

**HB**

**217**

**SFIN**

**FILE**

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
FEB 02 2006  
SENATE FINANCE COMMITTEE

DATE: 5/6/05

FURTHER:

DATE TURNED  
IN TO OFFICE: 2/2/2006

Finance Committee considered HOUSE BILL NO. 217(title am)

HB 217 FULL & TRUE VALUE OF TAXABLE MUNI PROP.

"An Act relating to the determination of full and true value of taxable municipal property for purposes of providing planning assistance to the Department of Education and Early Development and the legislature, calculating funding for education, calculating school district participating shares for school construction grants, and calculating tax resource equalization payments and excluding from that determination the value of property in certain areas detached from a municipality and the value of certain property involved with oil and gas that is not taxed by a municipality."

and recommends:

- be replaced with S CS HB 217 (FIN)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**CS Senate Bill:**  
 Same Title  
 New Title

**SCS House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

NEW FISCAL NOTE(S):

| Department | Date     | Fiscal | Ind. | Zero | FN# |
|------------|----------|--------|------|------|-----|
| DEPED      | 11/31/06 | 98.5   |      |      |     |
|            |          |        |      |      |     |
|            |          |        |      |      |     |
|            |          |        |      |      |     |
|            |          |        |      |      |     |

PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Ind. | Zero | FN# |
|------------|------|--------|------|------|-----|
|            |      |        |      |      |     |
|            |      |        |      |      |     |
|            |      |        |      |      |     |
|            |      |        |      |      |     |
|            |      |        |      |      |     |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | Do PASS                             | Do NOT PASS | No REC                              | AMEND |
|---------------------------------|-------------------------------------|-------------|-------------------------------------|-------|
| <i>[Signature]</i>              | <input checked="" type="checkbox"/> |             |                                     |       |
| <i>[Signature]</i>              | <input checked="" type="checkbox"/> |             | <input checked="" type="checkbox"/> |       |
| <i>[Signature]</i>              | <input checked="" type="checkbox"/> |             |                                     |       |
| COCHAIR: <i>[Signature]</i>     | <input checked="" type="checkbox"/> |             |                                     |       |
| COCHAIR: <i>[Signature]</i>     | <input checked="" type="checkbox"/> |             |                                     |       |

SENATE CS FOR HOUSE BILL NO. 217(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): REPRESENTATIVE HARRIS

A BILL  
FOR AN ACT ENTITLED

1 "An Act relating to the determination of full and true value of taxable municipal  
2 property for purposes of providing planning assistance to the Department of Education  
3 and Early Development and the legislature, calculating funding for education,  
4 calculating school district participating shares for school construction grants, and  
5 calculating tax resource equalization payments and excluding from that determination  
6 the value of property in certain areas detached from a municipality and the value of  
7 certain property involved with oil and gas that is not taxed by a municipality."

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

9 \* Section 1. AS 14.17.510(a) is amended to read:

10 (a) To determine the amount of required local contribution under  
11 AS 14.17.410(b)(2) and to aid the department and the legislature in planning, the  
12 Department of Commerce, Community, and Economic Development, in consultation  
13 with the assessor for each district in a city or borough, shall determine the full and true

1 value of the taxable real and personal property in each district in a city or borough. If  
2 there is no local assessor or current local assessment for a city or borough school  
3 district, then the Department of Commerce, Community, and Economic Development  
4 shall make the determination of full and true value [FROM INFORMATION  
5 AVAILABLE. IN MAKING THE DETERMINATION, THE DEPARTMENT OF  
6 COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT SHALL BE]  
7 guided by AS 29.45.110 and based on a determination of full and true value made  
8 by the state assessor at least every two years using the best information available,  
9 including on-site inspections made by the state assessor in each of those districts  
10 at least once every four years. For purposes of this subsection, the full and true  
11 value of taxable real and personal property in any area detached shall be  
12 excluded from the determination of the full and true value of the municipality  
13 from which the property was detached for the two years immediately preceding  
14 the effective date of the detachment. Also, in making the determination for a  
15 municipality that is a school district, or for a city that is within a borough school  
16 district, the assessed value of property taxable under AS 43.56 shall be excluded  
17 if a tax is not levied under AS 29.45.080 by the municipality that is the school  
18 district. The determination of full and true value shall be made by October 1 and sent  
19 by certified mail, return receipt requested, on or before that date to the president of the  
20 school board in each city or borough school district. Duplicate copies shall be sent to  
21 the commissioner. The governing body of a city or borough that is a school district  
22 may obtain judicial review of the determination. The superior court may modify the  
23 determination of the Department of Commerce, Community, and Economic  
24 Development only upon a finding of abuse of discretion or upon a finding that there is  
25 no substantial evidence to support the determination.

# FISCAL NOTE

REPORTED OUT  
 FEB 02 2006  
 SENATE FINANCE COMMITTEE

STATE OF ALASKA  
 2006 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SCS HB217(FIN)  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept Affected: Commerce  
 Title: Full & True Value of Taxable DR: Comm Assist & Ec Div (405)  
Municipal Property Component: Community Advocacy  
 Sponsor: Harris  
 Requester: Senate Finance Component No.: 2703

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

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2007     | FY 2008     | FY 2009     | FY 2010     | FY 2011     | FY 2012     |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Personal Services      | 84.0        | 84.0        | 84.0        | 84.0        | 84.0        | 84.0        |
| Travel                 | 8.5         | 8.5         | 8.5         | 8.5         | 8.5         | 8.5         |
| Contractual            | 2.5         | 2.5         | 2.5         | 2.5         | 2.5         | 2.5         |
| Supplies               | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         |
| Equipment              | 2.5         |             |             |             |             |             |
| Land & Structures      |             |             |             |             |             |             |
| Grants & Claims        |             |             |             |             |             |             |
| Miscellaneous          |             |             |             |             |             |             |
| <b>TOTAL OPERATING</b> | <b>98.5</b> | <b>96.0</b> | <b>96.0</b> | <b>96.0</b> | <b>96.0</b> | <b>96.0</b> |

|                             |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|
| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
|-----------------------------|--|--|--|--|--|--|

|                               |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|
| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|

**FUND SOURCE** (Thousands of Dollars)

|  |             |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| 1002 Federal Receipts                  |             |             |             |             |             |             |
| 1003 GF Match                          |             |             |             |             |             |             |
| 1004 GF                                | 98.5        | 96.0        | 96.0        | 96.0        | 96.0        | 96.0        |
| 1005 GF/Program Receipts               |             |             |             |             |             |             |
| 1037 GF/Mental Health                  |             |             |             |             |             |             |
| Other (Specify Type-Do not abbreviate) |             |             |             |             |             |             |
| <b>TOTAL</b>                           | <b>98.5</b> | <b>96.0</b> | <b>96.0</b> | <b>96.0</b> | <b>96.0</b> | <b>96.0</b> |

Estimate of any current year (FY2006) cost: 00  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| Full-time | 1 | 1 | 1 | 1 | 1 | 1 |
| Part-time |   |   |   |   |   |   |
| Temporary |   |   |   |   |   |   |

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

The legislation amends AS 14.17.510 to require the state assessor to visit each school district in which there is no local assessor to make a full and true value (FTV) determination once every two years and then update the FTV determination database. It also requires on-site inspections in each of those districts at least once every four years. Travel would be required to all remote organized cities and boroughs to accomplish this. Travel would also be required for proposed borough formations and value estimates for those areas. One new assistant state assessor position would be required to implement these provisions.

Prepared by: Michael Black, Director Phone: 907 269 4578  
 Division: Community Advocacy Date/Time: 1/31/06 3 17 PM  
 Approved by: William C. Noll, Commissioner Date: 1/31/2006  
 Agency: Commerce, Community, and Economic Development

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# Alaska State Legislature

*Session (Jan-May)*  
State Capitol, Room 208  
Juneau, AK 99801-1182  
(907) 465-4889  
Fax (907) 465-3799



*Interim (June-Dec)*  
711 North 4th Avenue, Suite 300  
Juneau, AK 99801-2133  
(907) 269-0129  
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**John Harris**

**Speaker of the House**

## **SPONSOR STATEMENT**

**House Bill 217 (title am): "An Act relating to the determination of full and true value of taxable municipal property for purposes of providing planning assistance to the Department of Education and Early Development and the legislature, calculating funding for education, calculating school district participating shares for school construction grants, and calculating tax resource equalization payments and excluding from that determination the value of property in certain areas detached from a municipality and the value of certain property involved with the oil and gas that is not taxed by a municipality."**

Under current law, organized cities that are school districts and boroughs are required to make financial contributions in support of their schools. Those contributions are based on the value of the taxable property within the borough boundaries. These municipalities are required to contribute the equivalent of a 4-mill tax on the full and true value of all taxable property within their municipal boundaries.

The full and true value of a municipality includes values of all taxable real and personal property, which includes properties such as, oil and gas properties, residential and commercial property, farms and recreational property.

HB 217 does not force municipalities into levying a property tax to generate local revenue for school contribution by including the value of oil and gas properties in the full value determination. It excludes the value for oil and gas unless the municipality chooses to levy a property tax. This accomplishes two things. First, it allows the municipality to choose the method of raising revenues. Without the high value of oil and gas, a municipality may choose other methods of raising revenues, such as a sales tax. Second, it allows the state to keep the 20 mills levied against all oil and gas property. If a municipality is forced to levy a property tax, the tax levied against the oil and gas property is deducted from the revenues the State of Alaska should receive. This is a win-win situation for both the municipalities and the state.

Comments on HB 217  
Full and True Value of Taxable Municipal Property  
Steve Van Sant, State Assessor  
Alaska Department of Commerce

This legislation affects the full value determination with respect to two different scenarios. First, it clarifies that if an area is detached from a municipality, the full and true value of the municipality, from which the area detached, will exclude the value that existed for the two years preceding the detachment. This is necessary due to existing statutes which, require local contribution for schools based upon the value determined "as of January 1 of the second preceding fiscal year." In other words, the full value determined this year (2005) would not be used for a municipality's local education requirement for two more years (2007). Therefore, when an area is detached, it should not be this year's value that is used, but the value as of two years ago. This portion of the legislation has no fiscal impact to our Division.

Second, this legislation requires that the full value determination within an area that is a school district, exclude the value of property assessed under AS 43.56, if the municipality does not levy a property tax. Property taxed under AS 43.56 refers to oil and gas property (such as the TAPS pipeline and pump stations along the pipeline). This property is assessed by the Department of Revenue, which levies a 20 mill tax against the property. A municipality that levies a tax under AS 29.45 may also levy the same rate of tax against the pipeline that it levies against local property (such as residences, offices and all other property.) The total of all property (AS 29.45 property and AS 43.56 property) is included in the full value determination and consequently, the entire amount is used in the calculation for the local contribution to education. However, this approach does not make much sense if an area does not levy a local property tax. This area would receive no direct tax revenue from the oil and gas property, however, we are required to include that value in the full value determination. The inclusion of AS 43.56 property values almost forces a municipality to levy a property tax in order to obtain enough revenue that the extra value will require for the local education contribution. By excluding this value in the first place, if a local tax is not levied, a municipality is not required to raise substantially more revenues to cover this additional valuation. It also allows the state to retain the tax revenue generated from the state 20 mill property tax.

There is no fiscal impact to this Division by the passage of this legislation. However, without this legislation, it is possible state revenue will decline in the future if boroughs do form along the TAP's pipeline corridor and are forced into levying a property tax rather than another form of revenue generation such as a local sales tax.



# State of Alaska Local Boundary Commission

550 West Seventh Avenue, Suite 1770 • Anchorage, AK 99501  
Telephone: 907-269-4560 • Fax: 907-269-4539

April 15, 2005

The Honorable Bill Thomas  
Co-Chair  
Community and Regional Affairs Committee  
Alaska State House of Representatives  
Alaska State Capitol, Room 428  
Juneau, Alaska 99801-1182

The Honorable Kurt Olson  
Co-Chair  
Community and Regional Affairs Committee  
Alaska State House of Representatives  
Alaska State Capitol, Room 110  
Juneau, Alaska 99801-1182

Re: House Bill Number 217

Dear Representatives Thomas and Olson:

This is to advise you that the Local Boundary Commission has, by unanimous vote, endorsed House Bill 217, "An Act relating to the determination of full and true value of taxable municipal property for purposes of calculating funding for education and certain other programs."

The objectives of House Bill 217 coincide with recommendations presented by the Commission to the Legislature as ways in which the State can create incentives for voluntary incorporation of boroughs. Details of the Commission's views on this particular issue are expressed on pages 126 - 128 of the *Report of the Alaska Local Boundary Commission to the First Session of the Twenty-Fourth Alaska State Legislature*. To facilitate matters, a copy of those pages is enclosed.

Please accept this letter and the enclosure as written testimony on the bill.

Sincerely,

Darroll Hargraves  
Chair

Enclosure:

pages 126 - 128, LBC 2005 report to the Legislature

cc/enc: Members of the Local Boundary Commission

Edgar Blatchford, Commissioner, Department of Commerce, Community, and  
Economic Development

**4. Eliminate the Necessity That Boroughs Encompassing the Trans-Alaska Oil Pipeline Must Impose Property Taxes.**

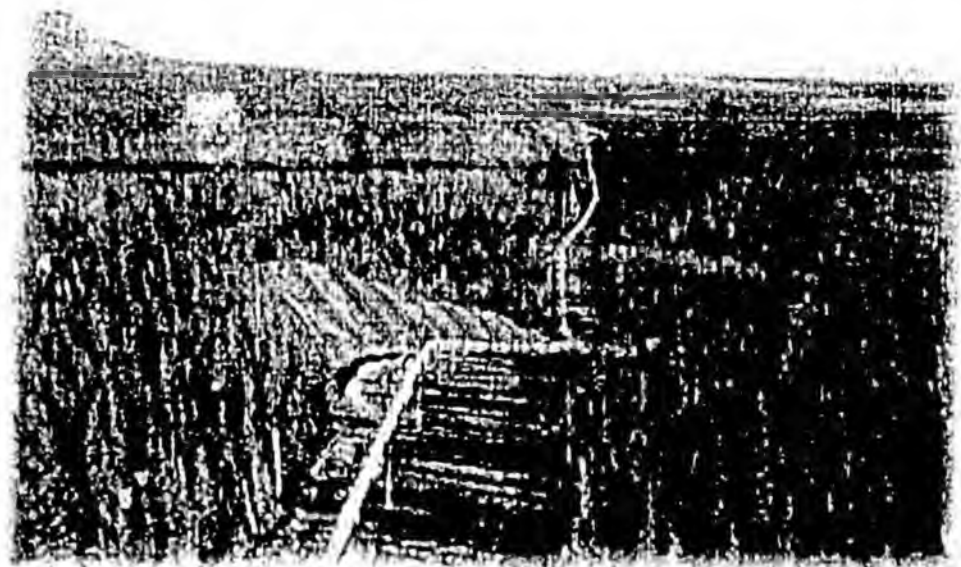
Under current law, organized boroughs are required to make financial contributions in support of their schools. The contributions are based on the value of taxable property within the borough. Each borough must contribute the equivalent of a 4-mill tax on the full and true value of taxable property within the borough (not to exceed 45 percent of the educational "basic need" for the borough school district).

The full and true value of a borough includes all oil and gas exploration, development, and transportation property within the borough assessed by the Department of Revenue (DOR) under AS 43.56. The State of Alaska levies a 20-mill property tax on the value of that property and credits the oil companies for taxes paid to a borough or city.

Given the current law, unorganized regions encompassing significant oil and gas exploration, development, and transportation

properties would, upon borough incorporation, be faced with the prospect of substantial local contributions when calculating their 4-mill tax in support of schools. Consequently, the areas would likely have no practical alternative means of generating the required local contribution except through the levy of property taxes. The practical necessity of levying a property tax under such circumstances is a disincentive for borough formation because residents of unorganized areas generally seem to least prefer a property tax than any other type of local tax imposed on the general population. Four of the sixteen organized boroughs in Alaska do not levy property taxes.

The benefit to the State from the higher contributions resulting from the inclusion of the value of the oil and



Trans-Alaska Pipeline

gas property, of course, would be directly offset by reductions in State revenues from the State's 20-mill *ad valorem* property tax on the property in question. Thus, the amendment proposed here would have no fiscal impact on the State.

In reality, the State would likely be better off from a fiscal standpoint by such an exemption so long as local government property taxes were not levied on any oil and gas property within the borough. Doing so would insulate the State's 20-mill property tax from all fiscal impacts relating to a new borough, not just those associated with the borough's required local contribution for schools.

Such a provision would reduce impediments to borough formation in the Upper Tanana Basin, Copper River Basin, Yukon-Koyukuk region, and the Yukon Flats region. The LBC emphasizes that this option would not preclude a borough government from levying property taxes in a region with substantial oil and gas properties. It simply would not make it a practical requirement.

In 2001, the Alaska Senate adopted Senate Bill No. 48 (CS for Senate Bill No. 48(FIN) am), which included the identical provision recommended here. Because of other provisions in the bill, however, the legislation was not approved by the House. Section 2 of

Senate Bill No. 48 provided as follows (underlined bold text reflects the additional language):

AS 14.17.510(a) is amended to read:

(a) To determine the amount of required local contribution under AS 14.17.410(b)(2) and to aid the department and the legislature in planning, the Department of Community and Economic Development, in consultation with the assessor for each district in a city or borough, shall determine the full and true value of the taxable real and personal property in each district in a city or borough. If there is no local assessor or current local assessment for a city or borough school district, then the Department of Community and Economic Development shall make the determination of full and true value from information available. In making the determination, the Department of Community and Economic Development shall be guided by AS 29.45.110. **However, the full and true value of taxable real and personal property in any area detached shall be excluded from the determination of the full and true value of the municipality**

from which the property was detached for the two years immediately preceding the effective date of the detachment. Also, in making the determination for a municipality that is a school district or for a city that is within a borough school district, the assessed value of property taxable under AS 43.56 shall be excluded if a municipal tax is not levied under AS 29.45.080 in that school district. The determination of full and true value shall be made by October 1 and sent by certified mail, return receipt requested, on or before that date to the president of the school board in each city or borough school district. Duplicate copies shall be sent to the commissioner. The governing body of a city or borough that is a school district may obtain judicial review of the determination. The superior court may modify the determination of the Department of Community and Economic Development only upon a finding of abuse of discretion or upon a finding that there is no substantial evidence to support the determination.

### ***5. Extend Municipal Land Grants for Annexations and Consider Increases in Entitlements.***

Under current law, a borough incorporated after July 1, 1978, is entitled to ten percent of the vacant, unappropriated, unreserved state lands within its boundaries. To encourage borough annexations, it is suggested that the same grants be given for any area annexed to an existing borough.

The Alaska Municipal League endorses municipal land entitlements as a means to promote annexation to boroughs. The League's formal position on the matter is set out below:

The League supports legislative changes to entitlement lands provisions to encourage existing municipalities to provide services to portions of the unorganized borough through annexation.

*Alaska Municipal League, 2005 Policy Statement, Part III-E-3.*

The prospect of increasing land entitlements to existing and future boroughs should also be explored as further incentive for the extension of borough government.



# City of Delta Junction

P.O. Box 229, Delta Junction, Alaska 99737  
Ph 907-895-4656 Fax 907-895-4375  
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[city@ci.delta-junction.ak.us](mailto:city@ci.delta-junction.ak.us)

Welcome to the  
Friendly Frontier

January 13, 2006

Representative John Harris  
State Capitol Room 208  
Juneau, AK 99801-1182

email: [Pete\\_Fellman@legis.state.ak.us](mailto:Pete_Fellman@legis.state.ak.us)

RE: HB 217

Dear Representative Harris,

The Deltana Borough Charter Commission worked for nearly two years with the Delta area community to produce a Deltana Borough Petition that was presented to the Local Boundary Commission on 1/03/06 with over 250 signatures of local sponsors.

Besides the drafting of a proposed Home Rule Charter, the Petition is required to include numerous other elements including a three-year estimate of income and expenses to demonstrate financial stability of the proposed new borough.

There are two large taxable entities in the proposed borough: The Pogo Gold Mine and the Trans Alaska oil Pipeline. They are of such proportionately large value to the overall value of all other taxable property in the borough as to potentially force an area-wide property tax be enacted to meet the local school funding obligation under state law.

The Charter Commission's Petition is based upon local funding without the necessity of a borough property tax. By avoiding a borough property tax, the State of Alaska will be able to retain about \$800,000 in annual TAPS revenue that would otherwise have to be relinquished by the State to the borough.

Two of the assumptions necessary to the financial analysis in the filed Petition are the enactment into law of HB 217, and negotiation of a Payment In Lieu of Taxes Agreement (PILT) with the Pogo Gold Mine.

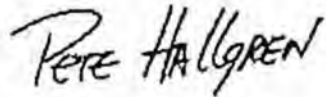
The Pogo PILT agreement was finalized by the City and Teck Pogo on November 15, 2005 and Teck Pogo has made the first payment to the City under that Agreement. (The borough Petition dissolves the City upon Deltana Borough formation and all City assets accrue to the Borough.) The Pogo PILT agreement provides sufficient funding with which to pay the annual local school-funding amount that the Pogo property value mandates under state law.

Under state statute the State receives annually 20 mills of the value of the TAPS minus any local government property tax rate. The State thus pays to the local government whatever the local property tax rate on the TAPS would be. In the absence of a local property tax, the State gets to retain the full TAPS 20 mills.

HB 217 provides flexibility to the proposed borough and allows the State to retain hundreds of thousands of dollars a year, by not forcing the borough to count the value of TAPS in its local school contribution if there is no local property tax. The Pogo PILT Agreement allows the Pogo mine taxable value to continue to be counted toward the local school contribution amount, and provides the dollars with which to pay the local contribution without a property tax.

I strongly urge passage of HB 217 by the Senate to allow this flexibility to meet local conditions and to enable the state to retain all of the TAPS dollars it receives from the Delta area.

Sincerely,

A handwritten signature in black ink that reads "PETE HALLGREN". The letters are in all caps and have a cursive, slightly slanted appearance.

Pete Hallgren  
City Administrator

March 29, 2005

Rep. John Harris  
State Capitol Room 208  
Juneau, AK 99801-1182

RE: HB 217

Dear Representative Harris.

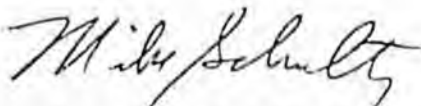
This letter serves as a request for assistance with HB 217 concerning local contributions for educational services. As you know, the issue of a possible borough in the Delta region is currently under review. One issue of concern is the requirement that a borough pay a four mill equivalency of the value of all property including property covered by A.S. 43.56 (oil and gas properties). Any local tax on oil and gas property is not added to the existing state tax, but instead is deducted from the amount the state receives.

HB 217 would not require a borough to contribute four mills of the value of A.S. 43.56 properties if such a borough does not institute a property tax system.

Regardless of when a borough is organized in the region, the Delta residents seek as many options as possible to raise revenues. In light of the substantial value of the TAPS property within the Delta region, the residents may be unnecessarily forced to impose a property tax that in effect takes funds from the state of Alaska. Again, HB 217 would allow for a logical and cost saving option that would benefit both the state and local government.

Your help on these matters is greatly appreciated.

Sincerely,



Mike Schultz, Chairperson  
Deltana Borough Commission



# City of Delta Junction

P.O. Box 229, Delta Junction, Alaska 99737  
Ph 907-895-4656 Fax 907-895-4375  
www.ci.delta-junction.ak.us  
city@ci.delta-junction.ak.us

Welcome to the  
Friendly Frontier

March 8, 2005

cell 378-1320

Representative John Harris  
State Capitol  
Juneau, Alaska 99801

Via Fax# (907) 465-3799

Dear Representative Harris,

This letter serves as a request for assistance with legislation concerning local contributions for educational services. As you know, the issue of a possible borough in the Delta region is currently under review. One issue of concern is the requirement that a borough pay a four-mill equivalency of the value of all property including property covered by A.S. 43.56 (oil and gas properties). As you are aware, any tax on oil and property is not added to the existing state tax, but instead simply deducted from the amount the state receives.

According to the state, in the Delta region there is approximately \$217 million worth of oil and gas properties and somewhere close to another \$150 million worth of residential and commercial property. This means a borough would need to at least raise \$1.4 million for educational services out of which \$800,000 would come from the state's coffers.

Regardless of when a borough is organized in the region, the residents will seek as many options as possible to raise revenues. In light of the substantial value of the TAPS property within the Delta region, the residents may be unnecessarily forced to impose a property tax that in effect takes funds from the state of Alaska.

A better approach that benefits both the state and local residents would be an arrangement in which if a municipality with A.S. 43.56 properties chooses to not raise revenues through a property tax, that it must pay a four mill equivalency on only non-oil and gas properties. Such language could read as follows:

...in making the determination for a municipality that is a school district or for a city that is within a borough school district, the assessed value of property taxable under AS 43.56 shall be excluded if a municipal tax is not levied under AS 29.45.080 in that school district.

Your help on these matters is greatly appreciated.

Sincerely,

Thomas "Roy" Gilbertson  
Mayor

Cc: Pete Fellman Via Fax# (907) 895-5017

## Summary of Proposed Deltana Borough

### Background

The Delta Borough area has roughly 5,000 residents. There is one local government-City of Delta Junction-with about 900 residents. City services include library, recreation, landfill, airport, road maintenance, cemetery and volunteer Fire/EMS/Ambulance. The Delta-Greely REAA provides educational services. Platting and planning in the area outside the city are conducted by the state of Alaska. There are no local taxes.

### Internal

#### Growth-Population and Employment

1. Build up of Ft. Greely-Placement of Missile System at site
2. Construction and eventual operation of Pogo Mine by Teck-Pogo
3. Increase in Slavic population

### External

1. State Administration/Local Boundary Commission Action
  - a. Model Borough Boundaries for the unorganized borough include the Delta area with the Alaska Gateway REAA (Tok).
  - b. Recent analysis of areas that minimally met the LBC incorporation standards included Delta/Tok area
2. Legislative efforts to mandate borough formation (SJR 12).
3. Interest by Fairbanks North Star Borough to annex adjacent area including Teck-Pogo mining district.

### City Response

1. City appointed a Deltana Borough Charter Commission of nine members with the task of writing a charter and incorporation petition and submitting it to the LBC to allow for a vote on borough incorporation. Members represented different local interest groups and geographic areas in the region. Most members reside outside of the city boundaries.

## Deltana Borough Charter Commission

1. Commission developed a charter and petition that entails the following key points.
  - a. The new borough will be a unified homerule borough in which there shall only be one local government. The assets and liabilities of the City of Delta Junction will be assumed by the borough. The new borough will assume education and planning powers along with the current powers and services of the City of Delta Junction.
  - b. The boundaries shall be those of the Delta-Greely REAA.
  - c. Local revenues shall include a 3% fuel tax and 10% energy tax along with the Teck-Pogo PILT agreement
  - d. All Assembly and School Board seats shall be elected at large.
  - e. Assembly with the Mayor's concurrence call appoint a borough administrator.

## Teck-Pogo Agreement

Listed below are the key points to the Teck-Pogo Agreement

1. Agreement would be with the City of Delta Junction and would be assumed by the borough upon borough formation.
2. 10 year term
3. If no borough is organized by 12.31.08, the agreement would terminate
4. Payment schedule by Teck-Pogo
  - a. 2005-\$500,000 to City
  - b. 2006 \$500,000 to City or Borough
  - c. 2007 \$1,000,000 to City or Borough
  - d. If payments b and c are made subsequent to any negative public vote ½ goes to City and ½ retained by Teck-Pogo.
  - e. 2008 and each year after annual payment of \$2 million or 10 mills on value of Teck-Pogo property, which ever is more.
  - f. Contribution by Teck-Pogo for bonded capital cost not exceed \$350,000 annually. Payments by Teck-Pogo may go to 2020. Teck-Pogo contribution for G.O. Bonds requires local contribution as well
5. Ballot on revenue issue shall be designed as one vote. Entire package has to be approved by voters.

## Upper Tanana Borough Valuation Summary Page

### Valuations Estimates

|   |                       |
|---|-----------------------|
| <b>(DELTA Area) Delta/Greely REAA</b>     |                       |
| Delta Commercial                          | \$ 24,483,300         |
| Delta Residential                         | \$ 131,514,100        |
| Personal Property                         | \$ 26,080,600         |
| <b>Sub-Total Delta/Greely (Area) REAA</b> | <b>\$ 182,078,000</b> |
|   |                       |
| Pogo Mine                                 | \$ 125,000,000        |
| AS 43.56 Prop.                            | \$ 194,500,000        |
| <b>Total Delta/Greely (Area) REAA</b>     | <b>\$ 501,573,000</b> |

Est. 50% complete as of 1-1-2005

75 Miles @ \$1.9 million per mile plus 1 pump station (9) at \$52 million (P.S. 10 zero \$\$)

### Education-Local Funding Requirement

|   |                      |  |                    |
|---|----------------------|--|--------------------|
|   |                      | Total Upper Tanana Basin Borough         | (\$577,162,500)    |
|   |                      | Local Contribution Requirement           | <b>\$2,308,650</b> |
|   |                      | <hr/>                                    |                    |
| <b>(TOK Area) Alaska Gateway REAA</b>           |                      | Delta/Greely REAA w/o pipeline           | (\$307,073,000)    |
| Tok Commercial                                  | \$ 10,652,900        | Local Contribution Requirement           | <b>\$1,228,312</b> |
| Tok Residential                                 | \$ 40,331,900        | Delta/Greely REAA with pipeline          | (\$501,578,000)    |
| Personal Property                               | \$ 7,648,700         | Local Contribution Requirement           | <b>\$2,006,312</b> |
| <b>Sub-Total (Tok Area) Alaska Gateway REAA</b> | <b>\$ 58,633,500</b> | <hr/>                                    |                    |
|   |                      | Alaska Gateway REAA w/o Villages         | (\$58,633,500)     |
| Chicken/Mentasta/Tanacross                      | \$ 4,951,000         | Local Contribution Requirement           | <b>\$234,534</b>   |
| Northway/Tetlin                                 |                      | <hr/>                                    |                    |
| Eagle   | \$ 12,000,000        | Alaska Gateway REAA w/o Villages & Eagle | (\$75,584,500)     |
| <b>Total (Tok Area) Alaska Gateway REAA</b>     | <b>\$ 75,584,500</b> | Local Contribution Requirement           | <b>\$302,338</b>   |

|   |                       |
|---|-----------------------|
| Total Value of Proposed<br>Upper Tanana Basin Model Borough | <b>\$ 577,162,500</b> |
|---|-----------------------|

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Anchorage Daily News

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## Borough proposed in Delta area could help rebuild local schools

**POGO: Largest portion of revenue expected to come from gold mine.**

By TOM KIZZIA

Anchorage Daily News

*(Published: January 9, 2006)*

The school district surrounding Delta Junction, south of Fairbanks, currently operates three schools at a cost of \$6.1 million a year. The district's 5,000 residents don't have to pay a nickel for those schools because they live in the big swath of rural Alaska with no local governments and no local taxes.

Last week, however, a commission of area residents submitted a petition to the state that could bring those days to an end. Residents are proposing to create a new borough government that would contribute about \$800,000 to local education. The state now pays nearly all the cost of schools.

The so-called Deltana Borough would be the first new borough in Alaska since 1992. If approved by the state Local Boundary Commission, the proposal could be put to a vote as soon as next fall in the Delta-Fort Greely area.

To state politicians who complain that unorganized parts of the state have been getting a free ride, the effort in Delta is overdue.

Civic-mindedness is a factor, to be sure. But a guilty conscience over government handouts has never been one of the prime political motivators in Alaska. The idea of a new government for the area remains controversial locally, despite promises by backers that a new gold mine will pay most of the costs.

Advocates of the new borough say their chief selling point has been that they need to ward off worse alternatives -- particularly annexation of the area's new Pogo mine by the Fairbanks North Star Borough to the north.

"We would just become a cash generator for Fairbanks," said Mike Schultz, a Delta barley farmer who served as chairman of the local borough commission. "We wouldn't even warrant a seat on their assembly."

Organizers also say certain legislators, led by Sen. Gary Wilken, R-Fairbanks, might follow up on past threats to create a new borough by state law. One state map looked at combining the Delta- and Tok-area school districts in a single borough stretching to Canada, a proposal Delta residents generally oppose.

Questions surrounding Alaska's vast "unorganized borough" have dogged politicians since statehood. Eight percent of the state's population still lives in unorganized areas, according to state figures. State officials concede there are few incentives for forming new boroughs.

Despite this, some new boroughs have formed in recent years, including Yakutat in 1992, Denali in 1990, Lake and Peninsula in 1989, Aleutians East in 1987, and Northwest Arctic in 1986.

The motive is often defense of territory about to be picked off by encroaching boroughs, said Dan Bockhorst, director of the state Local Boundary Commission.

"The thinking of some is, 'Hey, we better get out in front of this,'" said Lamar Cotten, a state and borough government veteran who served as consultant to Delta Junction, which has spearheaded the effort. "They realize

there's not a compelling argument why they should receive state services and not pay for them."

The opening of the Pogo mine, development of a national missile-defense system at Fort Greely and potential for constructing a gas pipeline have all created growth pressure and increased a desire for local planning and control, Cotten said.

Borough formation efforts in the Delta Junction area were rejected as poorly planned by the boundary commission in 1974 and 2000.

Local opposition remains strong, residents say, to zoning, to animal control and especially to new taxes. The new borough expects to have an operating budget of at least \$1.2 million, on top of school funding.

"They say no taxes, but they just can't do it any other way," said Leston McNeil, a local retiree who has helped lead the opposition. "I'm anti-borough at this time. We don't have enough people to pay for it."

Organizers say they've got a way to avoid property taxes. They propose to raise the bulk of the money from Teck-Pogo, the mine developers, through a contractual payment in lieu of taxes. The Northwest Arctic Borough in the Kotzebue region has a similar funding arrangement with the Red Dog lead and zinc mine in its boundaries.

Under a 10-year PILT agreement already signed with the city of Delta Junction, Teck-Pogo's payments to the new borough would ramp up to \$2 million a year by 2008 -- or more, if the value of the mine goes up. Teck-Pogo also agreed to pay up to \$350,000 a year toward bonding costs for new schools and other construction, though a matching share would have to be raised by the borough.

Delta Junction, the only municipality in the area, has about 900 residents. The city would dissolve under the plan in favor of a unified home-rule borough.

McNeil, who tried unsuccessfully to get a local vote on the commission's first-draft proposal, said Teck-Pogo is helping promote the Deltana Borough because the company would face a much higher tax bill if the mine were annexed by Fairbanks.

In addition to the PILT, borough advocates propose to levy a 3 percent tax on fuel and a 10 percent tax on electricity.

There's a catch to this plan, however -- one that requires special help from the Legislature.

The new borough, encompassing the Delta/Greely Rural Education Attendance Area (roughly a 30-mile radius around Delta Junction), would be crossed by a piece of the trans-Alaska oil pipeline valued at several hundred million dollars. Under current law, that value has to be included when the state calculates how much the borough's property is worth -- and how much it has to pay for schools.

Boroughs are required to pay the equivalent of 4 mills of their total assessed property value toward education. Deltana organizers want to have the pipeline exempted, because the PILT payments from Teck-Pogo won't be enough to pay for schools under the larger property evaluation.

A bill doing just that, HB 217, passed the state House last year and is now before the Senate.

Even Schultz, the commission chairman, predicted the borough vote would fail locally if a property tax was part of the deal.

There's also a neat bit of political blackmail to provide the area with further incentive. Last year, Delta Junction faced a \$1 million judgment to pay off a prison developer with whom the city partnered in an ill-fated effort to build a private prison at Fort Greely. The project collapsed after opponents won seats on the city council and the

city withdrew its support.

The Legislature gave the city a loan to pay its debt. Under a provision engineered by Wilken, the powerful Senate Finance Committee co-chairman, that loan will be forgiven if the area organizes as a borough.

With a local revenue source, a new borough assembly could choose to improve schools by funding more than the minimum, said Delta/Greely superintendent Dan Beck. A new borough could also bond and build new schools without waiting in line for state funding, as rural schools in the unorganized area must. The area's high school is 45 years old.

Deltana Borough organizers had to obtain nearly 200 signatures on their petition to put the formation idea before the state. Local Boundary Commission staff members will solicit comment and evaluate the borough's proposed charter, including its economic underpinnings. Then the five-member commission holds a public hearing and votes whether to approve the application. If the boundary commission gives it the go-ahead, the new borough must be approved by voters in the area.

Reporter Tom Kizzia can be reached at [tkizzia@adn.com](mailto:tkizzia@adn.com) or in Homer at 907-235-4244.

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# Fairbanks Daily News-Miner

Petitioners file for Delta-area borough  
By CHRIS ESHLEMAN  
Staff Writer

**Tuesday, January 10, 2006** - A group of residents in the Delta Junction area hoping to form the state's 17th incorporated borough submitted formal plans to the state last week.

Staff for the state's Local Boundary Commission said the proposed Deltana Borough would encompass almost 5,900 square miles of land, and the petition estimates it would include 5,760 people from Delta Junction, Fort Greely and surrounding areas. The plan will need to be approved by state authorities and, possibly as early as this fall, by voters within the area.

The nearby Pogo gold mine, which would be included within the borders of the new borough, would pay for a major part of education and the costs associated with running the new borough.

On a map, the borough's boundaries would be identical to the those of the area's school district, the Delta-Greely Regional Education Attendance Area.

Formation of a borough would allow residents and their representatives in local government a chance to spend more money on education in the school district than the state currently spends, said area schools' Superintendent Dan Beck.

Residents in and around Delta Junction have attempted to form a borough before.

This try comes as a response to both internal and external pressures, said Lamar Cotten, a consultant for the city of Delta Junction.

Cotten said the additions of both the mine and a national missile defense system at Fort Greely have the potential of straining the community's schools and other services. And legislators have discussed encouraging--or forcing--borough formation in unincorporated areas, including Delta Junction, which has no local sales or property taxes and relies heavily on the state to fund education.

Cotten, a former member of the Local Boundary Commission, said he did not know what would happen if voters decide not to form a borough. But they could be leaving the decision to others if they do.

"You run a risk, given the fact that state policy is evolving," Cotten said.

If the borough is created, the city of Delta Junction would dissolve and its assets would become the property of the new borough.

Under an agreement with Teck-Pogo, the mine would provide at least \$2 million annually to the new borough, said Pete Hallgren, Delta city administrator. If the effort fails, the city will receive significantly less, and only through 2008.

While the plan's supporters have also said the move could keep the area from being annexed by the larger Fairbanks North Star Borough, Mayor Jim Whitaker said his administration currently is not seriously considering a plan to annex the area.

If the petition's list of 259 signatures qualifies under state rules, the state will move forward by posting the proposal online and will begin accepting public comments, said Dan Boekhorst, a staff member of the state's Local Boundary Commission.

Boekhorst's office will then advise the commission, which will decide whether residents within the proposed borough can vote to form the Deltana Borough.

Chris Eshleman can be reached at 459-7582 or [ceshleman@newsminer.com](mailto:ceshleman@newsminer.com).

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Apr 27, 2:22 PM EDT

## Harris pushes bill that could aid formation of Delta area borough

FAIRBANKS (AP) -- House Speaker John Harris is pushing a proposal that would allow a new borough in the trans-Alaska oil pipeline corridor to exclude the value of the pipeline from state calculations of how much the borough's property is worth.

Backers of a new borough proposed around Delta Junction say the law could help keep them from needing a property tax.

The House district of Harris, R-Valdez, stretches into Delta, a Richardson Highway community 98 miles south of Fairbanks.

The state uses a borough's total value to determine how much local governments must contribute toward K-12 education funding. Boroughs are required to pay the equivalent of 4 mills of their total assessed property value toward education.

In Delta, where a group is drawing up plans for a borough covering the Delta/Greely School District boundaries, the trans-Alaska pipeline is worth about \$200 million. The pipeline's assessment would add to the total value of the proposed borough and the tax dollars that residents would have to pay.

Meeting that demand in the Delta area would require a property tax, said Pete Halpern, Delta city administrator. However, if House Bill 217 passes, the area could meet its minimum education contribution without levying a property tax, he said.

The House Community and Regional Affairs Committee on Tuesday forwarded the measure after a brief discussion. The bill is to be heard next by the House Finance Committee.

Mike Schultz, chairman of the commission developing a plan for the proposed Deltana Borough, said most residents in the area would vote against forming a borough if it meant paying property tax.

"Because we feel quite strongly that the community will not accept a borough charter with a property tax, we have devised a tax structure that does not include a property tax," he said.

To meet its education funding obligations and pay for government services, the borough would collect a 3 percent tax on fuel, a 10 percent tax on electricity and a 2 percent royalty tax on gold from the Pogo Mine, Schultz said.

Currently, four of Alaska's 16 boroughs do not charge a property tax and make their money through other types of levies. The Denali Borough, for example, relies heavily on a bed tax.

HB 217 would not mean a decrease in money the state receives from the trans-

Alaska pipeline. The state would continue to collect the 20-mill rate on pipeline property that it now collects in unorganized areas.

Information from: Fairbanks Daily News-Miner <http://www.newsminer.com>

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## The Full Value Determination

*Steve Van Sant, State Assessor*

The Office of the State Assessor is required to annually compute a value on all taxable property located in 92 municipalities. This includes each borough, every first class and home rule city, and second class cities with a population over 750. This value is known as the Full Value Determination (FVD). The FVD is used by the Department of Education for calculating the municipality's share of education, i.e., local contribution. In the past, state shared revenue has used the FVD in the calculation of the share of the "revenue pie" each municipality received.

Local assessors make a determination annually, of the total assessed value of all property within their municipal boundaries, which is subject to a property tax. Local assessments are required by statute to reflect 100% market value but due to the large number of properties and the lack of an adequate number of sales data, it is not possible to value all properties at this level. The Office of the State Assessor requires a ratio study (a statistical analysis of assessed values compared to market data and/or individual market analysis.) to be conducted by each taxing municipality to indicate the actual level of assessment. This is augmented with other statistical data to depict the equity between and among property groups. The statistical calculation level of assessment is used to ascertain the overall percentage of market value represented by the assessed values. When the level of assessment is determined, the actual assessed value of the municipality is adjusted to reflect 100%, as required by statute.

The assessed values also represent only property that is subject to a property tax within the municipality. Local property taxes within municipalities differ around the state. In Fairbanks, for example, personal property has been exempted from property taxes; therefore, the assessor does not place any value on the local assessment roll for this property. However, the value of personal property must be included the full value. The full value "equalizes" the values in all municipalities by measuring the local "wealth" using the total taxable value as the measuring stick. In order to compare "apples to apples", the full value of each municipality should reflect the same value levels as all other municipalities.

Taxable property is the cumulative value of all property within the jurisdiction which is, by statute, subject to a property tax. This means that the taxable value excludes any mandatory exemptions found in AS 29.45.070. Therefore, all churches, schools, charitable and cemetery property are not included in the FVD, as well as the value (\$150K) for senior citizens and disabled veterans which participate in the homeowners program. Any property which is required to be excluded from local taxation by statute is also excluded from the FVD.

However, property which a municipality may, at its option, exempt from taxation under AS 29.45.050 (optional exemptions) is considered "taxable property" under state statutes and is a measurement of the jurisdiction's property wealth, and, therefore, is included in the FVD. This property could be taxed by the jurisdiction, but they have chosen not to tax it. Consequently, the value of personal property within Fairbanks is estimated by the Office of the State Assessor and included in the FVD. A municipality which has exempted property under AS 29.45.050 (optional exemptions) will have it added back into its FVD. For example, a municipality which has exempted motor vehicles from a property tax and opted into the state collection system for the vehicle registration tax see the value of motor vehicles added into their FVD because without that value, it does not accurately reflect the "total value" of the municipality.

Because of the issues listed above, it is rare if a municipality's local assessed value and the full value determination are the same.

**Explanation of 4 mill Equivalency (Local Contribution for Education)  
For the Proposed Deltana Borough**

**What is a mill?**

*Tax rates are usually expressed as tax dollars per \$100, mills per dollar, or tax dollars per \$1,000 of assessed value. A one mill tax equates to \$1 in tax, for each \$1,000 of value (.001). Therefore:*

*Every one million dollars in FULL VALUE equates to \$4,000 required for locally required education contribution (based upon a 4 mill equivalency, .004)*

**How do you calculate a mill?**

|               |            |                   |
|---------------|------------|-------------------|
| One Dollar    | Divided by | Equals = One Mill |
| \$1           | 1000       | 0.001             |
|               | Times 4    | Equals local      |
| Full Value    | mills      | Contribution      |
| \$1,000       | 0.004      | \$4               |
| \$100,000     | 0.004      | \$400             |
| \$1,000,000   | 0.004      | \$4,000           |
| \$100,000,000 | 0.004      | \$400,000         |

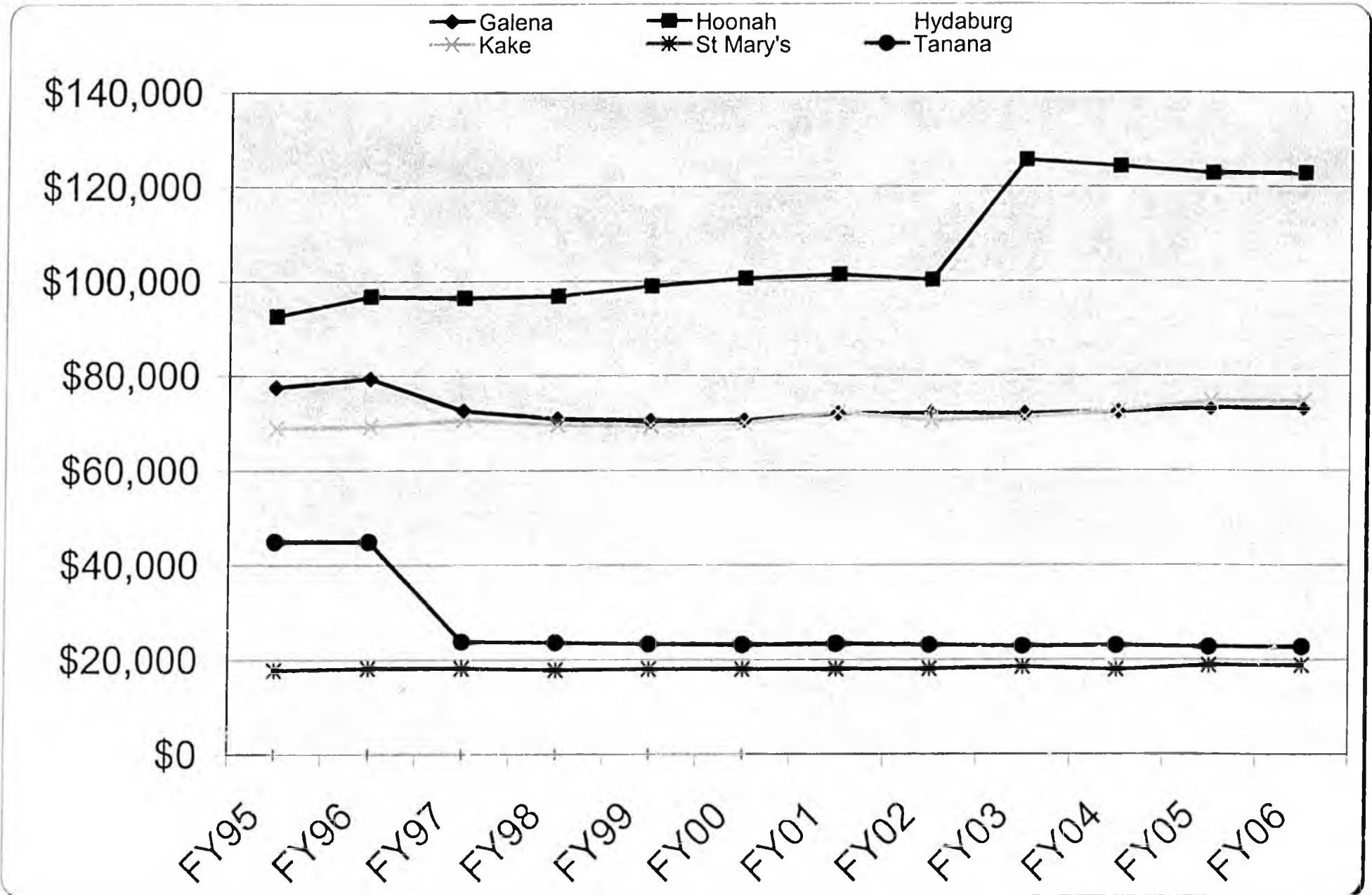
**Proposed Deltana Borough**

| Valuations Estimates                      |                       | Full Value | Times 4<br>mills | Equals local<br>Contribution           |
|---|-----------------------|------------|------------------|--|
| <b>(DELTA Area) Delta/Greely REAA</b>     |                       |            |                  |  |
| Delta Commercial                          | \$ 24,483,300         | Area       | Value Estimate   | 4 mills                                |
| Delta Residential                         | \$ 131,514,100        |            |                  | Mandatory<br>Education<br>Contribution |
| Personal Property                         | \$ 26,080,600         | Delta      | \$182,078,000    | 0.004                                  |
| <b>Sub-Total Delta/Greely (Area) REAA</b> | <b>\$ 182,078,000</b> | Pogo       | \$125,000,000    | 0.004                                  |
|   |                       | Sub-Total  | \$307,078,000    | \$1,228,312                            |
|   |                       |            |                  |  |
|   |                       | Pipeline   | \$194,500,000    | 0.004                                  |
|   |                       | Total      | \$501,578,000    | 0.004                                  |
|   |                       |            |                  | \$2,006,312                            |



## Required Local Contribution for Schools

Residents of Six First Class Cities Elected Alternative Method of Payment - Not by Property Tax

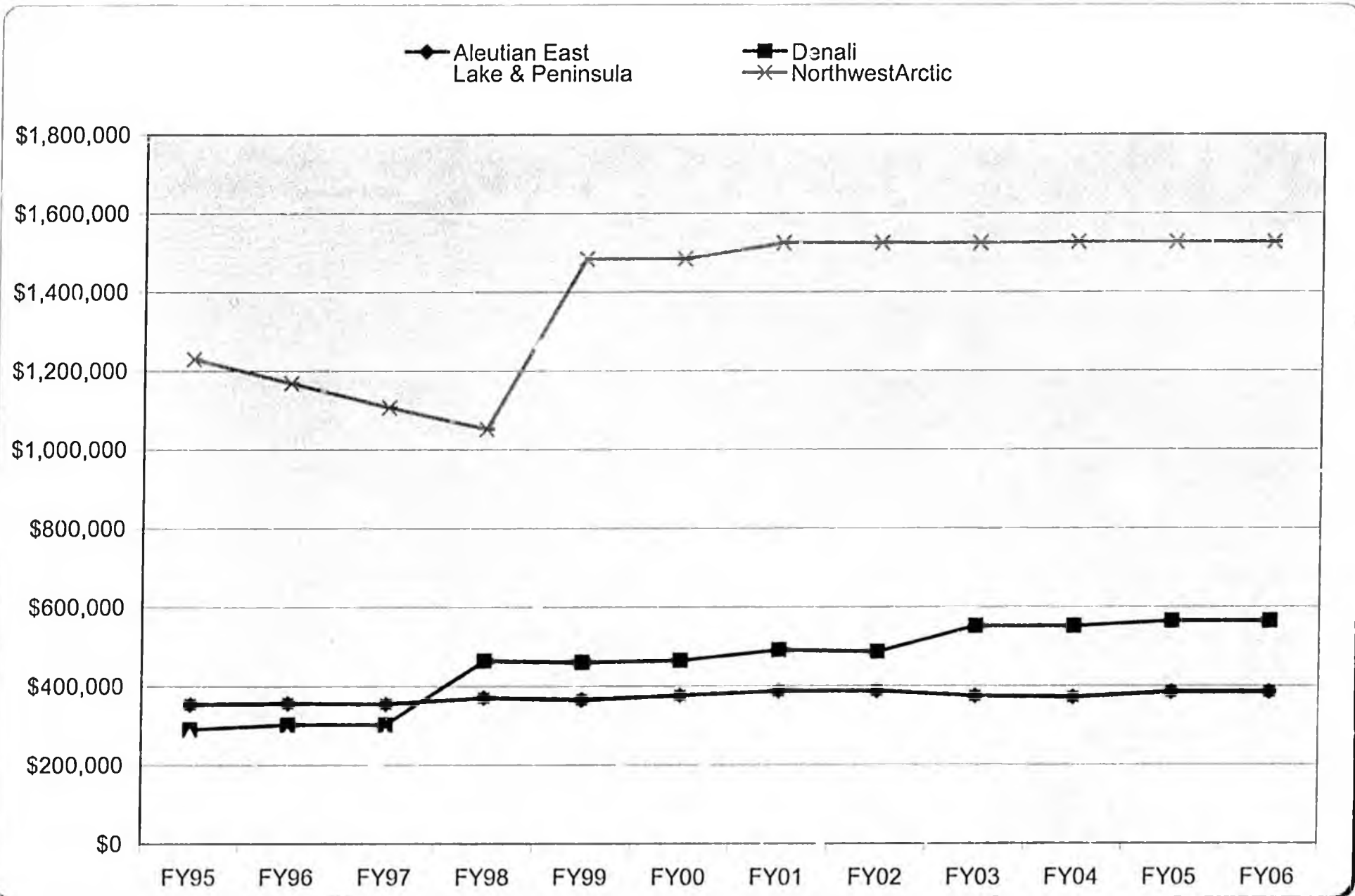


Prepared by Gary Wilken's Office

1/24/04

# Required Local Contribution for Schools

Residents of Four Boroughs Elected Alternative Method of Payment - Not by Property Tax



Prepared by Gary Wilken's Office

1/24/06

TABLE 1

## 2005 Municipalities: Class, Populations and Tax Types

| Municipality                 | Type of Municipality | Population | Property Tax | Sales Tax | Special Tax   |
|------------------------------|----------------------|------------|--------------|-----------|---|
| Adak                         | Second Class City    | 69         | No           | 3%        | No  |
| Akhiok                       | Second Class City    | 56         | No*          | NR        | NR  |
| Akiak                        | Second Class City    | 367        | No           | NR        | NR  |
| Akulau                       | Second Class City    | 771        | No           | NR        | NR  |
| Alakanuk                     | Second Class City    | 667        | No           | 4%        | No  |
| Aleknagik                    | Second Class City    | 219        | No           | 5%        | 5% Bed Tax  |
| Aleutians East Borough       | Second Class Borough | 2,629      | No           | No        | 2% Raw Fish Tax   |
| Allakaket                    | Second Class City    | 90         | No           | NR        | NR  |
| Ambler                       | Second Class City    | 274        | No           | 3%        | No  |
| Anaktuvuk Pass               | Second Class City    | 300        | No*          | NR        | NR  |
| Municipality of Anchorage    | Unified Home Rule    | 277,498    | Yes          | No        | 6% Bed Tax & Car Rental/15% Tobacco Tax/Aircraft (flat) |
| Anderson                     | Second Class City    | 344        | No           | No        | 8% Utility Tax  |
| Angoon                       | Second Class City    | 481        | No           | 3%        | 3% Bed Tax  |
| Aniak                        | Second Class City    | 532        | No           | 2%        | No  |
| Anvik                        | Second Class City    | 101        | No           | No        | No  |
| Atka                         | Second Class City    | 92         | No           | No        | 2% Raw Fish Tax/ 10% Bed Tax                            |
| Atkasuk                      | Second Class City    | 218        | No*          | No        | No  |
| Barrow                       | First Class City     | 4,351      | No*          | NR        | NR  |
| Bethel                       | Second Class City    | 5,888      | No           | 5%        | 3% Bed/5% Alcohol/5% Gaming/MVRT                        |
| Bettles                      | Second Class City    | 31         | No           | No        | \$.02/gal. Fuel Transfer Tax                            |
| Brovig Mission               | Second Class City    | 319        | No           | 3%        | No  |
| Bristol Bay Borough          | Second Class Borough | 1,096      | Yes          | No        | 3% Raw Fish Tax/10% Bed Tax                             |
| Buckland                     | Second Class City    | 437        | No           | 6%        | No  |
| Chulomak                     | Second Class City    | 439        | No           | 2%        | 2% Raw Fish Tax   |
| Chevak                       | Second Class City    | 899        | No           | NR        | NR  |
| Chignik                      | Second Class City    | 92         | No           | No        | 1%salmon tax/1% other seafood                           |
| Chuathbaluk                  | Second Class City    | 105        | No           | NR        | NR  |
| Clarks Point                 | Second Class City    | 62         | No           | NR        | NR  |
| Coffman Cove                 | Second Class City    | 177        | No           | No        | No  |
| Cold Bay                     | Second Class City    | 89         | No           | No        | 10% Bed Tax/\$.04/gal. Fuel Tax                         |
| Cordova                      | Home Rule City       | 2,298      | Yes          | 6%        | 6% Bed Tax/6% Vehicle Rental Tax                        |
| Craig                        | First Class City     | 1,127      | Yes          | 5%        | 6% Liquor Tax   |
| Deering                      | Second Class City    | 145        | No           | 3%        | No  |
| Delta Junction               | Second Class City    | 984        | No           | No        | No  |
| Denali Borough               | Home Rule Borough    | 1,842      | No           | No        | Sev Tax \$ .05/yd gravel \$ .05 ton-coal, Bed Tax 7%    |
| Dillingham                   | First Class City     | 2,422      | Yes          | 6%        | 10% Bed Tax / 10% Liquor Tax/6% Gaming                  |
| Diomedea                     | Second Class City    | 141        | No           | 3%        | No  |
| Eagle                        | Second Class City    | 115        | Yes          | No        | No  |
| Eek                          | Second Class City    | 292        | No           | 2%        | No  |
| Egagik                       | Second Class City    | 76         | No           | No        | 2% Raw Fish Tax   |
| Ekwok                        | Second Class City    | 127        | No           | NR        | NR  |
| Elim                         | Second Class City    | 318        | No           | 2%        | No  |
| Emmonak                      | Second Class City    | 762        | No           | NR        | NR  |
| Fairbanks                    | Home Rule City       | 29,954     | Yes          | No        | 6% Bed Tax/ 5% Alcohol Tax/ 8% Tobacco Tax              |
| Fairbanks North Star Borough | Second Class Borough | 84,979     | Yes          | No        | 6% Bed Tax/ 5% Alcohol Tax/ 8% Tobacco Tax              |
| False Pass                   | Second Class City    | 62         | No           | 3%        | 6% Bed Tax  |
| Fort Yukon                   | Second Class City    | 594        | No           | 3%        | No  |
| Galena                       | First Class City     | 717        | No           | NR        | NR  |
| Gambell                      | Second Class City    | 648        | No           | 3%        | No  |
| Golovin                      | Second Class City    | 166        | No           | NR        | NR  |
| Goodnews Bay                 | Second Class City    | 231        | No           | No        | No  |
| Grayling                     | Second Class City    | 112        | No           | NR        | NR  |
| Gustavus                     | Second Class City    | 173        | No           | 2%        | 4% 1 Tax  |
| Haines Borough**             | Home Rule Borough    | 2,145      | Yes          | 5.6%      | 4% Bed Tax  |
| Holy Cross                   | Second Class City    | 206        | No           | No        | No  |
| Homer                        | First Class City     | 5,332      | Yes          | 4.50%     | No  |

Note: Municipal populations are from the State Department of Labor

\*Indicates that City does not levy property tax, but Borough in which City is located does

\*\* The City of Haines and the Haines Borough consolidated in 2002, into a single Home Rule Government

TABLE 1

## 2005 Municipalities: Class, Populations and Tax Types - continued

| Municipality              | Type of Municipality | Population | Property Tax | Sales Tax | Special Tax                                       |
|---------------------------|----------------------|------------|--------------|-----------|---|
| Hoonah                    | First Class City     | 841        | No           | 5%        | No  |
| Hooper Bay                | Second Class City    | 1,124      | No           | 4%        | No  |
| Houston                   | Second Class City    | 1,368      | Yes          | 2%        | No  |
| Hughes                    | Second Class City    | 72         | No           | No        | No  |
| Huslia                    | Second Class City    | 269        | No           | No        | No  |
| Hydaburg                  | First Class City     | 349        | No           | 4%        | No  |
| Juneau, City & Borough of | Unified Home Rule    | 30,966     | Yes          | 5%        | 7% Bed Tax/ 3% Liquor Tax/ \$.30/pack Tobacco Tax |
| Kachemak                  | Second Class City    | 475        | Yes          | No        | No  |
| Kake                      | First Class City     | 663        | No           | 5%        | Fisheries Business Tax                            |
| Kaktovik                  | Second Class City    | 284        | No*          | No        | No  |
| Kallag                    | Second Class City    | 211        | No           | No        | No  |
| Kasaan                    | Second Class City    | 60         | No           | No        | No  |
| Kenai                     | Home Rule City       | 6,809      | Yes          | 3%        | No  |
| Kenai Peninsula Borough   | Second Class Borough | 50,980     | Yes          | 2%        | No  |
| Ketchikan                 | Home Rule City       | 7,691      | Yes          | 3.50%     | 6% Bed Tax  |
| Ketchikan Gateway Borough | Second Class Borough | 13,030     | Yes          | 2.5%      | 4% Bed Tax  |
| Kiana                     | Second Class City    | 394        | No           | 2%        | No  |
| King Cove                 | First Class City     | 723        | No           | 4%        | 2% Fisheries Tax/Business impact tax-flat rate    |
| Kivalina                  | Second Class City    | 388        | No           | 2%        | No  |
| Klawock                   | First Class City     | 848        | No           | 5.50%     | 6% Bed Tax  |
| Kobuk                     | Second Class City    | 128        | No           | NR        | NR  |
| Kodiak                    | Home Rule City       | 6,199      | Yes          | 0%        | 5% Bed Tax  |
| Kodiak Island Borough     | Second Class Borough | 13,466     | Yes          | No        | 10.25 mill Severance Tax/5% Bud Tax               |
| Kotlik                    | Second Class City    | 588        | No           | 3%        | No  |
| Kotzebue                  | Second Class City    | 3,130      | No           | 6%        | 6% Bed Tax/ 6% Alcohol Tax                        |
| Koyuk                     | Second Class City    | 348        | No           | NR        | NR  |
| Koyukuk                   | Second Class City    | 109        | No           | No        | No  |
| Kupreanof                 | Second Class City    | 38         | No           | No        | No  |
| Kwethluk                  | Second Class City    | 695        | No           | 5%        | No  |
| Lake & Peninsula Borough  | Home Rule Borough    | 1,603      | No           | No        | 2% Raw Fish Tax/Guide Fees/6% Bed Tax             |
| Larsen Bay                | Second Class City    | 96         | No*          | 3%        | No  |
| Lower Kalskag             | Second Class City    | 262        | No           | NR        | NR  |
| Manokotak                 | Second Class City    | 405        | No           | 2%        | No  |
| Marshall                  | Second Class City    | 358        | No           | 4%        | No  |
| Malanuska-Susitna Borough | Second Class Borough | 70,148     | Yes          | No        | 5% Bed Tax  |
| McGrath                   | Second Class City    | 367        | No           | No        | 10% Bed Tax                                       |
| Mekoryuk                  | Second Class City    | 198        | No           | 2%        | No  |
| Mottakpila                | Federal Law          | 1,370      | No           | No        | No  |
| Mountain Village          | Second Class City    | 769        | No           | 3%        | No  |
| Napakiak                  | Second Class City    | 360        | No           | NR        | NR  |
| Napaskiak                 | Second Class City    | 436        | No           | No        | No  |
| Nenana                    | Home Rule City       | 394        | Yes          | 4%        | No  |
| New Stuyahok              | Second Class City    | 477        | No           | NR        | NR  |
| Newhalen                  | Second Class City    | 183        | No           | 2%        | The City does not collect its tax                 |
| Nightmute                 | Second Class City    | 232        | No           | 2%        | No  |
| Nikolai                   | Second Class City    | 121        | No           | NR        | NR  |
| Nome                      | First Class City     | 3,473      | Yes          | 5%        | 4% Bed Tax  |
| Nondalton                 | Second Class City    | 206        | No           | NR        | NR  |
| Noorvik                   | Second Class City    | 609        | No           | 3%        | No  |
| North Pole                | Home Rule City       | 1,532      | Yes          | 3%        | No  |
| North Slope Borough       | Home Rule Borough    | 7,104      | Yes          | No        | No  |
| Northwest Arctic Borough  | Home Rule Borough    | 7,300      | No           | No        | No  |
| Nuiqsut                   | Second Class City    | 430        | No*          | No        | No  |

Note: Municipal populations are from the State Department of Labor

\* Indicates that City does not levy property tax, but Borough in which City is located does

**TABLE 1**  
**2005 Municipalities: Class, Populations and Tax Types - continued**

| Municipality               | Type of Municipality | Population | Property Tax | Sales Tax | Special Tax                             |
|----------------------------|----------------------|------------|--------------|-----------|---|
| Nulato                     | Second Class City    | 320        | No           | NR        | NR                                      |
| Nunam Iqua (Sholdon Point) | Second Class City    | 172        | No           | 4%        | No                                      |
| Nunapitchuk                | Second Class City    | 527        | No           | 3%        | No                                      |
| Old Harbor                 | Second Class City    | 196        | No*          | 3%        | No                                      |
| Ouzinkie                   | Second Class City    | 187        | No*          | 3%        | No                                      |
| Palmer                     | Home Rule City       | 5,197      | Yes          | 3%        | No                                      |
| Pelican                    | First Class City     | 118        | Yes          | 4%        | 10% Bed Tax                             |
| Petersburg                 | Home Rule City       | 3,123      | Yes          | 6%        | 4% Bed Tax                              |
| Pilot Point                | Second Class City    | 75         | No           | NR        | NR                                      |
| Pilot Station              | Second Class City    | 559        | No           | 4%        | No                                      |
| Platinum                   | Second Class City    | 39         | No           | NR        | NR                                      |
| Point Hope                 | Second Class City    | 726        | No*          | 3%        | No                                      |
| Port Alexander             | Second Class City    | 69         | No           | 4%        | 6% Bed Tax                              |
| Port Heiden                | Second Class City    | 90         | No           | NR        | NR                                      |
| Port Lions                 | Second Class City    | 238        | No*          | No        | No                                      |
| Quinhagak                  | Second Class City    | 612        | No           | 3%        | No                                      |
| Ruby                       | Second Class City    | 190        | No           | NR        | NR                                      |
| Russian Mission            | Second Class City    | 331        | No           | NR        | NR                                      |
| St. George                 | Second Class City    | 137        | No           | NR        | NR                                      |
| St. Mary's                 | First Class City     | 539        | No           | 3%        | No                                      |
| St. Michael                | Second Class City    | 109        | No           | NR        | NR                                      |
| Saint Paul                 | Second Class City    | 494        | No           | 3%        | 3% Raw Fish Tax                         |
| Sand Point                 | First Class City     | 908        | No           | 3%        | 7% Bed Tax/2% Raw Fish Tax              |
| Savoonga                   | Second Class City    | 710        | No           | 3%        | No                                      |
| Saxman                     | Second Class City    | 391        | No*          | 3.5%      | No                                      |
| Scammon Bay                | Second Class City    | 486        | No           | 2%        | No                                      |
| Selawik                    | Second Class City    | 829        | No           | 5%        | No                                      |
| Seldovia                   | First Class City     | 426        | Yes          | 2%/4.5%   | No                                      |
| Seward                     | Home Rule City       | 2,540      | Yes          | 1%        | 4% Bed Tax                              |
| Shageluk                   | Second Class City    | 132        | No           | 1.7%      | NR                                      |
| Shaktolik                  | Second Class City    | 209        | No           | NR        | NR                                      |
| Shishmaref                 | Second Class City    | 591        | No           | 2%        | No                                      |
| Shungnak                   | Second Class City    | 264        | No           | 2%        | No                                      |
| Sitka, City & Borough of   | Unified Home Rule    | 8,805      | Yes          | 5%/6%     | 6% Bed Tax/ \$.02/gal Fuel Tax          |
| Skagway                    | First Class City     | 870        | Yes          | 4%        | 8% Bed Tax                              |
| Soldotna                   | First Class City     | 3,767      | Yes          | 3%        | No                                      |
| Stebbins                   | Second Class City    | 586        | No           | 3%        | No                                      |
| Tanana                     | First Class City     | 304        | No           | 2%        | No                                      |
| Teller                     | Second Class City    | 241        | No           | 3%        | No                                      |
| Tenakee Springs            | Second Class City    | 105        | No           | 2%        | 3% Bed Tax/1% Fuel Tax                  |
| Thorne Bay                 | Second Class City    | 497        | No           | 6%        | No                                      |
| Togiak                     | Second Class City    | 805        | No           | 2%        | 2% Raw Fish Tax                         |
| Toksook Bay                | Second Class City    | 561        | No           | 2%        | No                                      |
| Unalakleet                 | Second Class City    | 728        | No           | 3%        | 5% Bed Tax/5% Alcohol Tax               |
| Unalaska                   | First Class City     | 4,366      | Yes          | 3%        | 2% Raw Fish Tax/ 5% Bed Tax             |
| Upper Kalskag              | Second Class City    | 263        | No           | NR        | NR                                      |
| Valdez                     | Home Rule City       | 3,749      | Yes          | No        | 6% Bed Tax                              |
| Wainwright                 | Second Class City    | 531        | No*          | No        | No                                      |
| Wales                      | Second Class City    | 152        | No           | NR        | NR                                      |
| Wasilla                    | First Class City     | 6,109      | Yes          | 2.5%      | No                                      |
| White Mountain             | Second Class City    | 213        | No           | 1%        | No                                      |
| Whitler                    | Second Class City    | 172        | Yes          | 3%        | 3% Passenger Trans. Tax/3% Fuel Tax     |
| Wrangell                   | Home Rule City       | 2,023      | Yes          | 7%        | \$4 per night Bed Tax                   |
| Yakutat, City & Borough of | Home Rule Borough    | 680        | Yes          | 4%        | 1% Raw Fish Tax/8% Bed & Car Rental Tax |

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99 Municipalities (reporting) levy a General Sales Tax - Rates range from 1% to 7%

107 Municipalities (reporting) levy either a General Sales Tax, Special Tax (bed tax, fish tax, etc.) or a combination of the two

28 Municipalities (cities & boroughs) levy a property tax

33 Municipalities did not provide a report this year

12 Boroughs & 13 cities within boroughs, levy a property tax

13 Cities in the Unorganized Borough levy a property tax

# SENATE COMMITTEE REPORT

DATE: 5/3/05

FURTHER: Finance

DATE TURNED  
IN TO OFFICE: 5/6/05

Community and Regional Affairs Committee considered HOUSE BILL NO. 217(title am)

## HB 217 FULL & TRUE VALUE OF TAXABLE MUNI PROP.

"An Act relating to the determination of full and true value of taxable municipal property for purposes of providing planning assistance to the Department of Education and Early Development and the legislature, calculating funding for education, calculating school district participating shares for school construction grants, and calculating tax resource equalization payments and excluding from that determination the value of property in certain areas detached from a municipality and the value of certain property involved with oil and gas that is not taxed by a municipality."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

|                          |                          |
|--------------------------|--------------------------|
| <b>CS Senate Bill:</b>   |                          |
| <input type="checkbox"/> | Same Title               |
| <input type="checkbox"/> | New Title                |
| <b>SCS House Bill:</b>   |                          |
| <input type="checkbox"/> | Same Title               |
| <input type="checkbox"/> | Technical Title Change   |
| <input type="checkbox"/> | New Title w/ SCR # _____ |

**NEW FISCAL NOTE(S):**

| Department | Date | Fiscal | Indet. | Zero | FN# |
|------------|------|--------|--------|------|-----|
|            |      |        |        |      |     |
|            |      |        |        |      |     |
|            |      |        |        |      |     |
|            |      |        |        |      |     |
|            |      |        |        |      |     |

**PREVIOUS FISCAL NOTE(S):**

| Department | Date | Fiscal | Indet. | Zero | FN# |
|------------|------|--------|--------|------|-----|
| DCCED      | 4/13 |        |        | ✓    | 1   |
|            |      |        |        |      |     |
|            |      |        |        |      |     |
|            |      |        |        |      |     |
|            |      |        |        |      |     |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS       | DO PASS | DO NOT PASS | NO REC | AMEND |
|--------------------------------------|---------|-------------|--------|-------|
| <i>[Signature]</i> WAGONER           | ✓       |             |        |       |
| <i>[Signature]</i> STEJMAN           |         |             | ✓      |       |
|                                      |         |             |        |       |
|                                      |         |             |        |       |
| CHAIR: <i>[Signature]</i> G. STEVENS |         |             | ✓      |       |