaska Industrial Development and Export Authority to recognize the power of a municipality to impose taxes on some property under section 2 of the bill. Although other exemption statutes are not specifically modified in the bill, the taxing authority granted to municipalities under section 2 of the bill will have priority over those

Senator Drue Pearce  
February 19, 1991  
Page 2

statutes. For example, property of the Alaska Permanent Fund Corporation that is taxable under section 2 will be taxable despite the general exemption for the corporation contained in AS 37.13.180.

Sec. 6. The bill takes effect January 1, 1992 to coincide with the beginning of the tax year.

TBC:gc/lmb  
91-049.lmb

# 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: Senator Pat Pourchot, Co-Chair  
Senate Finance Committee

FROM: Senator Drue Pearce *Drue Pearce*

DATE: March 20, 1991

RE: CSSB 70 (C&RA), Taxation by municipalities of certain  
property of governmental entities

CSSB 70 (C&RA) would allow taxation of real property acquired by state and federal 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 value 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, like Alaska Industrial Development and Export Authority (AIDEA), the Public Employees Retirement System (PERS) and the Teachers Retirements System (TRS), have been exempted from taxation while others like Alaska Housing Finance Corporation (AHFC) pay local property taxes. Inequities are also created because exempt properties bear no tax burden but receive the same services they did while in private ownership. CSSB 70 (C&RA) will correct these inequities and will give municipalities the revenue to which they are entitled for the services they supply.

CSSB 70 (C&RA) extends to federal properties similarly held and not otherwise exempt from taxation by the provisions of federal law. Farmers Home Mortgage Association (FHMA) would pay taxes on their deed in lieu of foreclosed property if this legislation is passed.

In the Senate Community & Regional Affairs Committee an amendment was adopted to provide that municipal real property located outside the municipality is taxable by another municipality. This amendment (page 2, line 8 through line 11) was adopted as part of the Alaska Municipal League 1991 Municipal Platform.

A concern was raised that the real property tax base in a number of municipalities could be eroded by the ownership and acquisition of real property by municipalities located outside the city or borough required to provide services (i.e. roads, utilities, police and fire protection).

It makes evident that real property owned by a city is not taxable by a borough when it is owned by a city in that borough.

This legislation is supported by the Municipality of Anchorage and the Alaska Association of Assessing Officers.

DP:tej



STATE OF ALASKA  
OFFICE OF THE GOVERNOR

COPY

BILL ANALYSIS

|   |   |  |                   |
|---|---|--|-------------------|
| DEPARTMENT<br>Commerce &<br>Economic Development                      | DIVISION<br>AK Industrial<br>Dev & Export Authority | BILL NUMBER<br>SB 70                           | SPONSOR<br>Pearce |
| SHORT TITLE OF BILL<br>An Act Relating to Taxation by Municipalities. |   |  |                   |
| DEPARTMENT POSITION<br>Ambivalent (see below)                         |   |  |                   |
| PREPARED BY<br>Bertram L. Wagnon                                      | DATE<br>2/7/91                                      | COMMISSIONER'S SIGNATURE<br><i>[Signature]</i> | DATE              |

SUMMARY

|  |   |
|--|---|
| OTHER AGENCIES AFFECTED BY BILL<br><br>Unknown         | CONSTITUENT GROUP(S) AFFECTED BY BILL<br><br>None |
| ORGANIZATIONAL SUPPORT FOR BILL<br><br>Municipalities. | ORGANIZATIONAL OPPOSITION TO BILL<br><br>None     |

FISCAL IMPACT:     NONE     FISCAL NOTE ATTACHED

BACKGROUND LEGISLATIVE INTENT

An identical bill was introduced in the last session but did not pass. The intent of this bill is to place all real property of both the Alaska Industrial Development and Export Authority and Division of Investments that are acquired through foreclosure onto the tax rolls of respective municipalities.

Current law exempts property of the Authority from taxation.

ANALYSIS OF BILL PROGRAM EFFECTS

Under current law property acquired by both the Authority and Division of Investments through foreclosure is taken off the tax rolls. If enacted this bill would keep such property on the rolls and have the Authority and Division of Investments pay the property taxes to the respective municipalities. While it is never pleasant to submit ones self to taxation, the sponsor agreed to several amendments last session which eliminated onerous language and administrative problems. This bill reflects those changes.

AMENDMENTS PROPOSED

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS

WALTER J. HICKEL, GOVERNOR

**DEPARTMENT OF REVENUE**

OFFICE OF THE COMMISSIONER

March 26, 1991

P.O. BOX 8  
JUNEAU, ALASKA 99811-0400  
PHONE: (907) 465-2300  
TELEFAX: (907) 465-2389

Tally Johnson  
Legislative Aide to  
Senator Drue Pearce  
P.O. Box V  
Juneau, Alaska 99811

Dear Ms. Johnson:

RE: SB 70

This memorandum addresses item numbers 4 & 5 of your communication to us on March 22, 1991.

**Item no. 4 Clarification of assessed value versus loan value.**

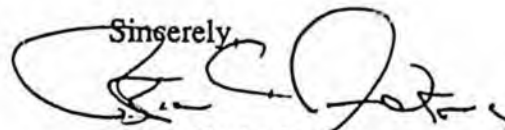
Assessed values are estimated property values determined by a municipality for taxation purposes. Municipalities regularly change assessed property values to reflect market conditions. Treasury does not track assessed property values of its mortgage holdings due to cost benefit factors. Loan values are the book balances of the various mortgage loans which the retirement funds have made.

**Item no. 5 List of property investments to include:**

- a. Investments
- b. Location
- c. When purchased
- d. When appraised
- e. Income received on property

Enclosed you will find an other real estate owned (OREO) computer run which lists retirement funds holdings of foreclosed property by city and by servicing financial organization. Properties indicating a book balance of \$1 have been sold and are being maintained in the records for historical data purposes. Information for Item 5d is not provided for reasons stated above. Information for Item 5e is provided on a limited basis in the comments section of the report. Rental income from OREO properties is accounted for by the servicing financial institution as a reduction of loan balances. Treasury's operating procedure is to confirm actual revenue receipts with the servicing institution when the property is resold.

Sincerely,



Brian C. Andrews  
Comptroller

BCA/mem  
91-44

THE FOLLOWING DOCUMENT HAS NOT  
BEEN FILMED BUT IS AVAILABLE IN THE  
ORIGINAL FILE.

PLEASE MICROFILM TOP PAGE ONLY

03-26-1991 09:57:03

OREO REPORT BY CITY  
BANK: CITYFED MORTGAGE COMPANY

PAGE: 1

| LOAN<br>PRG | LOAN NAME<br>CITY & STATE    | STATE LOAN #<br>BANK LOAN # | INT<br>RATE | SERV<br>FEE | %<br>PART | PAID TO<br>DATE | CURRENT<br>BOOK BALANCE       | PMI<br>COMPANY | COMMENTS  |
|-------------|------------------------------|-----------------------------|-------------|-------------|-----------|-----------------|-------------------------------|----------------|---|
| CONV        | CARDEN, J.A.<br>AKRON OH     | 2131006<br>9215781          | 12.875      | 0.125       | 100.00    | 02/01/89        | 1.00                          | AMIC           | JFC 3-30-90/SF<br>SEE 2131006A                  |
| CONV        | CARDEN, J.A.<br>AKRON OH     | 2131006A<br>9215781A        | 10.000      | 0.125       | 100.00    | 03/30/90        | 6,176.50<br>-----<br>6,177.50 | N/A            | DJ/2131006<br>03-30-90                          |
| CONV        | AHB, INC #1A<br>ANCHORAGE AK | 0431007<br>712600151221     | 14.500      | 0.375       | 100.00    | 07/01/85        | 62,097.09                     | TICOR 12%      | FC 7-7-87/RC PARK RIDGE<br>ROSE-MGR/RENTED @550 |
| CONV        | AHB, INC #1B<br>ANCHORAGE AK | 0431009<br>712600151222     | 14.500      | 0.375       | 100.00    | 07/01/85        | 48,203.74                     | TICOR 12%      | FC 7-7-87/RC PARK RIDGE<br>ROSE-MGR/RENTED @450 |
| CONV        | AHB, INC #1C<br>ANCHORAGE AK | 0431008<br>712600151219     | 14.500      | 0.375       | 100.00    | 07/01/85        | 55,384.77                     | TICOR 12%      | FC 7-6-87/RC PARK RIDGE<br>ROSE-MGR/RENTED @625 |
| CONV        | ALASKAN TREK<br>ANCHORAGE AK | 0431010<br>712610304878     | 12.500      | 0.125       | 75.000    | 02/01/86        | 1.00                          | N/A            | FC 9-9-87/48 UNIT APT<br>SOLD 0431226           |