

10 mill

Tax Caps

Impacts

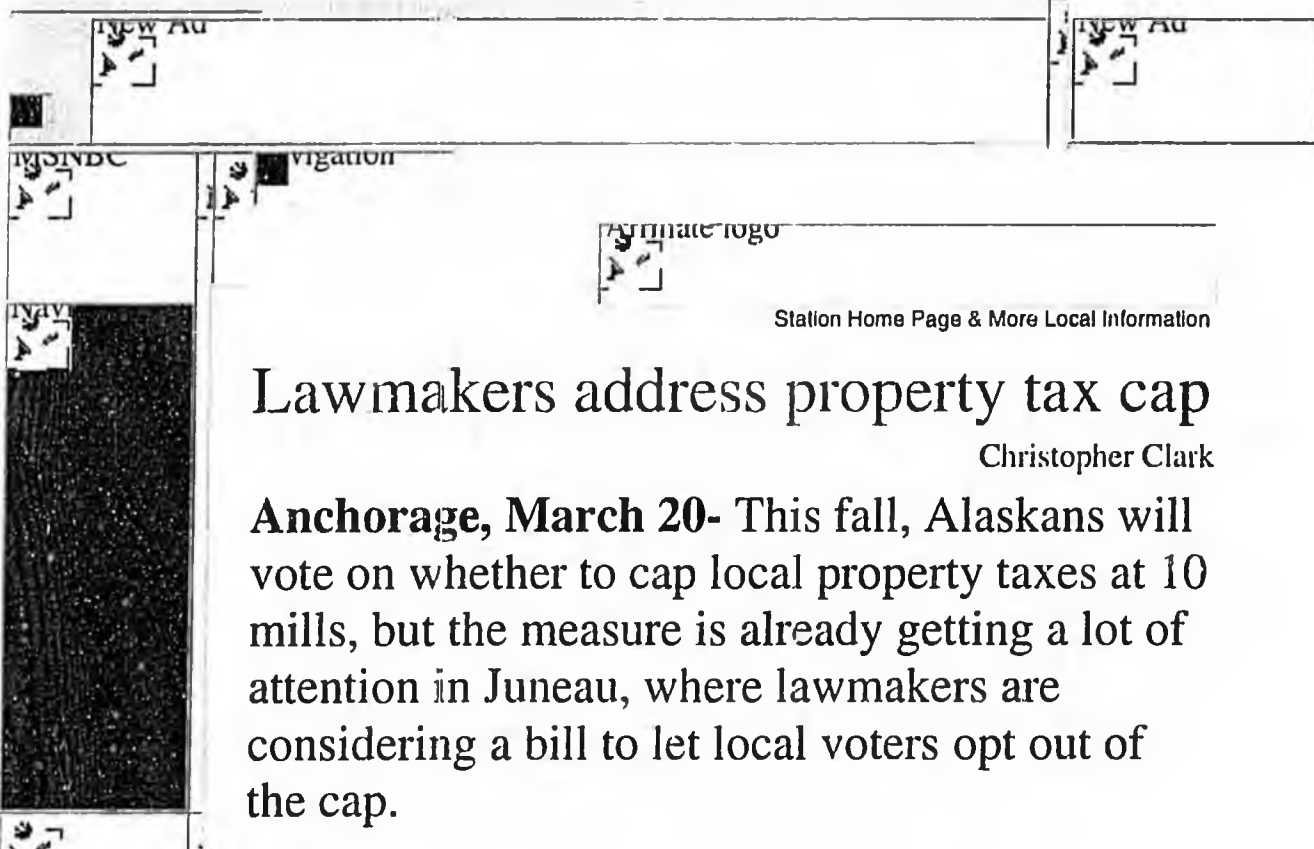
Subject: News articles

Date: Wed, 22 Mar 2000 08:33:44 -0900

From: Jerry Ritter <Jerry_Ritter@legis.state.ak.us>

Organization: Alaska State Legislature

To: Contains all House Majority Staff <lhscgjr+housemajoritystaff@legis.state.ak.us>, House Majority Members <lhscgjr+housemajoritymembers@legis.state.ak.us>



Station Home Page & More Local Information

Lawmakers address property tax cap

Christopher Clark

Anchorage, March 20- This fall, Alaskans will vote on whether to cap local property taxes at 10 mills, but the measure is already getting a lot of attention in Juneau, where lawmakers are considering a bill to let local voters opt out of the cap.

ALASKANS DON'T PAY A STATE property tax, but many pay local property taxes, which vary across the state. Supporters of a statewide initiative have succeeded in placing on this fall's ballot a 10-mill cap on local property taxes. Sen. Kim Elton and others predict dire consequences if it passes. They say there would be great cuts in funding for schools, police, firefighting, road maintenance and other services. The Juneau Democrat wants to amend the initiative to allow local voters to set their own property tax rate.

"It only allows a backdoor that can only be used by local voters," Elton said. "If local voters say, 'wait a minute, 10 mills doesn't work for us, we want 12 mills,' they can do that. But they have to do that at the ballot box."

Tax cap opponents say cities may lose up to \$150 million a year, if the initiative passes. Anchorage stands to lose \$73 million alone.

"If this were to pass, there would be a tremendous pressure to get rid of exemptions like the senior citizen

property tax exemption, exemptions in many communities for boats, airplanes, and personal property simply because there would be a crisis," said Kevin Ritchie, Alaska Municipal League.

"The critics are over blowing some real smoke out there, overestimating the actual net effect of the property tax initiative," said Rep. Pete Kott, R-Eagle River. "I have no reason to believe it will even come close to that."

But tax cap supporters say government has gotten too big and unresponsive to the needs of its citizens. They say frustration is so high that Alaskans will approve the initiative.


"I believe the reason why it will pass is because the residents of Anchorage, the constituents around the state, believe that government is just not listening," Kott said.

But one poll shows if the election were held today, Alaskans would oppose it.

"Our experience has been that as people find out more about the impacts, they're going to vote no," Ritchie said.

Meanwhile, the Senate finance committee is considering Elton's bill and a House committee plans to hold hearings on the impacts of the initiative later this week.

Anchorage and Fairbanks now limit property taxes to a prior year's tax revenue, plus any growth in the consumer price index, plus taxes on new construction.

 [Click here for more news in Alaska](#)

 [History](#)



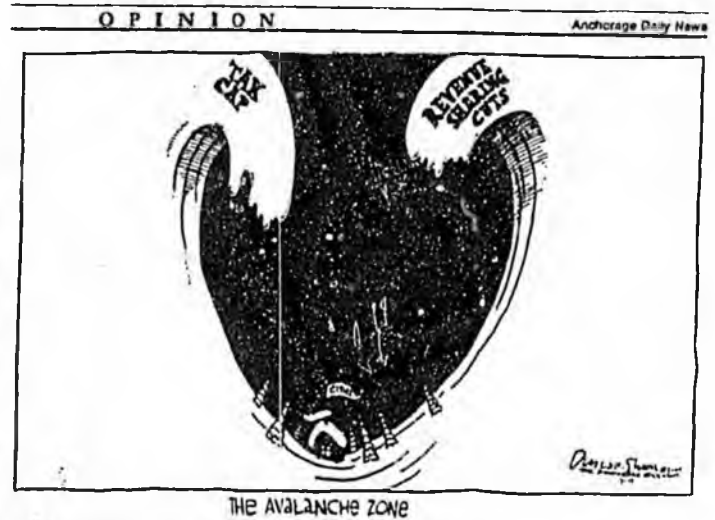
MSNBC is optimized for
• Microsoft Internet Explorer
• Windows Media Player

• MSNBC Terms, Conditions and Privacy © 2000

[Cover](#) | [Quick News](#) | [News](#) | [Business](#) | [Sports](#) | [Local](#) | [Technology](#) | [Living & Travel](#) | [Health](#) | [TV News](#) | [Opinions](#) | [Weather](#) | [Shop@MSNBC](#) | [MSN](#) | [Comics](#) | [Find](#) | [About MSNBC](#) | [Help](#) | [Index](#) | [Cool Tools](#) | [Jobs](#) | [Write Us](#) | [Advertising on MSNBC](#) | [Y2K Statement](#) | [Terms, Conditions, and Privacy](#)



Tax Cap Initiative Citizen Information Packet



Grassroots action YOU can take to save schools and other local services

- ◆ Call AML at 1-877-636-1325 to get on a mailing, e-mail, and fax list for up to date news on the initiative and teleconferences on statewide grassroots action.
- ◆ Talk to local groups and individuals who would be impacted by the initiative. Ask them to join you in opposing the initiative. **Create a local network or committee** to oppose the initiative. Major impacted groups are listed on the previous page.
- ◆ Consider **writing letters** to the editor to your local paper to give your feelings.
- ◆ Develop a **local fact sheet** highlighting local impacts.
- ◆ Consider starting a **local speakers bureau**.
- ◆ Consider passing **local resolutions** and discussing the local impacts during local council or assembly meetings.

Contents

1. Basics of what the proposed initiative does, and impacts on Alaskans.
2. How to start a grassroots movement against passage of the initiative.
3. Text of the proposed initiative.
4. Articles, letters, and an example of a local resolution about the proposed initiative

Introduction

A recent poll in Anchorage indicates that a **majority of voters who understand the consequences, do not support the tax cap initiative** because of the long-term negative impacts to the community, schools, other key public services, and jobs.

Everyone would like to avoid paying taxes, but very few Alaskans are willing to accept the consequences of inadequate key public services including schools, road maintenance, public safety, etc.

As more people know the facts about the impacts of the tax cap, grassroots opposition will continue to grow.

It is the job of every local elected official and concerned citizens in every community to make sure that everyone in their community has the basic facts about the tax cap initiative, and how it will affect your community, and the state as a whole. If the tax cap initiative passes, every community in Alaska, with or without a property tax, will feel the impact.

The Tax Cap Initiative Hurts Alaskans

Discussion Paper

(Alaska Municipal League 2/00)

The proposed initiative does two main things:

1. Limits local mill rates to **10 mills** per municipality, including future bond debt. (20 mills for residents of cities in boroughs)
2. Eliminates fair market value as the basis for determining how much taxpayers pay. The initiative would **restrict assessed valuation** to the lower of 2% or the CPI, despite actual market value increases, except when a property is constructed or sold.

This initiative:

- ◆ **Takes away your local choice and local power:** Why let people in other parts of the state set mill rates and new rules for you? Once set, your community can't change the statewide cap or the new rules. All communities already have the power to vote for local caps designed to meet the needs of their own community. Most have done so. Why give away your existing local power to choose?
- ◆ **Some people get tax breaks, some don't:** Owners with property of equal market value will pay different property tax amounts because fair market value will no longer determine your basis for taxation. The major property owners benefit the most.
- ◆ **If you live in a city in a borough, you are treated unfairly:** Each municipality gets a 10 mill tax cap. So the cap is 20 mills if you live in a city within a borough.
- ◆ **Critical local public services slashed:** The initiative would slash the major revenue by nearly half in our largest municipalities. Schools are the key municipal service funded by property taxes (Schools alone average 9.7 mills in the 3 largest municipalities). Cuts to other local services, such as libraries, parks, etc. would be devastating.
- ◆ **No new school or other public improvements:** The initiative cap also includes bond repayment for new capital construction. Not one existing local tax cap restricts bond debt approved by voters. Construction of new schools or other local improvements will be virtually impossible under the cap, even if overwhelmingly approved by local voters.
- ◆ **The initiative affects communities with no property taxes:** If the initiative is adopted, current State funds for education and other services will almost certainly be shifted to communities hardest hit by the initiative.
- ◆ **If you want stable property taxes, ask the legislature to stop cutting municipal revenue sharing programs:** According to State records, revenue sharing cuts by the legislature since 1986 are higher than the total of every property tax increase in every municipality. Even though municipal governments have worked hard to lessen the impact of State cuts, Legislative cuts are overwhelming local tax structures.

Who really gets hurt by the Tax Cap?

Families with students in urban schools - Schools are by far the main service funded by property taxes (from 7 to 11 mills of property tax in boroughs fund schools). Some communities (e.g. the Mat-Su Borough) couldn't fund schools fully even if they terminated every other service the Borough provides including road maintenance. *(Impacted groups/ associations: elected school boards, PTA, student organizations, Association of Alaska School Boards, Association of School Administrators, Alaska Education Association, local education associations)*

Families with students in rural schools - If urban schools are in crises, State school funding will almost certainly be shifted from rural schools. *(Impacted groups/associations: Rural Education Attendance Areas (REAA), rural municipal governments, tribal councils, native corporations and non-profits)*

Young or growing families wanting to buy a home - Under the new valuation rules imposed by the initiative, owners of newly purchased or constructed homes will pay higher taxes.

The Economy and Jobs- There will be virtually no locally funded construction of public facilities, and public services will decline well below what is available in other states. First, Alaska will be a less attractive place to do business. New businesses look for good and stable public services as a top consideration. Second, as government declines, the local economy loses private sector retail, construction, and service jobs. *(Impacted groups/associations: State and Local Chambers of Commerce, League of Women Voters, Alaska Fiscal Policy Council, Resource Development Council, Alaska Oil and Gas Association, corporations, businesses)*

Private Contractors/Construction workers - The initiative would effectively put a stop to new construction of public facilities because any new construction would have to be within the tax cap. Local voters would not be able to approve a bond issue that the cap wouldn't allow them to pay for. This is one of the biggest flaws of the tax cap initiative. No other local tax cap includes bonds approved by voters. *(Impacted groups/associations: Alaska Associated General Contractors, construction worker unions, architect and engineering firms and associations)*

Senior Citizens and Disabled Veterans: Seniors and veterans have nothing to gain and everything to lose if the initiative passes. They are currently exempt from property tax on the first \$150,000 of the value of their property. If property tax revenues are severely cut back, it is highly likely that it will be necessary for the State to end or severely reduce all tax exemptions. *(Impacted groups/organizations: Alaska AARP, Commission on Aging, Senior Centers)*

Human Services, Libraries, Public Transportation, Recreation, and Arts - Such services will be cut before schools and critical public safety services. *(“Friends of the Library” organizations, sports leagues and sports associations, arts associations, non-profit care organizations, churches, hospitals)*

The real estate industry and mortgage lenders: The initiative punishes homeowners with higher taxes if they sell their home, and new home buyers will pay higher taxes than those who have owned their homes longer. This creates a disincentive to build or buy a new home. *(Impacted groups/organizations: Real estate and home builders associations, banks)*

Renters: There is no requirement that landlords pass tax savings on to renters, but other taxes and fees will eventually be raised that renters will pay.

Examples of Borough Impacts:

Municipality of Anchorage: The initiative would reduce Anchorage's revenue by \$73 million.

Mat-Su Borough: Currently, the Mat-Su Borough allocates 11.5 mills to schools, 1 mill to general government operations, and between 2 and 2.5 mills approved by fire and road service areas. If you eliminated fire protection, road maintenance, and the rest of general government in Mat-Su, schools could still not be adequately funded.

City and Borough of Sitka: Sitka and the rest of Southeast Alaska are struggling to overcome the impacts of downturns in the timber and fishing industries. While Sitka's charter restricts the mill rate to 6 mills, the new restrictive rules on assessing property will increasingly hurt Sitka and reduce its ability to meet the communities' needs.

City and Borough of Juneau: Juneau has a voter approved 12 mill tax cap, but voters may vote to approve capital construction in addition to the cap. Juneau is already struggling with a projected \$4 million per year deficit primarily caused by state cuts to municipal revenue sharing. While Juneau's current mill rate is only about 10.5 mills, the initiative's cut on top of State cuts will hurt local services. More important, Juneau will not be able to build another school with local bonds, even if voters approve them.

Rural Alaska: The estimated loss of revenue statewide to municipalities the first year, if the initiative passes, will be over \$100 million. This crisis will necessitate the redistribution of State revenues for schools, public safety, and other State services provided to rural areas.



Alaska Division of Elections

**INITIATIVE PETITION BILL LANGUAGE
by Petition Sponsors**

**Petition ID: 99PTAR
An Act Providing Property Tax and Assessment Relief**

Posted 7/28/99

Proposed Bill:

BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA:

SECTION 1. FINDINGS AND PURPOSE.

The people of the State of Alaska find and determine that political and taxation power is vested in the People; that each person has the right to the enjoyment of the rewards of his or her own industry as guaranteed by Article 1, Section 1 of the Alaska Constitution; that substantial pressures will be placed on local governing bodies to raise taxes; that a substantial threat of additional and unwarranted taxation of the People presently exists; that the Alaska Legislature and the local governing bodies do not appear willing to protect the People against this taxation; that property owners should not be subjected to continuing large increases in taxes or assessments; that property owners should be entitled to rely for the future on assessed values on their properties that existed at the time of purchase; that lower taxes encourage economic growth; and that it is necessary for the People to place certain controls on the manner in which the People may be taxed.

SECTION 2. MUNICIPAL PROPERTY TAXATION AND ASSESSMENT.

1. AS 29.45.110 is repealed and reenacted to read as follows:

- a. The assessor shall assess property at its full and true value as of January 1 of the first assessment year after this statute takes effect, except as provided in this section and any other provisions of federal, state or local laws and regulations which require or authorize the assessment to be at a lower value. The full and true value is defined as the price that the property would bring in an open market at that time in a sale between a willing seller and a willing buyer both conversant with the property.
- b. In subsequent assessment years, the assess value may not be raised more than the rate of inflation as shown by the consumer price index, or comparable data, for the area under the taxing jurisdiction, but in no event to exceed two percent in any given year.
- c. Notwithstanding the provisions of subsection (b), property shall be reassessed at its full and true value as of January 1 of the subsequent year if the property is newly

constructed, or if a sale, purchase or change of ownership has taken place during an assessment year.

- d. The Legislature may create definitions and exceptions to subsection (c) to prohibit reassessment for types of sales, purchases or changes of ownership, including, but not limited to, transfers such as those within the family, creations of trust to benefit the family members, or transfers as a result of death, divorce, or marital dissolution. The Legislature may also allow the transfer of an assessment from one piece of property to another under appropriate circumstances, such as, but not limited to, eminent domain, taking of property by governmental action, changes of residence of any persons over age 65 who are qualified for the tax exemption authorized by AS 29.45.050(i) and who move to a residence of equal or lesser value.
- e. The subsections of AS 29.45.010 presently designated (b) and (c) are redesignated (e) and (f).

2. AS 29.45.090(a) is repealed and reenacted to read as follows:

A municipality may not, during any year, levy an ad valorem tax for any purpose in an amount in excess of one percent of the assessed value of property in the municipality, nor may it levy a tax on any particular piece of property in an amount in excess of one percent of the assessed value of that particular piece of property.

3. AS 29.45.100 is amended to read as follows:

The limitations provided for in AS 29.45.080 - 29.45.090 do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on bonds issued prior to January 1, 2001, but do apply to taxes levied or pledged to pay or secure the payment of principal and interest on bonds issued on or after that date. Taxes to pay or secure the payment of principal and interest on bonds issued prior to January 1, 2001 may continue to be levied without limitation as to rate or amount, regardless of whether the bonds are in default or danger of default.

SECTION 3. SEVERABILITY.

The provisions of this Act are independent and severable, and if any provision of this Act, or the applicability of any provision to any person or circumstance, shall be held to be invalid by a court of competent jurisdiction, the remainder of this Act shall not be affected and shall be given effect to the fullest extent practicable.

SECTION 4. EFFECTIVE DATE.

This initiative shall be effective when enacted according to law.



Initiative Petition Status Report



Alaska Division of Elections Home Page

Date OCT 21 1999

CHUGIAK-EAGLE
RIVER STAR



Anchorage Daily News

FOR PUBLIC SERVICE

Michael Carey
Editorial Page Editor

Patrick Dougherty
Editor

Fuller A. Cowell, Publisher, 1993-1999
Gerald E. Ority, Publisher, 1984-1993
Katherine Fanning, Editor and Publisher, 1971-1983
Lawrence Fanning, Editor and Publisher, 1967-1971
Founded in 1946 by Norman C. Brown

Property taxes

Petition doesn't merit your support

Nobody likes to pay property taxes.

But don't be seduced by the initiative that would cap property taxes in every Alaska community by state law.

Petition advocates say Alaskans are paying too much. They would like to cap local taxes at 10 mills. The mill rate for the Anchorage Bowl is 12 to 18 mills. An 18-mill rate means the owner of a \$100,000 house pays \$1,800 a year.

It's hard to resist a proposal that puts cash in your pocket. But ask yourself this: Are you prepared to live with the consequences?

City budget director Gene Dusek says that if the initiative passes, Anchorage would lose at least \$80 million a year. That's almost a third of next year's municipal budget.

While you are putting that cash in your pocket, the Assembly will be slashing road and school budgets, closing libraries and eliminating programs. And, oh, yes, the Assembly will begin searching for new sources of revenue — that is, new taxes.

Here's what else the statewide tax cap does:

- Creates a windfall for tax payers whose property is rapidly appreciating. These taxpayers will be spared payment on the true value of what they own.

- Destroys the ability of local people in any community to set their property tax rates. The taxing regime for Anchorage will have been mandated by people who don't live here.

- Handicaps local governments' ability to build schools and other improvements because the initiative would almost guarantee the city's inability to sell bonds. As Thomas Wilson of the Anchorage Chamber of Commerce board noted: "Capital projects approved by voters ... require a vow that residents will raise the money via any means possible to pay back the debt. With a cap of 10 mills, we cannot (say) this."

- Damages Anchorage's ability to present itself to Outside businesses and investors as a modern, progressive city. Sure, businesses appreciate lower taxes, but they also appreciate a city where the snow is quickly removed, parks are clean; and police, fire and emergency services are responsive. The tax cap will make Anchorage less attractive and less competitive.

Tax cap advocates have horror stories about Alaskans nearly ruined by oppressive property taxes. These stories are difficult to evaluate without the details. But generally it is not true that taxes are more burdensome here than elsewhere.

In fact, according to a 1997 study compiled by the District of Columbia, Anchorage's property tax burden for a family of four making \$50,000 is 24th out of the 51 cities compared (the largest city in each state plus D.C.). And the overall tax burden for this representative family is one-sixth that of one in Bridgeport, Conn.; one-fourth that of one in Portland, Maine; one-half that of one in Sioux Falls, S.D.; and something less than one-half that of one in Seattle. The Anchorage family pays about the same property tax as a similar family in Des Moines, Iowa, but only about 36 percent of the Des Moines family's total local and state taxes.

The initiative process is an important right guaranteed by the state constitution. But the initiative comes with a serious responsibility: the responsibility to become informed before signing a petition.

We believe that if you are informed, you won't sign the property tax petition, which looks so attractive at a distance yet is so unappealing up close.

If you would like more information on how Anchorage taxes compare with those elsewhere, you can reach editorial page editor Michael Carey at 257-4439 or via mcarey@adn.com.

Property tax cap decisions belong at municipal level

Voters love to pass property tax caps. It's an emotional thing, a knee-jerk reaction to rising property valuation and a sense among citizens that government gets too much money from us.

Voters in California capped their property taxes when they passed Proposition 13, with disastrous results. Juneau voters capped Juneau's property tax rate at 12 mills back in 1995. Juneau property owners currently pay 10.7 mills for city operations and another 1.52 mills for voter-approved debt, bringing our total mill rate to 12.22. Voter-approved debt isn't included in Juneau's property tax cap.

This fall, Alaskans will have a chance to pass a statewide property tax cap when they vote on a question being placed on the ballot through the voter initiative process. Lt. Gov. Fran Ulmer certified the ballot question, which would limit property taxes statewide to 10 mills – 1 percent of the assessed value.

That may be a good thing for some communities, but it would not be a good thing for all of them. It would also hamstring the ability of communities to set their own tax rates, and that's just not fair. Communities should have the right to cap their property taxes, but they should also have the right to set them where they wish – whether that be higher or lower than the state average – through the majority vote process.

This voter initiative implies that every city and town is identical in its resources and needs, and we know that is not the case. Towns have varying needs and varying tax bases. Some have property taxes and no sales taxes, while others use a mix of both property and sales taxes to come up with the money to keep city operations running.

Sen. Kim Elton of Juneau has proposed a measure that would amend the initiative so that cities could opt out of the tax cap if voters so choose. Senate Bill 227 would allow municipalities with residents who want to pay higher taxes to do so by overriding the state tax cap, if the initiative passes. That's the correct way to set property taxes – not at the state level, but at the municipal level.

If the initiative passes in November, Juneau's property tax rate would drop and that drop would cancel out the will of Juneau voters. Because people in Wasilla or Palmer want to have their property taxes capped, should their will be imposed on the rest of the state? We think not. Juneau would lose about \$1.5 million in revenues at a time when the city is already reeling from state municipal revenue sharing cuts.

There's yet another problem with the voter initiative that will appear on the ballot. It sets the overall mill rate at 10, and that applies not only to operations, but to voter-approved debt. This unusual and foolhardy wording would pretty much disable municipalities from being able to issue bonds for projects like schools and police stations. Voters would essentially not be able to build public projects through the issuance of municipal bonds.

An example is the bond issue voters in Juneau approved to build a new high school, if and when the state agrees to pay for half of the cost. Under the initiative, it's doubtful that bonds could be sold, because bond buyers would perceive greater risk in doing business with a community that could not meet its obligation by raising its mill rate, if necessary. In other words, the concept that a community pledges its "full faith and credit" behind bonds it issues would be seriously eroded, and bonds would likely cost a great deal more for the municipality.

Sen. Elton's bill would also address that problem – partially at least – by removing school bonds from the overall mill-rate calculation used in the proposed cap. But his bill would not address the other problems associated with the initiative.

The tax cap initiative hampers local governments and would be harmful to communities across the state. Let's keep the control with local communities, where it belongs. Senate Bill 227 allows voters to do just that.

Date JUL 25 1999
FAIRBANKS
DAILY NEWS-MINER

Client No. 0199

Property tax petition has serious mistake in draft

0199-201.
A petition is circulating around Alaska for a ballot initiative that would put a strong statewide ceiling on property tax rates.

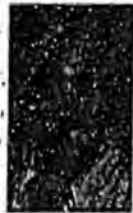
The initiative petition was certified by Lt. Gov. Fran Ulmer last month. The sponsors of the initiative must gather 22,716 signatures from qualified voters in order to get it on the 2000 election ballot.

The issue deserves some attention and debate, since it has vast potential impact on municipal government finances if it should pass. If the petition gets the required signatures this year, the Legislature might also shortstop it by passing a similar limitation next spring.

There are already limits on municipal property taxes in state statutes, but they are far higher than the political threshold of pain in most Alaska communities. Current state law limits property taxes to no more than three percent of the assessed value of property, or 30 mills.

Voters in some communities, like Fairbanks, have protected themselves with lower property

Fred Pratt



tax ceilings adopted by local ballot initiatives.

Current law also limits taxes in a municipality to no more than \$1,500 a year for each person, and there is also a limit on assessments that is related to the total statewide assessed value.

The proposed state initiative would lower that statewide property tax limit to one percent, or 10 mills. It would also freeze property tax assessments at the full and true value of property on Jan. 1, 2001, with tightened language that will weaken the effect of recent real estate sales on a home's assessment. After 2001, a property's assessment could only be increased as much as the Consumer Price Index rises for the area or no more than 2 percent a year, unless ownership changes.

Finally, taxes to repay general obligation bond debt issued after

Jan. 1, 2001, are included under the new 1 percent limit, but taxes to repay older bonds are exempt.

The initiative is sponsored by Uwe Kalenka, Scott Kohlhaas and Robert Monson. Kohlhaas is also a sponsor of the sweeping marijuana legalization initiative I wrote about earlier this month.

The initiative would inscribe in state law a sweeping policy statement with a finding that the people of Alaska must take this firm step in order to control elected officials that ignore our interests.

The statement reads, "The People of the State of Alaska find and determine that political and taxation power is vested in the People; that each person has the right to the enjoyment of the rewards of his or her own industry as guaranteed by Article I, Section 1 of the Alaska Constitution; that substantial pressures will be placed on local governing bodies to raise taxes; that a substantial threat of additional and unwarranted taxation of the People presently exists; that the Alaska Legislature and the local governing bodies do not appear willing to protect the People

against this taxation; that property owners should not be subjected to continuing large increases in taxes or assessments, that property owners should be entitled to rely for the future on assessed values on their properties that existed at the time of purchase; that lower taxes encourage economic growth; and that it is necessary for the People to place certain controls on the manner in which the People may be taxed."

The change in assessment policy is significant. Current law says property must be assessed at the "full and true value," which is defined as "... the estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels."

The initiative would remove the words "and with prevailing general price levels." That would block an assessor from using recent sales of similar homes in your neighborhood as a justification for raising your assessment.

There is one serious drafting

glitch in the initiative that will be of interest to business owners in municipalities that tax personal property as well as real property.

The initiative repeals the contents of AS 29.45.110 and replaces it with new text. That statute defines "true and fair value" in its subsection "a," but subsections "b" and "c" of that statute specify how business inventories and are assessed.

The initiative further provides "The subsections of AS 29.45.010 presently designated 'b' and 'c' are redesignated 'e' and 'f.'" The citation of the statute has the wrong number. The effect would be to simply renumber two unrelated subsections of AS 45.29.010 instead, leaving the current business inventory law repealed.

It's puzzling how this passed through the lieutenant governor's office and a two-month-long review by the Department of Law. My eyes are no better than theirs, so (as I noted also with the marijuana initiative) they're apparently willing to let poorly drafted initiatives go on the ballot.

Fred Pratt, a free-lance journalist in Fairbanks, is a longtime reporter and observer of Alaska politics.

Tax proposal holds danger

The proposed statewide ballot initiative to limit property taxes is a popular topic. I'm told that more than 22,000 people signed the petition that was turned into the lieutenant governor's office.

While I certainly would enjoy the prospect of lower property taxes, there is a fundamental danger in the proposal that outweighs my desire for lower taxes. I call the danger "representation without taxation." It would allow people from all over Alaska, most of whom do not have property taxes, to determine property tax limits for those of us who do pay them. I don't quite understand why people in Anchorage should give tax decision powers to people outside of Anchorage.

Conversely, I don't think it's right for me to vote on property taxes for other communities that I don't live in. As an elected representative I support policies that push power to the local level. This idea of ceding our local tax authority to statewide authority seems to go against the grain. I'd like to hear what other folks think about this.

— Rep. John Cowdery
R-Anchorage

Prop. 13 doesn't apply here

Will Mr. Uwe Kalenka and other proponents of the property tax cap initiative, which was modeled after California Prop. 13, explain why they neglected to bring out the fact that California had and continues to have taxes other than property taxes? Would Prop. 13 pass if California counties, cities, and/or municipalities operated on taxes collected from property taxes? I really doubt it.

Further, why would the people and locations most affected by this initiative let people in the rural areas, with no property taxes, vote on this? Would it be because this initiative would never pass without the help of the nontaxed rural residents?

With a tax cap in place, will the municipalities be able to put together the 10 percent need to match and obtain federal funding? Losing federal funding will be such a waste since the people of Alaska would watch our federal taxes be handed out to outsiders vs. part of it coming back to support our communities.

— Douglas Panilo
Anchorage

Tax cap will hurt deeply

There have been several letters to the editor about the lousy condition the streets are in after a big snow dump. If you look up from this paper and out your window, you'll see what I mean. Look closely, because if the mill rate cap passes, it'll be much, much worse.

Where do these people think the \$80 million Anchorage will lose is going to be made up? Think about it. As you try and drive your kids to the only library still open in town, the one that will only be open three days a week, you'll get stuck in the deep snow or slide off the road. Possibly some cheechako who has no clue about driving here will nail you. You'll use your cell phone to call the cops. Only, since there's been massive layoffs, it'll take several hours for one to come. Let's also pray that you don't need a fireman, as the city will have already closed a couple more fire stations.

When the promoters of this bone-headed idea say the city only needs to provide the basics, those, unfortunately, will be the first to go. Those of us who have lived here a number of years will remember what happened with Mr. Tight Fist himself, Tom Fink, got elected. What happened to basic services? He closed fire stations, froze police hiring and closed libraries all over town and stopped book buying at Loussac — something they still haven't recovered from. In the end we'll all pay dearly for this cap.

— Ross G. Homer
Anchorage

Police prove Kalenko wrong

Uwe Kalenko's vision of Anchorage is a city that only needs water, sewers and roads to thrive. One can only wonder what his civics grade was, since he thinks education is unnecessary.

It is ironic that the "unnecessary" police quickly solved the case and made arrests in the tragic shooting of the Wendy's restaurant manager. As a restaurant manager himself, did this not give him pause in pronouncing all municipal services as special interests?

— Darrell L. Johnson
Anchorage

TAX: Nikiski stands to lose big under proposed cap

By TONY LEWIS
Daily News correspondent

SOLDOTNA — A statewide proposal to limit property taxes could cost Nikiski residents dearly in lost services while the oil industry and state of Alaska pocket the bulk of the tax savings.

Nikiski homeowners would see a small break on their tax bills if the initiative passes, but the community would lose millions in tax revenues as a result.

That's because in North Kenai — where oil platforms, a chemical fertilizer plant, an

oil refinery and a liquid natural gas plant dominate a tax base assessed at more than \$1 billion — big business pays roughly 75 percent of the area's property taxes.

Over the years, Nikiski residents have counted on that tax base to pay for fire-fighters, an indoor swimming pool, recreational programs and free meals to seniors, among other things. The initiative's 10-mill tax cap would slice \$2.5 million from Nikiski's revenue.

A 10-mill tax equals \$1,000 in taxes on property worth

\$100,000.

"It's really a few people that have initiated this, inflicting their will on the rest of us," said Jack Brown, who represents Nikiski on the Kenai Peninsula Borough Assembly. "For some idiots outside this borough to limit the fire department and put people's lives in jeopardy — those are fighting words."

The initiative, scheduled for the November ballot, is intended primarily to put money back into the wallets

See Page B-2, TAX

Continued from Page B-1

of homeowners, said Uwe Kalenka of Anchorage, one of the initiative's sponsors.

Regardless of how the tax cap plays out in individual communities, Kalenka said he believes Alaskans on the whole need property tax relief. It was easier to write a statewide initiative than fight for lower taxes in scores of communities, where property taxes are traditionally determined, he said. The Kenai Peninsula Borough alone has 19 distinct taxing districts.

"The problem is widespread," Kalenka said. "Our basic contention is housing is a basic need. We have people who have tremendous difficulty in paying (property) taxes."

Nikiski's Brown looks at the figures from his community and concludes Kalenka is misguided.

Of the \$2.5 million Nikiski would lose in taxes, roughly one-fourth, or \$600,000, would be returned to homeowners and small businesses. Oil companies would receive an estimated \$900,000 break for reduced taxes on the property not used for exploration, production and transportation.

Plus, a quirk in the way the state taxes the oil industry would divert another \$1 million from Nikiski to the state treasury.

Here's why: The state charges a 20-mill tax on property involved in the exploration, production and transportation of oil and natural gas. However, the state only keeps revenue from taxes above the rate levied by local governments.

For example, in the Nikiski area, where the local property tax is 12.43 mills, the state collects 7.57 mills of tax on oil properties.

If Nikiski's property tax is capped at 10 mills, the owners of the oil platforms and other infrastructure used for finding, pumping and moving crude would still pay 20 mills. But a bigger portion of that check would go to the state.

In Nikiski, that's about \$1 million.

"I'm really ticked at the people who have initiated this," Brown said. "This may make sense in other places of the state, but it doesn't make any sense to me."

The oil industry could realize even bigger benefits in the future under the initia-

tive. In addition to setting a tax cap, the measure limits annual increases in assessed property values at 2 percent. The initiative does not limit how much property values can decline.

Oil industry property values can fluctuate wildly depending on the price of crude and other factors. As an example, oil prices were in sharp decline until recently. As a result, oil industry property on the Peninsula declined in value by 25 percent over two years, said Jeff Sinz, the borough's finance director. Now that oil prices have rocketed, industry property values are rising.

Under the proposed initiative, however, some industry property values would be held artificially low for years. That would mean lower tax bills for the industry at the expense of the average taxpayer, Sinz said.

Looking beyond the Peninsula, the initiative would likely limit capital projects like schools, libraries, police stations and harbor improvements across the state, said Deven Mitchell, the state's debt manager.

Traditionally, local governments borrow money

through bond issues to fund those projects, Mitchell said. To pay off the debt, property taxes are temporarily raised. If a community is up against the 10-mill cap, however, a different source of revenue would have to be found.

"It's really going to string cities and boroughs across the state of Alaska," said Kalenka.

One way communities could make up the revenue loss is with a sales tax. That could contradict the initiative backer's stated purpose, to help Alaskans make ends meet.

The Peninsula's poorest people feel the sales tax hardest. The tax is levied on the first \$500 of any purchase. So while rent, food and clothing are usually taxed for the entire amount, big-ticket items like automobiles, snowmachines and vacation packages are taxed on a small portion of their total price.

"The necessities of life are all taxed," said Larry Semmens, finance director for the city of Kenai.

Tax cap petition chills city brass

10-mill property levy limit may go to voters

By LIZ RUSKIN
Daily News reporter

A statewide initiative to cap local property taxes seems headed for the ballot next year, and Anchorage political leaders say if it passes it would blow a big hole in the city budget.

"It would be semidevastating, I think," said Anchorage Assemblyman Dan Sullivan. "You'd be looking at about half the budget of the city from property taxes going away."

The proposal, sponsored by an Anchorage restaurant manager and two other Anchorage men, would cap the tax rate for all local governments at 10 mills. The mill rate for the Anchorage Bowl now ranges from 12 to 18 mills, depending on what service area the property is in. A rate of 18 mills means the owner of a \$100,000 house pays \$1,800 a year.

If the initiative passes, Anchorage would

lose at least \$80 million a year, said Gene Dusek, city budget director. In fact, most of the larger local governments in Alaska now have tax rates of more than 10 mills, according to state figures, and would therefore lose revenue under the initiative. Some property owners in Fairbanks pay nearly 23 mills to the borough and city. Those in Soldotna pay almost 13. Palmer residents pay nearly 15.

Uwe Kalenka, the primary sponsor of the initiative, said Alaskans are desperate for lower property taxes. The politicians will have to deal with whatever shortfall results, he said.

"It's their job to figure it out," he said. "It's not my problem."

The petition has more than the 22,700 sig-

Please see Back Page, PETITION

PETITION: Cap would halve Anchorage level

Continued from Page A-1

natures needed to get on the ballot, said sponsor Robert Monson. Petition circulators are gathering more in case some are found invalid, he said.

Under the initiative, Anchorage would have to cut back drastically on the services it provides, said Assemblyman Dan Kendall.

"It would be very difficult," he said. "We'd have just a bare-bones government at 10 mills."

One option for covering the shortfall, Kendall said, would be for the city to stop paying for education and leave school funding to the state. When city officials raised the specter of a 10-mill tax cap at a meeting last week with Anchorage-area legislators, the state lawmakers didn't offer any solutions.

This spring, the Legislature cut state aid to cities by one-third, which cost Anchorage \$5.8 million. In September, after voters rejected a plan to spend Permanent Fund earnings, several key legislators said they'll have to make deeper cuts in the state budget next year.

Anchorage's options for raising money also are limited by a 1997 city ballot measure that said a sales tax may only be imposed if 60 percent of voters approve. The Anchorage city charter limits property tax increases from one year to the next under a formula that takes into account changes in population and the cost of living. Voter-approved bond issues are exempt from the city's tax cap, however.

Kendall predicted that after a few lean years under a 10-mill cap, Anchorage voters would adopt a hefty sales tax.

According to Assembly staff figures, it would take a sales tax of about 10 percent to make up the shortfall.

The petition's 10-mill cap would apply to future bond propositions, which is another reason Sullivan opposes it. Anchorage voters usually approve road and school maintenance bonds, proving they want their roads and schools in good shape and are willing to pay for them, he said.

"I have a real problem with laws that say people can't tax themselves," he said.

Kalenka said the minority of people who vote is imposing taxes on a large number of property owners.

"The population is sick and tired of being taxed," he said.

He said he began promoting the tax cap after helping an elderly friend fight increases in his assessment. Senior citizens don't have to pay property taxes on the first \$150,000 of assessed value of their homes, but this friend had to leave the state for health reasons and didn't qualify for the exemption, Kalenka said. Kalenka said the experience, which took him to the city's board of equalization, was degrading.

"The arrogance of the board is rather glaring," he said. "They made me feel — how should I say? — subhuman."

Shelter, he said, is an essential need. He believes property taxes are making it hard for people to keep their homes.

So he and like-minded people got together to see what could be done. With help from the Los Angeles-based Howard Jarvis Taxpayers Association, they wrote an initiative based on California's Proposition 13 from 1978.

"We looked at what California did 20 years ago, and we copied it," he said.

Alaskans, he said, have responded enthusiastically.

"You should hear some of the horror stories," he said.

One impoverished single mother sent him \$20 for the cause, he said, which shows him how badly Alaskans want property tax relief.

Like Proposition 13, his tax-cap initiative would also change the way the value of a property is figured for tax purposes. Instead of being based on an assessor's estimate, taxes would be based on the actual selling price. And the assessment could grow by no more than 2 percent a year.

The selling price, Kalenka said, is a more accurate measure of a property's value.

Californians disagree about the legacy of Proposition 13. Fans say it has meant lower, predictable property taxes. Others say it has hamstrung local governments and resulted in inequities: people who stay in their houses for a long time pay low taxes, while new homeowners in similar houses pay more.

"What's wrong with that?" Kalenka asked. People who stay in a house and improve it should be rewarded, he said.

□ Reporter Liz Ruskin can be reached at lruskin@adn.com.

<http://www.newschoice.com/newspapers/Fairbanks/MIner/default.asp>

Ballot petition would cap property tax rate

Thursday November 11, 1999

By ROD BOYCE
Staff Writer

A ballot petition that seeks to limit Alaska municipalities to a 10 mill property tax rate would cut the Fairbanks North Star Borough's tax revenue nearly 30 percent and cause havoc with the borough's budget, Mayor Hank Hove said Wednesday.

"It would wipe out a good deal of services," Hove said. "We may have to close the library and bus system. We can't fine-tune anything down anymore.

"What we're looking at is to shed entire functions."

The petition's sponsors -- an Anchorage restaurateur and two other Anchorage residents -- say they have more than the required 22,700 signatures needed to put the measure on the November 2000 ballot but are collecting more in case some are ruled invalid.

The proposed tax cap would limit all local governments to a rate of 10 mills, or 1 percent, of a property's assessed value. That cap would not apply to taxes levied or pledged to pay for bonds -- such as those for school improvements -- issued prior to Jan. 1, 2001. Bonds issued on or after that date would fall under that cap.

The cap wouldn't now affect the cities of Fairbanks and North Pole, which each have property tax rates well below 10 mills -- 6 mills for Fairbanks and 2.3 mills for North Pole.

Uwe Kalenka, the primary sponsor of the initiative, said Alaskans are desperate for lower property taxes. The politicians will have to deal with whatever shortfall results, he said.

"It's their job to figure it out," he told the Anchorage Daily News. "It's not my problem."

Most of the larger local governments in Alaska have tax rates of more than 10 mills, according to state figures, and would therefore lose revenue under the initiative.

The mill rate for the Anchorage Bowl now ranges from 12 to 18 mills, depending on what service area the property is in. The city's budget director estimates the city would lose at least \$80 million a year.

The Fairbanks North Star Borough's base property tax rate is 14.48 mills, or \$1,448 in annual property taxes on a \$100,000 house. Residents in service areas pay additional taxes.

Residents in the city of Fairbanks pay more than 20 mills -- their city's rate and the borough's rate combined -- although it's not clear how the

initiative would affect property taxed by two independent governments.

"It's a little troubling to see how easy it is to pick up signatures," Hove said of the petition. "People tend to see it as putting money back in their pockets. Too many don't think government does anything.

"This would materially change the landscape in Alaska," he said. "I don't think I'd want to live here."

The borough's revenue from property taxes would tumble \$17 million, to about \$41 million, the first year after the measure takes effect.

The amount the borough would have to trim, assuming it doesn't make up the amount through users fees or a sales tax, equates to just over half the borough contribution to the school district budget. It is slightly more than the combined budgets of the public works and parks and recreation departments.

The overall borough budget, including all revenue sources, was \$89 million this year.

In North Pole, property taxes account for a small portion of the city's yearly revenues. The bulk of the city's revenue comes from its 3 percent sales tax, which is expected to raise about \$1.14 million in 2000.

Fairbanks Mayor Jim Hayes, his city not threatened by the cap, wouldn't say whether he thought the statewide cap a good idea or a bad one. "I don't know if we'd oppose it or not," he said. "Everything I've heard from other mayors is it would be bad. But some people might like it."

The Associated Press contributed to this report.

© 1999 MediaNews Group, Inc. and Fairbanks Publishing Company, Inc.

12/20/99 MON 13:14 FAX

**NORTH SLOPE BOROUGH
RESOLUTION NO. 77-99**

**A RESOLUTION OPPOSING STATWIDE
PROPERTY TAX CAPS BECAUSE IT REMOVES
THE POWER OF LOCAL VOTERS**

WHEREAS, the proposed initiative imposing a Statewide Cap on local property taxes and assessments would:

1. Limit local mill rates everywhere in the State of Alaska to 10 mills, including taxes to pay for future bonded indebtedness.
2. Limit increases in the assessed value of individual properties to the CPI, but no more than 2 percent per year.

Would remove the power of local voters to approve local taxes at levels that meet the needs of their community including the power to impose local tax or revenue caps particularly suited to their communities; and

WHEREAS, statewide limitations would take away local voter control allowing people in one part of the State of Alaska to set mill rates for people in other municipalities; and

WHEREAS, if the proposed initiative is adopted, owners of property of equal market value may pay different property tax amounts because:

1. Property will be assessed at true market value when property is constructed or sold, which means that a newly purchased or constructed home could pay much higher taxes than another property of equal value that had not recently been sold might thereby be assessed at a lower value.
2. The market values of property in any community may grow at different speeds, meaning that capping assessed values may give a tax break to property owners who live in communities with property that is growing at a greater than 2 percent rate while requiring taxpayers in communities with less than 2 percent growth to pay at full and true value; and

WHEREAS, several municipalities have property tax rates substantially above 10 mills, some up to 19 mills. This initiative therefore would cut those major sources of local revenues nearly in half for those communities. Schools are the key municipal service funded by property taxes, and reduction in property taxes will threaten the quality of education in many communities; and

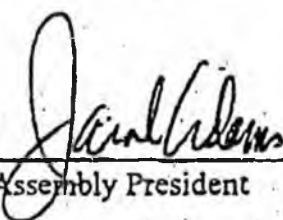
WHEREAS, the proposed initiative's 10 mills tax cap includes taxes imposed to pay bonds for new capital construction. It is unlikely that new schools or other local improvements could be built, even if desired by local voters, if a Statewide Cap makes it impossible to provide for repayment of the bonds; and

NOW, THEREFORE BE IT RESOLVED,

That the Alaskan voters are urged not to support the proposed Statewide Property Tax Cap Initiative because it would remove the power of local voters, and could effectively halt school and other necessary capital construction, and could create an inequitable system of taxation in which owners with equal property values could pay different amounts of property tax.

INTRODUCED: December 7, 1999

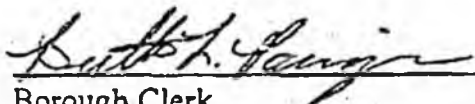
ADOPTED: December 7, 1999



NSB Assembly President

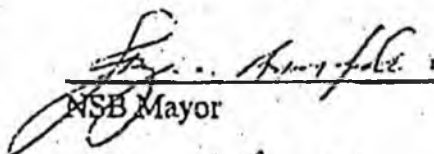
Date: 12-7-99

ATTEST:



Borough Clerk

Date: 12-8-99



NSB Mayor

Date: 7 December 1999

**INITIATIVE PETITION:
AN ACT PROVIDING PROPERTY TAX AND ASSESSMENT RELIEF.**

BE IT ENACTED BY THE PEOPLE OF THE STATE OF ALASKA:

SECTION 1. FINDINGS AND PURPOSE.

The People of the State of Alaska find and determine that political and taxation power is vested in the People; that each person has the right to the enjoyment of the rewards of his or her own industry as guaranteed by Article I, Section 1 of the Alaska Constitution; that substantial pressures will be placed on local governing bodies to raise taxes; that a substantial threat of additional and unwarranted taxation of the People presently exists; that the Alaska Legislature and the local governing bodies do not appear willing to protect the People against this taxation; that property owners should not be subjected to continuing large increases in taxes or assessments; that property owners should be entitled to rely for the future on assessed values on their properties that existed at the time of purchase; that lower taxes encourage economic growth; and that it is necessary for the People to place certain controls on the manner in which the People may be taxed.

SECTION 2. MUNICIPAL PROPERTY TAXATION AND ASSESSMENT.

(1) AS 29.45.110 is repealed and reenacted to read as follows:

(a) The assessor shall assess property at its full and true value as of January 1 of the first assessment year after this statute takes effect, except as provided in this section and any other provisions of federal, state or local laws and regulations which require or authorize the assessment to be at a lower value. The full and true value is defined as the price that the property would bring in an open market at that time in a sale between a willing seller and a willing buyer both conversant with the property.

(b) In subsequent assessment years, the assessed value may not be raised more than the rate of inflation as shown by the consumer price index, or comparable data, for the area under the taxing jurisdiction, but in no event to exceed two percent in any given year.

(c) Notwithstanding the provisions of subsection (b), property shall be reassessed at its full and true value as of January 1 of the subsequent assessment year if the property is newly constructed, or if a sale, purchase or change of ownership has taken place during an assessment year.

(d) The Legislature may create definitions and exceptions to subsection (c) to prohibit reassessment for types of sales, purchases or changes of ownership, including, but not limited to, transfers such as those within the family, creations of trust to benefit the family members, or transfers as a result of death, divorce or marital dissolution. The Legislature may also allow the transfer of an assessment from one piece of property to another under appropriate circumstances, such as, but not limited to, eminent domain, taking of property by governmental action, changes of residence of any persons over age 65 who are qualified for the tax exemption authorized by AS 29.45.050(i) and who move to a residence of equal or lesser value.

(e) The subsections of AS 29.45.010 presently designated (b) and (c) are redesignated (e) and (f).

(2) AS 29.45.090(a) is repealed and reenacted to read as follows:

A municipality may not, during any year, levy an ad valorem tax for any purpose in an amount in excess of one percent of the assessed value of property in the municipality, nor may it levy a tax on any particular piece of property in an amount in excess of one percent of the assessed value of that particular piece of property.

(3) AS 29.45.100 is amended to read as follows:

The limitations provided for in AS 29.45.080 - 29.45.090 do not apply to taxes levied or pledged to pay or secure the payment of the principal and interest on bonds issued prior to January 1, 2001, but do apply to taxes levied or pledged to pay or secure the payment of principal and interest on bonds issued on or after that date. Taxes to pay or secure the payment of principal and interest on bonds issued prior to January 1, 2001 may continue to be levied without limitation as to rate or amount, regardless of whether the bonds are in default or danger of default.

SECTION 3. SEVERABILITY.

The provisions of this Act are independent and severable, and if any provision of this Act, or the applicability of any provision to any person or circumstance, shall be held to be invalid by a court of competent jurisdiction, the remainder of this Act shall not be affected and shall be given effect to the fullest extent practicable.

SECTION 4. EFFECTIVE DATE.

This initiative shall be effective when enacted according to law.

MAY 27 1999

MEMORANDUM

LIEUTENANT GOVERNOR

State of Alaska

Department of Law

TO Honorable Fran Ulmer
Lieutenant Governor

DATE May 25, 1999

FILE NO 663-99-0214

TEL NO 465-3600

SUBJECT Initiative application re: assessment
and taxation of property

FROM *Sarah J. Felix*
Sarah J. Felix
Assistant Attorney General
Governmental Affairs Section - Juneau

I. INTRODUCTION AND SUMMARY

You have asked us to review an application for an initiative petition entitled "an act providing property tax and assessment relief." We have completed our review and find that the application complies with the constitutional and statutory provisions governing the use of the initiative. Under these circumstances we recommend that you certify the application.

II. SUMMARY OF THE PROPOSED BILL

The bill proposed by this initiative application would repeal and reenact various sections concerning municipal property taxation and assessment in AS 29.45. See section 2 of the bill to be initiated. The bill also contains a "findings and purpose" section, a severability clause, and an effective date clause. See sections 1, 3, and 4 of the bill to be initiated.¹

In an effort to fully understand the proposed bill, we have consulted with Steve Van Sant, the state assessor. Mr. Van Sant reviewed the initiative and concluded that it is a "Proposition 13" type initiative, modeled after California's famous tax initiative. Mr. Van Sant identified four major components of the bill. In section 2, the revision of AS 29.45.110 would mean that property assessments could not be increased more than two percent per year. The full and true value of property

¹ This is the second attempt by these sponsors to propose a "Proposition 13" type property tax relief initiative. The sponsors' earlier attempt targeted only one statute, AS 29.45.110(a), making relatively minor changes in the method for assessment of property for taxation. This new initiative proposal is far more comprehensive than the earlier proposal, and seeks to make significant amendments to critical statutes on the assessment and taxation of property in Alaska. The most noteworthy provisions of the proposed initiative would reduce the upper limit on the amount of the mill rate from 30 to 10 mills, include taxes used to pay for bonded indebtedness in the 10 mill limit, (previously, bonded indebtedness was not included in the 30 mill limit), and limit increases in assessed value to no more than 2% per year.

for assessment purposes would be set on January 1 of the first assessment year after the bill takes effect. The full and true value at that time would be "the price that the property would bring in an open market at that time in a sale between a willing seller and a willing buyer both conversant with the property." However, if property were sold (or "newly constructed") following this initial assessment, it could be reassessed. Proposed AS 29.45.110(d) specifically authorizes the Legislature to enact statutes that would prohibit reassessment, and allow the transfer of an assessment from one piece of property to another.²

Also in section two of the proposed bill, AS 29.45.090(a) is repealed and reenacted to limit tax levies for any purpose to no more than one percent of the assessed value of property in the municipality, and to limit the tax levy on any particular piece of property to no more than one percent of the value of that property. AS 29.45.100 is amended to apply the previously described limitations on taxation to taxes levied to secure payments on bonds issued after the effective date of the proposed bill.

Mr. Van Sant expressed concerns regarding interpretation and implementation of various parts of the bill. For instance, the proposed amendment to AS 29.45.110(b) references "the consumer price index," however, there are two consumer price indexes that could apply. Also, proposed AS 29.45.110(b) does not consider what happens to property assessments if property values decrease dramatically. Further, the amendment proposed to AS 29.45.110(a) removes crucial "prevailing market conditions" language from the provision requiring assessment of property at its full value. As a result, sales of property that did not meet prevailing market conditions could be used to establish the value of a property, thereby opening the door to fraudulent conveyances. Also, the proposed amendment to AS 29.45.090(a) removes language requiring that all property be taxed at the same rate, thereby allowing varying tax rates on different types of property, such as residential versus commercial property. However, these matters are post-election questions that should not be addressed in our preelection review of this initiative.

III. ANALYSIS

Under AS 15.45.070, the lieutenant governor is required to review an application for a proposed initiative and either "certify it or notify the initiative committee of the grounds for denial." The grounds for denial of an application are that (1) the proposed bill is not in the required form; (2) the application is not substantially in the required form; or (3) there is an insufficient number of qualified sponsors. AS 15.45.080.

² This part of the proposed bill is probably unnecessary as the Legislature would generally have the power to subsequently enact statutes, subject to the limitation set out in Warren v. Thomas, 568 P.2d 400 (Alaska 1977) that amendments within two years of enactment of an initiative not amount to an effective repeal of the initiated law.

A. The Form of the Application

The form of an initiative application is prescribed in AS 15.45.030, which provides:

The application shall include (1) the proposed bill to be initiated, (2) a statement that the sponsors are qualified voters who signed the application with the proposed bill attached, (3) the designation of an initiative committee of three sponsors who shall represent all sponsors and subscribers in matters relating to the initiative, and (4) the signatures and addresses of not less than 100 qualified voters.

The application meets the first three requirements. With respect to the fourth requirement, your office determines whether the application contains the signatures and addresses of not less than 100 qualified voters.

B. The Form of the Proposed Bill

The form of a proposed initiative bill is prescribed by AS 15.45.040, which requires that (1) the bill be confined to one subject; (2) the subject be expressed in the title; (3) the enacting clause state, "Be it enacted by the People of the State of Alaska;" and (4) the bill not include prohibited subjects. The prohibited subjects -- dedication of revenue, appropriations, the creation of courts or the definition of their jurisdiction, rules of court, and local or special legislation -- are listed in AS 15.45.010 and in article XI, section 7 of the Alaska Constitution. Constitutional amendments are also a prohibited subject. Starr v. Hagglund, 374 P.2d 316, 317 n.2 (Alaska 1962). Cf. Whitson v. Anchorage, 608 P.2d 759, 762 (Alaska 1980). Although Whitson involved a municipal initiative in conflict with a state law, we have previously taken the position that its holding is equally applicable to a proposed initiative that is plainly inconsistent with a provision of the Alaska constitution. See e.g. 1991 Inf. Op. Att'y Gen. (Feb. 5, 663-90-0190). Under these standards this proposed bill is in the required form.

We have considered the following issues raised by the proposed initiative: whether the bill to be initiated proposes a constitutional amendment, whether it amounts to a surrender or delegation of the constitutional taxing power, whether the initiative proposes an appropriation or repeal of an appropriation, whether the subject of the initiative is "clearly inapplicable" to the use of the initiative process under art. III, sec. 11 of the constitution, whether the initiative is an impermissible restriction of municipal home rule powers, whether the taxation scheme to be enacted in the initiative violates the state constitutional guarantee of equal protection, and whether the initiative would cause an impairment of government bond obligations. Although we have considered these issues, and noted concerns regarding the operation of the bill to be initiated, a petition for an initiative which is otherwise in proper form cannot be rejected because it is unwise or substantively unconstitutional. The courts will not entertain a challenge to an initiative's substantive constitutionality unless or until the initiative passes. Boucher v. Engstrom, 528 P.2d 456, 460 (Alaska 1974). Nor will it do so if the law

is of doubtful wisdom or effectiveness. Yute Air Alaska v. McAlpine, 698 P.2d 1173, 1176 and 1181 (Alaska 1985).

C. Conclusion

For the above reasons, we recommend that you certify this initiative application.

IV. PROPOSED PETITION SUMMARY

To assist you in complying with AS 15.45.090(2), we have drafted the following proposed title and summary for your review:

Bill Limiting Property Assessment and Taxation

This bill sets the value of property at its assessment on January 1 of the first year the bill is in effect. The value of property is the price that it would bring in an open market between a willing buyer and seller familiar with the property. Increases in assessments are capped at 2 percent per year, with certain exceptions. Property taxes are capped at 1 percent of assessed value. Taxes to repay bond debt issued after January 1, 2001, are included in the 1 percent limit. Taxes to repay bond debt issued before January 1, 2001, are not included in the 1 percent limit.

Should this initiative become law?

We have drafted the petition summary to conform to the requirements of a ballot summary under AS 15.45.180. We recommend this approach to reduce the chance of collateral attack on account of a divergence between the ballot and petition summaries. This summary has a Flesch test score of 53.9, and thus meets the readability standards of AS 15.60.005.

At the request of your office we have reviewed the above language with Ken Jacobus, the designated representative of the initiative committee. Mr. Jacobus has indicated the committee's approval.

Please contact me if we can be of further assistance to you on this matter.

SJF:bw

cc: Janet Kowalski, Director
Division of Elections
Office of the Lieutenant Governor

Steve Van Sant, Assessor
Department of Community and Regional Affairs
Division of Municipal and Regional Assistance



Alaska State Legislature

HOUSE COMMITTEE ON COMMUNITY AND REGIONAL AFFAIRS

Representative John Harris, Representative Carl Morgan, Co-Chairmen
State Capitol, Room 110, Juneau, Alaska 99801-1182
(907) 465-3882

March 23, 2000

The Honorable Bruce Botelho
Attorney General
State of Alaska
PO Box 110300
Juneau, Alaska 99811

Dear Attorney General Botelho:

The House Committee on Community and Regional Affairs held a series of meetings over the past two days regarding the proposed 10 mill tax cap initiative scheduled to be on the November general election ballot. During the hearings, at which dozens of local government officials and concerned citizens spoke, a clear message emerged that the impacts of the initiative, if passed, will devastate city and school district programs.

One of the overriding concerns expressed by many of those who testified was that they would like some direction from the Attorney General regarding, first, the overall constitutionality of the initiative, and second, the effective date.

We understand the reluctance of the Attorney General to weigh in on any side of a ballot question; however, in light of the impacts this particular measure would have if passed, we believe it is wholly appropriate for you to issue an opinion on it. Therefore, the members of this committee request an advisory opinion discussing the constitutionality of the initiative. Further, we request an opinion clarifying when the provisions of the initiative would take effect, assuming it passes.

In view of the fact that cities and school districts are wrestling with writing their budgets at the present time, the committee would like to receive your opinion as soon as possible. The Anchorage Municipal Assembly will consider cuts of \$16.5 million to its school district budget on April 4, so if we could receive your opinion by Monday, April 3, we would appreciate it.

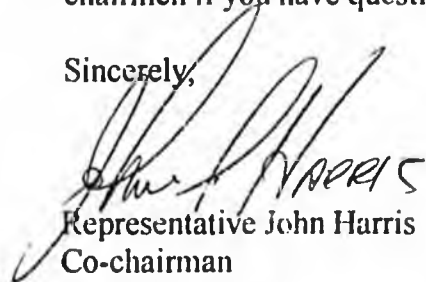
Attorney General Bruce Botelho

March 23, 2000

Page 2

Thank you for your expeditious attention to this request. Please contact either of the co-chairmen if you have questions regarding our concerns.

Sincerely,



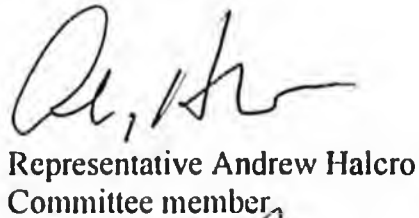
Representative John Harris
Co-chairman



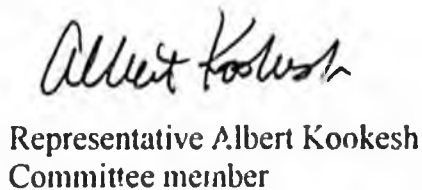
Representative Carl Morgan
Co-chairman



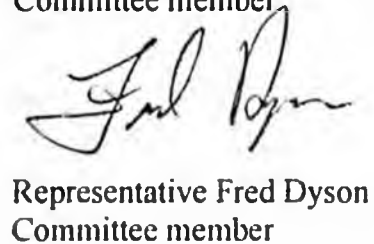
Representative Lisa Murkowski
Committee member



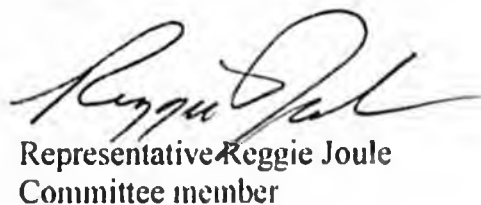
Representative Andrew Halcro
Committee member



Representative Albert Kookesh
Committee member



Representative Fred Dyson
Committee member



Representative Reggie Joule
Committee member

Examples of Borough Impacts:

Municipality of Anchorage: The initiative would reduce Anchorage's revenue by \$73 million.

Mat-Su Borough: Currently, the Mat-Su Borough allocates 11.5 mills to schools, 1 mill to general government operations, and between 2 and 2.5 mills approved by fire and road service areas. If you eliminated fire protection, road maintenance, and the rest of general government in Mat-Su, schools could still not be adequately funded.

City and Borough of Sitka: Sitka and the rest of Southeast Alaska are struggling to overcome the impacts of downturns in the timber and fishing industries. While Sitka's charter restricts the mill rate to 6 mills, the new restrictive rules on assessing property will increasingly hurt Sitka and reduce its ability to meet the communities' needs.

City and Borough of Juneau: Juneau has a voter approved 12 mill tax cap, but voters may vote to approve capital construction in addition to the cap. Juneau is already struggling with a projected \$4 million per year deficit primarily caused by state cuts to municipal revenue sharing. While Juneau's current mill rate is only about 10.5 mills, the initiative's cut on top of State cuts will hurt local services. More important, Juneau will not be able to build another school with local bonds, even if voters approve them.

Rural Alaska: The estimated loss of revenue statewide to municipalities the first year, if the initiative passes, will be over \$100 million. This crises will necessitate the redistribution of State revenues for schools, public safety, and other State services provided to rural areas.



COVER SHEET

Anchorage Legislative Information Office
Office - (907) 269-0111 Fax - (907) 269-0229

REP. HARRIS

To: (4) CRA

Atten: Rep Harris Fax: 465-3799 Phone:

From: Phone:

Instructions: List from Harriet Drummond
Re: Effect of 10 mill Tax cap. Proposal

Sent: Date: 3/23 Time:

Disposal of Original: Discard: Hold for Pickup:

Number of Pages: 5 (counting cover sheet)

Transmitted by: Anch Lio / gm

Reps. Jodles &
DCRA ctllp
wants this list

From: Harriet Drummond 279-7722
Anch. School Board

This list has been shared
with the Assembly. Please
contact me if you have
questions.

revised 1/11

DRAFT/UNDER REVIEW

Anchorage School District
 Anchorage, Alaska
 FY 2000-2001
 Financial Planning Considerations for Ballot Initiative - 10 Mill Property Tax Limitation

	<u>Expenditure Reductions</u>	<u>Revenue Reductions</u>	
a.) Delay School Bus Purchases	\$ (881,920)	\$ (176,384)	Under Review
b.) Contact out all of our School Buses			Under Review
c.) Increasing Class Size at Various Levels	(\$2.708M - \$5.284M)		See Attachment A
d.) Technology Implementation	(775,520) -		Under Review
e.) Turn Community Schools over to MOA	(1,131,622)	(100,000)	Under Review
f.) Turn Swimming Pools over to MOA			Under Review
g.) New Positions for FY 2000-2001	(3,047,000) -		Under Review
h.) Reinstate Supply Fees			Under Review
i.) Addendums for Activities and Sports	(2,980,000)		Under Review
j.) Non-filled Positions from Prior Years	(366,452)		Under Review
k.) Middle School Model			Under Review
l.) School Board Goals	(1,000,000)		Under Review
m.) Music (Elementary Schools)	Contractual Issues		Under Review
n.) Art (Elementary Schools)	Contractual Issues		Under Review
o.) Outreach Program	(220,133)		Under Review
p.) Reinstating High School Parking Fees			Under Review
q.) Police Coverage at Hockey Games	(10,000)		Under Review
r.) Community Schools more self supporting			Under Review
s.) Teacher Assistants			Under Review
t.) Alternative Program at the Middle School	(308,000)		Under Review
u.) Textbook Adoption	(1,548,000) -		Under Review
v.) Warehouse Lease Space	(290,000) -		Under Review
w.) Charter Schools - Charge for every service we provide			Under Review
x.) Give Old Northern Lights back to MOA			Under Review
y.) Transportation - 5 Additional Days	(339,000) -	(288,800)	Under Review
z.) Noon Duty Attendants -5 Additional Days	(27,300) -		Under Review
aa.) Full Day Kindergarten Program and Drop 1/2 Day Busses			Under Review
ab.) Non-Required Special Education Services			Under Review
ac.) Consolidate Business Functions with MOA			Under Review
ad.) Elementary Level Summer School	(349,198) -		Under Review
ae.) High School Coach Certification	(75,000) -		Under Review
af.) Increasing Enrollment-Distance Education			Under Review
ag.) Increasing Enrollment-Kindergarten (9 Additional Schools)	571,350	796,934	Under Review
ah.) Administrators at Each School Level			Under Review
ai.) Administration Building Costs - Positions that could be Consolidated			Under Review
aj.) Curriculum Building Cost - Positions that could be Consolidated			Under Review
	<u>(\$15.5M to \$18.1M)</u>	<u>\$ 231,750</u>	

Attachment A

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

MEMORANDUM

March 20, 2000

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT 

SUBJECT: BUDGETARY IMPACT-INCREASING CLASS SIZE

When estimating the budgetary impact of increasing class size, we used the average salary of new hires for FY 1999-2000. If we go beyond increasing each class size by two students as demonstrated on the attachment, we cannot assume the same average salary and benefit package for teachers. Additional increase in class size would necessitate further review and a more comprehensive analysis to determine the teacher salary/benefit amount to use. As more teachers are laid off, the amount of the salary/benefit package may be more.

BC/JS/MSL

Attachment

Anchorage School District
Anchorage, Alaska
FY 2000-2001

Estimated Expenditure Reduction by Increasing Class Size

	Increase by 1 Student Per Class		Increase by 2 Students Per Class	
	FTE	Expenditure Reduction	FTE	Expenditure Reduction
Elementary K-6				
Total by FTE Reduction	(40)	(1,776,000)	(36)	(1,598,400)
Accumulative Total by FTE Reduction			(76)	(3,374,400)
Middle Schools				
Total by FTE Reduction	(8)	(355,200)	(9)	(399,600)
Accumulative Total by FTE Reduction			(17)	(754,800)
High Schools				
Total by FTE Reduction	(13)	(577,200)	(13)	(577,200)
Accumulative Total by FTE Reduction			(26)	(1,154,400)
Totals If Increasing class size the same number of FTE by level across the district				
Total by FTE Reduction	(61)	(2,708,400)	(58)	(2,575,200)
Accumulative Total by FTE Reduction			(119)	(5,283,600)

Notes:

Considers the different PTR at each grade level

Includes proposed 13 new FDK schools

Does not include Charter Schools

Does not include Special Education or Bilingual Education

Estimated expenditure reduction using the average cost for new hires for FY 1999-2000 - \$44,400.

Further reductions beyond two students per class would require a more comprehensive analysis.

12/20/98 MON 13:14 FAX

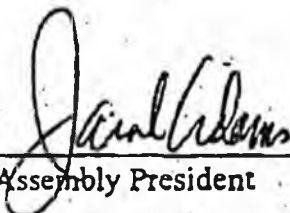
WHEREAS, the proposed initiative's 10 mills tax cap includes taxes imposed to pay bonds for new capital construction. It is unlikely that new schools or other local improvements could be built, even if desired by local voters, if a Statewide Cap makes it impossible to provide for repayment of the bonds; and

NOW, THEREFORE BE IT RESOLVED,

That the Alaskan voters are urged not to support the proposed Statewide Property Tax Cap Initiative because it would remove the power of local voters, and could effectively halt school and other necessary capital construction, and could create an inequitable system of taxation in which owners with equal property values could pay different amounts of property tax.

INTRODUCED: December 7, 1999

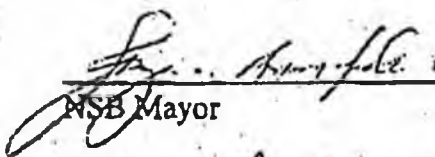
ADOPTED: December 7, 1999



NSB Assembly President

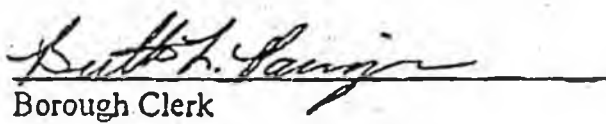
Date: 12-7-99

ATTEST:



NSB Mayor

Date: 7 December 1999



Borough Clerk

Date: 12-8-99

12/20/99 MON 13:14 FAX

**NORTH SLOPE BOROUGH
RESOLUTION NO. 77-99**

**A RESOLUTION OPPOSING STATWIDE
PROPERTY TAX CAPS BECAUSE IT REMOVES
THE POWER OF LOCAL VOTERS**

WHEREAS, the proposed initiative imposing a Statewide Cap on local property taxes and assessments would:

1. Limit local mill rates everywhere in the State of Alaska to 10 mills, including taxes to pay for future bonded indebtedness.
2. Limit increases in the assessed value of individual properties to the CPI, but no more than 2 percent per year.

Would remove the power of local voters to approve local taxes at levels that meet the needs of their community including the power to impose local tax or revenue caps particularly suited to their communities; and

WHEREAS, statewide limitations would take away local voter control allowing people in one part of the State of Alaska to set mill rates for people in other municipalities; and

WHEREAS, if the proposed initiative is adopted, owners of property of equal market value may pay different property tax amounts because:

1. Property will be assessed at true market value when property is constructed or sold, which means that a newly purchased or constructed home could pay much higher taxes than another property of equal value that had not recently been sold might thereby be assessed at a lower value.
2. The market values of property in any community may grow at different speeds, meaning that capping assessed values may give a tax break to property owners who live in communities with property that is growing at a greater than 2 percent rate while requiring taxpayers in communities with less than 2 percent growth to pay at full and true value; and

WHEREAS, several municipalities have property tax rates substantially above 10 mills, some up to 19 mills. This initiative therefore would cut those major sources of local revenues nearly in half for those communities. Schools are the key municipal service funded by property taxes, and reduction in property taxes will threaten the quality of education in many communities; and

<http://www.newschoice.com/newspapers/Fairbanks/Miner/default.asp>

Ballot petition would cap property tax rate

Thursday November 11, 1999

By ROD BOYCE
Staff Writer

A ballot petition that seeks to limit Alaska municipalities to a 10 mill property tax rate would cut the Fairbanks North Star Borough's tax revenue nearly 30 percent and cause havoc with the borough's budget, Mayor Hank Hove said Wednesday.

"It would wipe out a good deal of services," Hove said. "We may have to close the library and bus system. We can't fine-tune anything down anymore.

"What we're looking at is to shed entire functions."

The petition's sponsors -- an Anchorage restaurateur and two other Anchorage residents -- say they have more than the required 22,700 signatures needed to put the measure on the November 2000 ballot but are collecting more in case some are ruled invalid.

The proposed tax cap would limit all local governments to a rate of 10 mills, or 1 percent, of a property's assessed value. That cap would not apply to taxes levied or pledged to pay for bonds -- such as those for school improvements -- issued prior to Jan. 1, 2001. Bonds issued on or after that date would fall under that cap.

The cap wouldn't now affect the cities of Fairbanks and North Pole, which each have property tax rates well below 10 mills -- 6 mills for Fairbanks and 2.3 mills for North Pole.

Uwe Kalenka, the primary sponsor of the initiative, said Alaskans are desperate for lower property taxes. The politicians will have to deal with whatever shortfall results, he said.

"It's their job to figure it out," he told the Anchorage Daily News. "It's not my problem."

Most of the larger local governments in Alaska have tax rates of more than 10 mills, according to state figures, and would therefore lose revenue under the initiative.

The mill rate for the Anchorage Bowl now ranges from 12 to 18 mills, depending on what service area the property is in. The city's budget director estimates the city would lose at least \$80 million a year.

The Fairbanks North Star Borough's base property tax rate is 14.48 mills, or \$1,448 in annual property taxes on a \$100,000 house. Residents in service areas pay additional taxes.

Residents in the city of Fairbanks pay more than 20 mills -- their city's rate and the borough's rate combined -- although it's not clear how the

initiative would affect property taxed by two independent governments.

"It's a little troubling to see how easy it is to pick up signatures," Hove said of the petition. "People tend to see it as putting money back in their pockets. Too many don't think government does anything.

"This would materially change the landscape in Alaska," he said. "I don't think I'd want to live here."

The borough's revenue from property taxes would tumble \$17 million, to about \$41 million, the first year after the measure takes effect.

The amount the borough would have to trim, assuming it doesn't make up the amount through users fees or a sales tax, equates to just over half the borough contribution to the school district budget. It is slightly more than the combined budgets of the public works and parks and recreation departments.

The overall borough budget, including all revenue sources, was \$89 million this year.

In North Pole, property taxes account for a small portion of the city's yearly revenues. The bulk of the city's revenue comes from its 3 percent sales tax, which is expected to raise about \$1.14 million in 2000.

Fairbanks Mayor Jim Hayes, his city not threatened by the cap, wouldn't say whether he thought the statewide cap a good idea or a bad one. "I don't know if we'd oppose it or not," he said. "Everything I've heard from other mayors is it would be bad. But some people might like it."

The Associated Press contributed to this report.

© 1999 MediaNews Group, Inc. and Fairbanks Publishing Company, Inc.

PETITION: Cap would halve Anchorage level

Continued from Page A-1

natures needed to get on the ballot, said sponsor Robert Monson. Petition circulators are gathering more in case some are found invalid, he said.

Under the initiative, Anchorage would have to cut back drastically on the services it provides, said Assemblyman Dan Kendall.

"It would be very difficult," he said. "We'd have just a bare-bones government at 10 mills."

One option for covering the shortfall, Kendall said, would be for the city to stop paying for education and leave school funding to the state. When city officials raised the specter of a 10-mill tax cap at a meeting last week with Anchorage-area legislators, the state lawmakers didn't offer any solutions.

This spring, the Legislature cut state aid to cities by one-third, which cost Anchorage \$5.8 million. In September, after voters rejected a plan to spend Permanent Fund earnings, several key legislators said they'll have to make deeper cuts in the state budget next year.

Anchorage's options for raising money also are limited by a 1997 city ballot measure that said a sales tax may only be imposed if 60 percent of voters approve. The Anchorage city charter limits property tax increases from one year to the next under a formula that takes into account changes in population and the cost of living. Voter-approved bond issues are exempt from the city's tax cap, however.

Kendall predicted that after a few lean years under a 10-mill cap, Anchorage voters would adopt a hefty sales tax.

According to Assembly staff figures, it would take a sales tax of about 10 percent to make up the shortfall.

The petition's 10-mill cap would apply to future bond propositions, which is another reason Sullivan opposes it. Anchorage voters usually approve road and school maintenance bonds, proving they want their roads and schools in good shape and are willing to pay for them, he said.

"I have a real problem with laws that say people can't tax themselves," he said.

Kalenka said the minority of people who vote is imposing taxes on a large number of property owners.

"The population is sick and tired of being taxed," he said.

He said he began promoting the tax cap after helping an elderly friend fight increases in his assessment. Senior citizens don't have to pay property taxes on the first \$150,000 of assessed value of their homes, but this friend had to leave the state for health reasons and didn't qualify for the exemption, Kalenka said. Kalenka said the experience, which took him to the city's board of equalization, was degrading.

"The arrogance of the board is rather glaring," he said. "They made me feel -- how should I say? -- subhuman."

Shelter, he said, is an essential need. He believes property taxes are making it hard for people to keep their homes.

So he and like-minded people got together to see what could be done. With help from the Los Angeles-based Howard Jarvis Taxpayers Association, they wrote an initiative based on California's Proposition 13 from 1978.

"We looked at what California did 20 years ago, and we copied it," he said.

Alaskans, he said, have responded enthusiastically.

"You should hear some of the horror stories," he said.

One impoverished single mother sent him \$20 for the cause, he said, which shows him how badly Alaskans want property tax relief.

Like Proposition 13, his tax-cap initiative would also change the way the value of a property is figured for tax purposes. Instead of being based on an assessor's estimate, taxes would be based on the actual selling price. And the assessment could grow by no more than 2 percent a year.

The selling price, Kalenka said, is a more accurate measure of a property's value.

Californians disagree about the legacy of Proposition 13. Fans say it has meant lower, predictable property taxes. Others say it has hamstrung local governments and resulted in inequities: people who stay in their houses for a long time pay low taxes, while new homeowners in similar houses pay more.

"What's wrong with that?" Kalenka asked. People who stay in a house and improve it should be rewarded, he said.

□ Reporter Liz Ruskin can be reached at lruskin@adn.com.

Tax cap petition chills city brass

10-mill property levy limit may go to voters

By LIZ RUSKIN
Daily News reporter

A statewide initiative to cap local property taxes seems headed for the ballot next year, and Anchorage political leaders say if it passes it would blow a big hole in the city budget.

"It would be semidevastating, I think," said Anchorage Assemblyman Dan Sullivan. "You'd be looking at about half the budget of the city from property taxes going away."

The proposal, sponsored by an Anchorage restaurant manager and two other Anchorage men, would cap the tax rate for all local governments at 10 mills. The mill rate for the Anchorage Bowl now ranges from 12 to 18 mills, depending on what service area the property is in. A rate of 18 mills means the owner of a \$100,000 house pays \$1,800 a year.

If the initiative passes, Anchorage would

lose at least \$80 million a year, said Gene Dusek, city budget director. In fact, most of the larger local governments in Alaska now have tax rates of more than 10 mills, according to state figures, and would therefore lose revenue under the initiative. Some property owners in Fairbanks pay nearly 23 mills to the borough and city. Those in Soldotna pay almost 13. Palmer residents pay nearly 15.

Uwe Kalenka, the primary sponsor of the initiative, said Alaskans are desperate for lower property taxes. The politicians will have to deal with whatever shortfall results, he said.

"It's their job to figure it out," he said. "It's not my problem."

The petition has more than the 22,700 sig-

Please see Back Page. PETITION

TAX: Nikiski stands to lose big under proposed cap

By TONY LEWIS

Daily News correspondent

SOLDOTNA — A statewide proposal to limit property taxes could cost Nikiski residents dearly in lost services while the oil industry and state of Alaska pocket the bulk of the tax savings.

Nikiski homeowners would see a small break on their tax bills if the initiative passes, but the community would lose millions in tax revenues as a result.

That's because in North Kenai — where oil platforms, a chemical fertilizer plant, an

oil refinery and a liquid natural gas plant dominate a tax base assessed at more than \$1 billion — big business pays roughly 75 percent of the area's property taxes.

Over the years, Nikiski residents have counted on that tax base to pay for firefighters, an indoor swimming pool, recreational programs and free meals to seniors, among other things. The initiative's 10-mill tax cap would slice \$2.5 million from Nikiski's revenue.

A 10-mill tax equals \$1,000 in taxes on property worth

\$100,000.

"It's really a few people that have initiated this, inflicting their will on the rest of us," said Jack Brown, who represents Nikiski on the Kenai Peninsula Borough Assembly. "For some idiots outside this borough to limit the fire department and put people's lives in jeopardy — those are fighting words."

The initiative, scheduled for the November ballot, is intended primarily to put money back into the wallets

See Page B-2, TAX

Continued from Page B-1

of homeowners, said Uwe Kalenka of Anchorage, one of the initiative's sponsors.

Regardless of how the tax cap plays out in individual communities, Kalenka said he believes Alaskans on the whole need property tax relief. It was easier to write a statewide initiative than fight for lower taxes in cores of communities, where property taxes are traditionally determined, he said. The Kenai Peninsula Borough alone has 19 distinct taxing districts.

"The problem is widespread," Kalenka said. "Our basic contention is housing is a basic need. We have people who have tremendous difficulty in paying (property) taxes."

Nikiski's Brown looks at the figures from his community and concludes Kalenka is misguided.

Of the \$2.5 million Nikiski would lose in taxes, roughly one-fourth, or \$600,000, would be returned to homeowners and small businesses. Oil companies would receive an estimated \$900,000 break for reduced taxes on the property not used for exploration, production and transportation.

Plus, a quirk in the way the state taxes the oil industry would divert another \$1 million from Nikiski to the state treasury.

Here's why: The state charges a 20-mill tax on property involved in the exploration, production and transportation of oil and natural gas. However, the state only keeps revenue from taxes above the rate levied by local governments.

For example, in the Nikiski area, where the local property tax is 12.43 mills, the state collects 7.57 mills of tax on oil properties.

If Nikiski's property tax is capped at 10 mills, the owners of the oil platforms and other infrastructure used for finding, pumping and moving crude would still pay 20 mills. But a bigger portion of that check would go to the state.

In Nikiski, that's about \$1 million.

"I'm really ticked at the people who have initiated this," Brown said. "This may make sense in other places of the state, but it doesn't make any sense to me."

The oil industry could realize even bigger benefits in the future under the initia-

tive. In addition to setting a tax cap, the measure limits annual increases in assessed property values at 2 percent. The initiative does not limit how much property values can decline.

Oil industry property values can fluctuate wildly depending on the price of crude and other factors. As an example, oil prices were in sharp decline until recently. As a result, oil industry property on the Peninsula declined in value by 25 percent over two years, said Jeff Sinz, the borough's finance director. Now that oil prices have rocketed, industry property values are rising.

Under the proposed initiative, however, some industry property values would be held artificially low for years. That would mean lower tax bills for the industry at the expense of the average taxpayer, Sinz said.

Looking beyond the Peninsula, the initiative would likely limit capital projects like schools, libraries, police stations and harbor improvements across the state, said Deven Mitchell, the state's debt manager.

Traditionally, local governments borrow money

through bond issues to fund those projects, Mitchell said. To pay off the debt, property taxes are temporarily raised. If a community is up against the 10-mill cap, however, a different source of revenue would have to be found.

"It's really going to string cities and towns across the state of Alaska," said.

One way communities could make up the revenue loss is with a sales tax. That could contradict the initiative backer's stated purpose, to help Alaskans make ends meet.

The Peninsula's poorest people feel the sales tax hardest. The tax is levied on the first \$500 of any purchase. So while rent, food and clothing are usually taxed for the entire amount, big-ticket items like automobiles, snowmachines and vacation packages are taxed on a small portion of their total price.

"The necessities of life are all taxed," said Larry Semmens, finance director for the city of Kenai.

Tax proposal holds danger

The proposed statewide ballot initiative to limit property taxes is a popular topic. I'm told that more than 22,000 people signed the petition that was turned into the lieutenant governor's office.

While I certainly would enjoy the prospect of lower property taxes, there is a fundamental danger in the proposal that outweighs my desire for lower taxes. I call the danger "representation without taxation." It would allow people from all over Alaska, most of whom do not have property taxes, to determine property tax limits for those of us who do pay them. I don't quite understand why people in Anchorage should give tax decision powers to people outside of Anchorage.

Conversely, I don't think it's right for me to vote on property taxes for other communities that I don't live in. As an elected representative I support policies that push power to the local level. This idea of ceding our local tax authority to statewide authority seems to go against the grain. I'd like to hear what other folks think about this.

— Rep. John Cowdery
R-Anchorage

Prop. 13 doesn't apply here

Will Mr. Uwe Kalenka and other proponents of the property tax cap initiative, which was modeled after California Prop. 13, explain why they neglected to bring out the fact that California had and continues to have taxes other than property taxes? Would Prop. 13 pass if California counties, cities, and/or municipalities operated on taxes collected from property taxes? I really doubt it.

Further, why would the people and locations most affected by this initiative let people in the rural areas, with no property taxes, vote on this? Would it be because this initiative would never pass without the help of the nontaxed rural residents?

With a tax cap in place, will the municipalities be able to put together the 10 percent need to match and obtain federal funding? Losing federal funding will be such a waste since the people of Alaska would watch our federal taxes be handed out to outsiders vs. part of it coming back to support our communities.

— Douglas Panilo
Anchorage

Tax cap will hurt deeply

There have been several letters to the editor about the lousy condition the streets are in after a big snow dump. If you look up from this paper and out your window, you'll see what I mean. Look closely, because if the mill rate cap passes, it'll be much, much worse.

Where do these people think the \$80 million Anchorage will lose is going to be made up? Think about it. As you try and drive your kids to the only library still open in town, the one that will only be open three days a week, you'll get stuck in the deep snow or slide off the road. Possibly some cheechako who has no clue about driving here will nail you. You'll use your cell phone to call the cops. Only, since there's been massive layoffs, it'll take several hours for one to come. Let's also pray that you don't need a fireman, as the city will have already closed a couple more fire stations.

When the promoters of this bone-headed idea say the city only needs to provide the basics, those, unfortunately, will be the first to go. Those of us who have lived here a number of years will remember what happened with Mr. Tight Fist himself, Tom Fink, got elected. What happened to basic services? He closed fire stations, froze police hiring and closed libraries all over town and stopped book buying at Loussac — something they still haven't recovered from. In the end we'll all pay dearly for this cap.

— Ross G. Homer
Anchorage

Police prove Kalenko wrong

Uwe Kalenko's vision of Anchorage is a city that only needs water, sewers and roads to thrive. One can only wonder what his civics grade was, since he thinks education is unnecessary.

It is ironic that the "unnecessary" police quickly solved the case and made arrests in the tragic shooting of the Wendy's restaurant manager. As a restaurant manager himself, did this not give him pause in pronouncing all municipal services as special interests?

— Darrell L. Johnson
Anchorage

Date JUL 25 1999
FAIRBANKS
DAILY NEWS-MINER

Client No. 0199

Property tax petition has serious mistake in draft

0199-201

A petition is circulating around Alaska for a ballot initiative that would put a strong statewide ceiling on property tax rates.

The initiative petition was certified by Lt. Gov. Fran Ulmer last month. The sponsors of the initiative must gather 22,716 signatures from qualified voters in order to get it on the 2000 election ballot.

The issue deserves some attention and debate, since it has vast potential impact on municipal government finances if it should pass. If the petition gets the required signatures this year, the Legislature might also shortstop it by passing a similar limitation next spring.

There are already limits on municipal property taxes in state statutes, but they are far higher than the political threshold of pain in most Alaska communities. Current state law limits property taxes to no more than three percent of the assessed value of property, or 30 mills.

Voters in some communities, like Fairbanks, have protected themselves with lower property

Fred Pratt



tax ceilings adopted by local ballot initiatives.

Current law also limits taxes in a municipality to no more than \$1,500 a year for each person, and there is also a limit on assessments that is related to the total statewide assessed value.

The proposed state initiative would lower that statewide property tax limit to one percent, or 10 mills. It would also freeze property tax assessments at the full and true value of property on Jan. 1, 2001, with tightened language that will weaken the effect of recent real estate sales on a home's assessment. After 2001, a property's assessment could only be increased as much as the Consumer Price Index rises for the area or no more than 2 percent a year, unless ownership changes.

Finally, taxes to repay general obligation bond debt issued after

Jan. 1, 2001, are included under the new 1 percent limit, but taxes to repay older bonds are exempt.

The initiative is sponsored by Uwe Kalenka, Scott Kohlhaas and Robert Monson. Kohlhaas is also a sponsor of the sweeping marijuana legalization initiative I wrote about earlier this month.

The initiative would inscribe in state law a sweeping policy statement with a finding that the people of Alaska must take this firm step in order to control elected officials that ignore our interests.

The statement reads, "The People of the State of Alaska find and determine that political and taxation power is vested in the People; that each person has the right to the enjoyment of the rewards of his or her own industry as guaranteed by Article I, Section 1 of the Alaska Constitution; that substantial pressures will be placed on local governing bodies to raise taxes; that a substantial threat of additional and unwarranted taxation of the People presently exists; that the Alaska Legislature and the local governing bodies do not appear willing to protect the People

against this taxation; that property owners should not be subjected to continuing large increases in taxes or assessments, that property owners should be entitled to rely for the future on assessed values on their properties that existed at the time of purchase; that lower taxes encourage economic growth; and that it is necessary for the People to place certain controls on the manner in which the People may be taxed."

The change in assessment policy is significant. Current law says property must be assessed at the "full and true value," which is defined as "... the estimated price that the property would bring in an open market and under the then prevailing market conditions in a sale between a willing seller and a willing buyer both conversant with the property and with prevailing general price levels."

The initiative would remove the words "and with prevailing general price levels." That would block an assessor from using recent sales of similar homes in your neighborhood as a justification for raising your assessment.

There is one serious drafting

glitch in the initiative that will be of interest to business owners in municipalities that tax personal property as well as real property.

The initiative repeals the contents of AS 29.45.110 and replaces it with new text. That statute defines "true and fair value" in its subsection "a," but subsections "b" and "c" of that statute specify how business inventories and are assessed.

The initiative further provides "The subsections of AS 29.45.010 presently designated 'b' and 'c' are redesignated 'e' and 'f.'" The citation of the statute has the wrong number. The effect would be to simply renumber two unrelated subsections of AS 45.29.010 instead, leaving the current business inventory law repealed.

It's puzzling how this passed through the lieutenant governor's office and a two-month-long review by the Department of Law. My eyes are no better than theirs, so (as I noted also with the marijuana initiative) they're apparently willing to let poorly drafted initiatives go on the ballot.

Fred Pratt, a free-lance journalist in Fairbanks, is a longtime reporter and observer of Alaska politics.