

2207 SCRA SB 690 - HB 31

2207

The reason for the lower maximum is to prevent, for example, two persons sharing rent on a \$900./month dwelling from each receiving the \$300. maximum credit while a single tenant paying the entire rent would have been limited to a total of \$300. In other words, Subsection (b) attempts to ensure that persons will receive a more or less equal proportion of rent paid as a credit regardless of whether they share rent or tax payments with another.

For example, assume two single persons sharing rent on a \$900./month dwelling. Each tenant would be eligible for the following:

(Assume the mill rate in the area is 8 mills)

$$50\% \times (8\% \times \$450/\text{month} \times 12) = \$216.$$

However, Subsection (b) limits each tenant to \$150. maximum. The total credit received by both tenants will therefore be \$300. or the same as a single person would receive if he or she had paid all of the rent on the dwelling.

Subsection (c) (page 2, line 2) applies the same formula described in Subsection (a) to married couples. A married couple is allowed to file jointly for the credit and receive up to the \$300. maximum based on taxes or rent that one or the other has paid. Subsection (d) (page 2, line 12) provides that only one dwelling may be claimed at any one time to be a principal place of abode. This subsection also provides that if a person lived in more than one place during the year, he or she must calculate their credit for each portion of the year based on taxes or rent paid for each dwelling. The \$300. or \$150. maximums would, of course, continued to be applied.

Subsection (b) (page 2, line 24) states that the credits would be paid directly to taxpayers by filing a return with the Department of Revenue in essentially the same manner as presently utilized for reimbursement of political contributions or child care expenses under AS 43.20.012. Persons claiming a credit would file a form according, presumably, to regulations that would be established by the Department of Revenue. The return would include an affidavit swearing that amounts claimed were based on actual taxes or rent paid or that the taxpayer is otherwise eligible. Note that it is not anticipated that extensive documentation would be filed with the return. Rather, taxpayers would be subject to audit and criminal or civil penalties for false filings. This method is intended to keep costs of administration to a minimum while avoiding, to the extent possible, fraudulent claims.

Subsection (g) (page 3, line 9) provides a number of definitions and is largely self-explanatory. "Abode" is defined to include only the portion of a structure used as a dwelling. For example, if an owner resides in one unit of a duplex and his or her unit constitutes sixty per cent (60%) of the entire structure, he or she could claim a credit based on 60% of total taxes paid on the structure. The actual method of pro rating taxes or rents on buildings used for multiple purposes would be established by regulation. It would be preferable, in this regard, if such regulations could use a relatively simple formula such as the example outlined above. "Rent" to be counted toward the allowable

credit would exclude utility payments and would exclude rent paid through a public housing assistance program, i.e. not actually paid by the renter. It is also important to note that mobile home owners will be eligible to include both taxes paid on their home and ~~space~~⁴ rental payments in calculating their allowable credits. See page 3, line 23.

Finally, Subsection (h) (page 4, line 5) provides that credits for property taxes or rent would be paid in the manner previously utilized for payment of income tax refunds under the now repealed Alaska individual income tax statutes.

Section 2 of the bill makes a technical amendment to allow persons to file for their property tax/renter credits in the same manner as presently used for political contributions and child care credits. Section 3 would allow payments for taxes or rent paid after December 31, 1981. In other words, persons would file returns presumably in 1983 based on all of the taxes or rent paid during 1982. Section 4 provides for a "sunset" clause terminating the program after January 1, 1985, unless extended by subsequent legislation.

In conclusion, it should be noted that the property tax/renter credit program would require an appropriation to pay for returns filed in 1983. Although a precise fiscal note has not been prepared, it is possible to estimate the maximum fiscal impact by examining residential property tax revenues raised by Municipalities during 1981. Department of Community and Regional Affairs estimates for 1981 residential property tax revenues were approximately \$49 million statewide. If fifty per cent (50%) of all of these revenues were allowable as a credit, the

allowable maximum would be about \$24.5 million. However, in many, if not the majority of cases, the \$300. or \$150. limit on credits established under the bill should hold the estimated actual fiscal impact of the tax credit proposal to well below this figure.

Census data is available concerning the owner-occupied and rental housing units in various regions throughout Alaska. A more precise fiscal note utilizing these data and data on local tax and rental rates should be prepared in the near future.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

March 2, 1982

The Honorable Donald E. Gilman
Chairman
Senate Community and Regional
Affairs Committee
Room 203 - Behrends Building
Juneau, Alaska

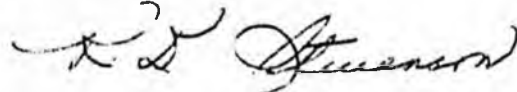
Dear Senator Gilman:

Re: Senate Bill No. 690

Senate Bill No. 690, an Act providing tax credits for property taxes or tax equivalency on rent paid, was introduced in the Senate on January 27, 1982 and was referred to the Senate Community and Regional Affairs and Finance Committees.

For the consideration of the Senate Community and Regional Affairs Committee, I am enclosing copies of Fiscal Notes prepared by Mr. Phillip A. Wall, Director, Public Services Division; Ms. Marilla Gemmer, Director, Enforcement Division and Mr. John Larson, Economist, Research Section of the Department of Revenue concerning the proposed legislation.

Sincerely,



R. D. Stevenson
Special Assistant

Enclosures

cc: The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

Phillip A. Wall, Director
Public Services Division
Department of Revenue

Marilla L. Gemmer, Director
Enforcement Division
Department of Revenue

John Larson, Economist
Research Section
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 690

Title Providing for tax credits for property taxes or tax equivalency on rent paid

Requested by Senate Community & Regional Affairs Date 2/26/82

and Finance Committee

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection & Management

BRU, Program, Or Subprogram(s) Affected Enforcement Division

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		140.6	151.8	163.9		
200 TRAVEL		8.0	8.8	9.7		
300 CONTRACTUAL		26.5	28.9	31.8		
400 COMMODITIES		1.0	1.1	1.2		
500 EQUIPMENT		0.0				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		185.1	190.6	206.6		

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		185.1	190.6	206.6		
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		5/60mm	5/60mm	5/60mm		
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

SB 690 is retroactive to 01-01-82, however we would not anticipate enforcement activity until the start of FY 83 since other house keeping measures such as forms preparation/distribution; press releases; computer programming etc., must be accomplished first.

This act also terminates January 1, 1985, however we assume that the wind down of the program for enforcement purposes will not be completed until the end of FY 85.

See memorandum to Joseph K. Donohue from Marilla L. Gemmer dated March 1, 1982.

Marilla L. Gemmer

IV. DATE March 1, 1982

PREPARED BY Marilla L. Gemmer, Director

AGENCY Department of Revenue - Enforcement Division

Original: Legislative Finance

PHONE 455-2100

cc: Budget and Management

Prime Sponsor First Legislator Named

SP-001 Rev. 11/81

MEMORANDUM

State of Alaska

TO:

Joseph K. Donohue
Deputy Commissioner - Taxation

DATE:

March 1, 1982

FILE NO:

TELEPHONE NO:

FROM:

Marilla L. Gemmer
Director
Enforcement Division

SUBJECT:

SB 690

SB 690 provides for individuals to receive a tax credit based on the amount of property tax paid or rent paid on a dwelling subject to property tax. The amount of credit to be received is based on several formulas set out in the bill.

An assumption is made that as with any program where individuals can apply for credits/refunds, an enforcement program will be initiated to ensure that false claims if paid, are identified and collection of these erroneously payments is accomplished.

To administer the enforcement phase we will need one Revenue Enforcement Officer II; two Tax Collection Specialists; one Accounting Technician I; and one Clerk Typist III.

Program Summary

Personal Services:

Revenue Enforcement Officer	\$35,297	
Tax Collection Specialists (2)	52,438	
Clerk Typist III	23,504	
Accounting Technician	<u>29,372</u>	\$140,611
Travel		8,000
Contractual		26,500
Commodities		1,000
Equipment - 5 new positions		<u>9,000</u>
Total		\$185,111

MLG:lw

1	POSITION TITLE Revenue Enforcement Officer II			RANGE/STEP 15A	BARG. UNIT. G	LOCATION Anchorage	GOV.	APPROV.	DISAPP.
2	TYPE OF POSITION PFT	STAFF MONTHS 12	RP No.	PCN No.	PRIORITY	FORM 12 PAGE/LINE	AGG		

3	TYPE OF EXPENDITURE		AMOUNT
	1	2	3
4	PERSONAL SERVICES:		
	SALARY	2295 X 12	27,540
5	BENEFITS	27,540 X .1550	4,269
6	SBS	X.0613	1,688
7	FIXED BENEFITS		1,800
8	TOTAL PERSONAL SERVICES		01 35,297
9	TRAVEL		02 8,000
10	CONTRACTUAL		03 3,800
11	COMMODITIES		04 200
12	EQUIPMENT		05 1,800
13	OTHER		
14	TOTAL COST		49,097

JUSTIFICATION:

This position will provide an employee at the professional level to collect the erroneous or fraudulently claimed refunds.

	RECEIPT CODE	FUNDING SOURCE	
15		FED RCPTS. 1002	
16		GF MATCH. 1003	
17		GEN. FUND 1004	49,097
18		I-A RCPTS. 1005	
19		PGM RCPTS 1028	
20		OTHER	

21 CONTINUATION
22 ADDITION

FOR B&M USE ONLY

4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Department of Revenue PROGRAM Revenue Collection & Management

BRU Enforcement Division

13 REQUEST FOR NEW POSITION.

COMPONENT _____
Page 1 of 5 REVISED DATE SB 690 3/1/82

FY 83

1	POSITION TITLE Tax Collection Specialist I			RANGE/STEP 10A	BARG. UNIT. G	LOCATION Anchorage	GOV.	APPROV.	SIBAPP.
2	TYPE OF POSITION PFT	STAFF MONTHS 12	RP No.	PCN No.	PRIORITY	FORM 12	PAGE/LINE	LEG	

3	TYPE OF EXPENDITURE	AMOUNT
	1	2
4	PERSONAL SERVICES: SALARY 1673 X 12	20,076
5	BENEFITS 20,076 X .1550	3,112
6	SBS X .0613	1,231
7	FIXED BENEFITS	1,800
8	TOTAL PERSONAL SERVICES 01	26,219
9	TRAVEL 02	
10	CONTRACTUAL 03	3,800
11	COMMODITIES 04	200
12	EQUIPMENT 05	1,800
13	OTHER	
14	TOTAL COST	32,019

JUSTIFICATION:
This position will provide support to the revenue enforcement officer and will also attempt to effect collection by correspondence or phone from the field office.

	RECEIPT CODE	FUNDING SOURCE
15		FED RCPTS. 1002
16		GF MATCH. 1003
17		GEN. FUND 1004
18		I-A RCPTS. 1005
19		PGM RCPTS 1028
20		OTHER

21 CONTINUATION
22 ADDITION

FOR B&M USE ONLY

4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Department of Revenue PROGRAM Revenue Collection & Management

BRU Enforcement Division

FY 83

3 REQUEST FOR NEW POSITION.

COMPONENT _____

Page 2 of 5

REVISED DATE 3/1/82 SB 800

1	POSITION TITLE Tax Collection Specialist I			RANGE/STEP 10A	BARG. UNIT. G	LOCATION Juneau	GOV.	APPROV.	DIBAPP.
2	TYPE OF POSITION PFT	STAFF MONTHS 12	RP No.	PCN No.	PRIORITY	FORM 12	PAGE/LINE	LEO	

3	TYPE OF EXPENDITURE	AMOUNT
	1	2
4	PERSONAL SERVICES: SALARY 1673 X 12	20,076
5	BENEFITS 20,076 X .1550	3,112
6	SBS X .0613	1,231
7	FIXED BENEFITS	1,800
8	-TOTAL PERSONAL SERVICES 01	26,219
9	TRAVEL 02	
10	CONTRACTUAL 03	9,800
11	COMMODITIES 04	200
12	EQUIPMENT 05	1,800
13	OTHER	
14	TOTAL COST	38,019

JUSTIFICATION:

This position will provide an additional employee within the Juneau Office Collection Force. It will be this position's responsibility to contact the individual by phone and attempt collection before assigning the account to a field officer. \$6,000 Contractual is for long distance toll charges.

	RECEIPT CODE	FUNDING SOURCE
15		FED RCPTS. 1002
16		GF MATCH. 1003
17		GEN. FUND 1004
18		I-A RCPTS. 1005
19		PGM RCPTS 1028
20		OTHER

21	CONTINUATION	FOR B&M USE ONLY
22	ADDITION	

4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Department of Revenue PROGRAM Revenue Collection & Management

BRU Enforcement Division

13 REQUEST FOR NEW POSITION.

COMPONENT _____

FY 83

1	POSITION TITLE Clerk Typist III				RANGE/STEP 8A	BARG. UNIT. G	LOCATION Anchorage	GOV.	APPROV.	DEPT.
2	TYPE OF POSITION PFT	STAFF MONTHS 12	RP No.	PCN No.	PRIORITY		FORM 12 PAGE/LINE	LEG.		

3	TYPE OF EXPENDITURE		AMOUNT
	1	2	3
4	PERSONAL SERVICES: SALARY 1487 X 12		17,844
5	BENEFITS 17,844 X .1550		2,766
6	SBS X .0613		1,094
7	FIXED BENEFITS		1,800
8	TOTAL PERSONAL SERVICES	01	23,504
9	TRAVEL	02	
10	CONTRACTUAL	03	3,800
11	COMMODITIES	04	200
12	EQUIPMENT	05	1,800
13	OTHER		
14	TOTAL COST		29,304

JUSTIFICATION:

To provide clerical support for the Revenue Enforcement Officer and Tax Collection Specialists in the field office.

	RECEIPT CODE	FUNDING SOURCE	
15		FED RCPTS. 1002	
16		GF MATCH. 1003	
17		GEN. FUND 1004	29,304
18		I-A RCPTS. 1005	
19		PGM RCPTS 1028	
20		OTHER	

21 CONTINUATION
22 ADDITION

FOR B&M USE ONLY

4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Department of Revenue PROGRAM Revenue Collection & Management

BRU Enforcement Division

13 REQUEST FOR NEW POSITION.

COMPONENT _____

FY 83

1	POSITION TITLE Accounting Technician I				RANGE/STEP 12A	BARG. UNIT. G	LOCATION Juneau	GOV.	APPROV.	DISAPP.
2	TYPE OF POSITION PFT	STAFF MONTHS. 12	RP No.	PCN No.	PRIORITY	FORM 12	PAGE/LINE	LEG.		

3 TYPE OF EXPENDITURE		AMOUNT
1	2	3
PERSONAL SERVICES:		
4 SALARY	1889 X 12	22,668
5 BENEFITS	22,668 X .1550	3,514
6 SBS	X .0613	1,390
7 FIXED BENEFITS		1,800
8 TOTAL PERSONAL SERVICES	01	29,372
9 TRAVEL	02	
10 CONTRACTUAL	03	5,300
11 COMMODITIES	04	200
12 EQUIPMENT	05	1,800
13 OTHER		
14 TOTAL COST		36,672

JUSTIFICATION:
This position will be assigned the responsibility of assisting the current Accounting Clerk in the preparation of the billings issued as a result of erroneously issued refunds and coding them to the accounts receivable on the computer. \$1,500 in Contractual is for printing of the billings.

	RECEIPT CODE	FUNDING SOURCE
15		FED RCPTS. 1002
16		GF MATCH. 1003
17		GEN. FUND 1004
18		I-A RCPTS. 1005
19		PGM RCPTS 1028
20		OTHER

21 CONTINUATION
22 ADDITION

FOR B&M USE ONLY

4A KEY NUMBER _____ COLUMN NO. _____

AGENCY Department of Revenue PROGRAM Revenue Collection & Management

BRU Enforcement Division

13 REQUEST FOR NEW POSITION

COMPONENT _____

Page 5 of 5

REVISED DATE 3/1/82

SB 860

FY 83

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 690
 Title An Act providing tax credits for property tax or tax equivalency on rent.
 Requested by Senate Comm & Reg Affairs Committee Date 1/28/82

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____
 BRU, Program, Or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)
Millions

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						
Additional appropriations to pay refundable credit.		30.1	31.5	32.8		
POSITIONS						

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

See attached second sheet

IV. DATE 2/9/82 PREPARED BY John Larson, Economist
 AGENCY Department of Revenue
 PHONE 465-2173
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 29-100 Rev. 12/81

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 690

Title Providing Tax Credits for Property Taxes or Tax Equivalency on Rent Paid.

Requested by Senate Community and Regional Affairs Committee 3/2/82

II. FISCAL DETAIL

Agency Affected Revenue

Program Category Affected General Government

BRU, Program, Or Subprogram(s) Affected Admin. & Support, Admin. Services

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES	15.0	189.0	202.2	216.4	-0-	-0-
200 TRAVEL						
300 CONTRACTUAL		198.0	211.9	226.7	-0-	-0-
400 COMMODITIES		5	5	6	-0-	-0-
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	15.0	387.5	414.6	443.7	-0-	-0-

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND	15.0	387.5	414.6	443.7	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME	1/4mm	4/48mm	4/48mm	4/48mm	-0-	-0-
PART TIME		8/35mm	8/35mm	8/35mm	-0-	-0-
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

See Attached

IV. DATE 3/2/82

PREPARED BY [Signature]

AGENCY Revenue

Original: Legislative Finance
Budget and Management

PHONE 465-2312

Prime Sponsor (First Legislator Named)

Rev. 11 81

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

III. ANALYSIS
HB 690

Assumptions:

Claims - 1982 = 141,400; 1983 = 145,600; 1984 = 150,000. 3% growth.

Adjusted Claims (Address changes, amended, etc.)

1982 = 25,000; 1983 = 26,000; 1984 = 27,000

Forms - Mailout, response to request, forms racks = 225,000 in 1982. Design would require name, address, property description, proof of tax paid, a basis for separating excluded payments from rent and property tax payments, statement of eligibility, signature line and date, and other required data.

Application and payment processing period - all year, supervision will be provided by existing staff.

Program Summary:

Forms must be designed and distributed. Completed forms will be received in the mail. The mailed forms will be opened and all forms received will be given a control number, checked for completeness, batched and data captured. Computer programs will be written, compiled and tested to enable the data capture, edit of document content, identification of forms which should receive corrective action or compliance checks, correction of data, warrant release edit, garnishment processing, warrant printing and reports such as warrant registers and reference to individual claim information. The data captured claims will be processed through the computer system with action required on correction errors, handling garnishment hits, checking and release of warrants.

1. Positions --

FY82

1 PFT Systems Analyst R18 @ \$2,838. mo. plus .32% costs
for 4 mos. = 15.0

Begin design of computerized processing system.

Total = 15.0

FY83

1 PPT Personnel Assistant R 12 @ \$1,889. mo. plus .32% costs
for 3 mos. = 7.5

Recruitment, hiring, EEO and Contract Administrator, miscellaneous
personnel duties.

1 PFT Systems Analyst R18 @ \$2,838. mo.
plus .32% costs = 45.0

Complete computerized system design. Performs maintenance and post
implementation changes. Develop coding specifications.

1 PPT EDP Programmer II @ \$2,295. mo.
plus .32% costs = 20.7

3 PFT Tax Scanners R8 @ \$1,487. mo.
plus .32 % costs = 70.0

Open mail, document control numbering, batching, batch control, data
capture, batch correction and warrant release.

4 PPT Tax Scanners R8 @ \$1,487 mo.
plus .32 % costs for 4 mos. = 31.4

Open mail, document control numbering, batching, batch control, data
capture, batch correction and warrant release.

2 PPT Clerk Typists R7 @\$1,487. mo.
plus .32 % costs. 1 for 2 mos, 1 for 5 mos. = 13.7

Initial forms distribution, forms and supply services, accounts
payable including voucher preparation.

Total = 189.0 189.0

III. ANALYSIS

HB 690

PAGE 3

2. Other expenditures --

FY83

Forms and instructions: 225,000 @ \$50.	=	11.3
Postage: Forms Distribution - 150,000 @ .20	=	30.0
Payments - 141,400 plus 14,000 re-mailed warrants @ .20	=	31.
Data Processing (includes development, data capture and production):		
Computer Resource Units: 80,000 @ 1.25 per unit	=	100.0
Common output units: 295 @ \$31. (reports, warrants, COM)	=	9.1
Storage Units: Distribution file 5,000 @ .90 - disk	=	4.5
Misc. including garnishments 400 @ .90-disk	=	.4
Backup file - tape	=	.1
Warrant stock: 141,000 @ \$35.M	=	4.9
Warrant Envelopes: 141,400 @ \$12.43 M	=	1.6
Miscellaneous contractual (insurance, machine rental)	=	5.0
Commodities	=	198.0
Total		

Commodities	=	.5
Total	=	.5

I. REQUEST
 Bill/Resolution No. SB 690
 Title Providing Tax Credits for Property Taxes or Tax Equivalency on Rent Paid
 Requested by Senate Community and Regional Affairs Date 3/2/82

II. FISCAL DETAIL
 Agency Affected _____ Revenue _____
 Program Category Affected General Government
 BRU, Program, Or Subprogram(s) Affected Public Service
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		118.8	127.1	136.0		
200 TRAVEL						
300 CONTRACTUAL		3.5	3.8	4.0		
400 COMMODITIES		.5	.5	.6		
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	122.8	131.4	140.6	-0-	-0-

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		122.8	131.4	140.6	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		3/36mm	3/36mm	3/36mm	-0-	-0-
PART TIME		4/20mm	4/20mm	4/20mm	-0-	-0-
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

Program Summary: Distribute forms at counters and as requested by phone and letter. Answer written, phoned and in-person inquiries. Provide assistance in filling out forms. Receive and put in process completed forms. Proper handling of returned undeliverable warrants and re-mailing of warrants when new address is received.

1. Positions --
FY83

3 PFT Tax Examiners R10 @ \$1673. mo. plus .32 costs	79.5
4 PPT Clerk Typists R7 @ \$1487. mo. plus .32 costs for 5 mos.	39.3
Total	118.8

2. Other expenditures --

Contractual: Phones, postage, misc.	3.5
-------------------------------------	-----

IV. DATE 3/2/82 PREPARED BY [Signature]
 AGENCY REVENUE
 PHONE 465-2313

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor First Legislator Named

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

III. ANALYSIS

HB 690

PAGE 2

Commodities

.5

Provide counter service, answer letters and phones, assist public in filling out forms, process returned warrants at Juneau, Anchorage and Fairbanks.

S

B

7/6



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 23, 1982

The Honorable Donald Gilman
Chairman
Senate Community and Regional
Affairs Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Gilman:

I understand the Senate Community and Regional Affairs Committee will be conducting a hearing on SB 716, a bill to consolidate and reform the Revenue Sharing and Municipal Assistance programs, during the week of March 8.

This legislation is the product of extensive research by the Department of Community and Regional Affairs and is a high priority of my Administration. Enactment of this bill will go a long way toward streamlining administration of local financial assistance programs and toward insuring that municipalities receive an equitable share of the current State wealth.

I appreciate your willingness to examine this legislation and urge you to consider favorable action in the coming weeks.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jay S. Hammond".

Jay S. Hammond
Governor

Department of Community & Regional Affairs
Position Paper on SB 716/HB 746

Attached is a copy of the Governor's transmittal letter for this legislation as well as a report entitled "Reform of Financial Assistance Programs for Localities in Alaska" prepared by the Department. Both of these documents provide strong support for SB 716.

The Department points out that SB716 contains several technical deficiencies that need to be addressed during committee action on this bill. Those changes are as follows:

Page 1, line 11 should read as follows:

*Section 1.AS 29.95.020 is amended to read:
Sec. 29.95.020 QUALIFICATION FOR [MINIMUM] PAYMENT.

Page 2, line 17 should be amended to read: this chapter, AS 29.88 and AS 43.20.016 for the fiscal year ending June 30, 1983.

Page 2, line 26 delete section (d)

Page 3, line 26 delete "in the unorganized borough"

Page 4, line 12-17 should be amended to read as follows:

(b) The department may not accept an application for a grant under this chapter from an Alaska Native village council, unless the council waives any immunity from suit which it might have, for all claims initiated by the State of Alaska concerning the entitlement agreement between the village and the State. The waiver must be on a standard form provided by the Department of Law.

Page 5, line 19 after "which" add "\$122,513,800 is appropriated for distribution under AS 29.88.035 and"

These changes bring SB 716 in technical conformance with the Governor's intent in introducing the bill.

February 4, 1982

The Honorable Jalmar Kerttula
President of the Senate
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Mr. President:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill which revises the revenue sharing and municipal assistance programs for municipalities and unincorporated communities in the state.

During fiscal year 1982, over \$140 million will be distributed to local governments under the revenue sharing and municipal assistance programs. The Department of Community and Regional Affairs has examined these programs and found that the following problems exist with both programs:

1. revenue sharing emphasizes tax effort and ability to raise taxes while municipal assistance emphasizes population and tax relief;

2. municipal assistance distributes money according to outdated indicators of business activity and is linked to the declining corporate income tax collections;

3. revenue sharing, which was revised in 1980, contains a provision that reduces the impact of the distribution formula by requiring that the amount of assistance be determined by the historical amount of appropriations;

4. localities are growing increasingly dependent on the state for the financing of property tax relief and increased local services at a time when state revenues continue to fall and a constitutional spending limit is being considered by the voters of the state;

5. municipal assistance encourages municipal incorporation while revenue sharing does not; and

6. the revenue sharing and municipal assistance programs are administered by two principal departments which have different reporting and accountability requirements.

To correct these problems, I am proposing legislation to consolidate revenue sharing and municipal assistance to provide one program of assistance to local governments. The consolidated program will have a level of funding that is at least equal to the proposed fiscal year 1983 level and will increase in future years at a reasonable rate that can be accommodated by the state budget.

Specifically, this bill repeals AS 43.20.016 which provides for the municipal assistance fund in the Department of Revenue and requires all assistance to be distributed under the revenue sharing program of the Department of Community and Regional Affairs. The bill provides that each recipient under the new program will receive at least the entitlement provided in fiscal year 1983. Any amounts appropriated to the program in excess of that required to meet this requirement must be distributed under the revenue sharing formula.

To promote local responsibility and accountability for service delivery, the bill requires that at least 50 percent of the assistance received by a municipality be dedicated to the provision of basic services. The remaining 50 percent could be used for any other lawful purpose determined by the municipality.

To facilitate local service delivery, I propose that the legislature adopt a statement of intent which clearly provides that future appropriations for assistance to local governments will increase at the same rate of increase established for the proposed constitutional spending limit amendment. As a corollary to this pledge, I believe that it is also appropriate for the legislature to pledge to "draw the line" on the amount of assistance provided through other appropriations to state agencies for basic municipal services. These appropriations should be annually reduced in the same manner as the assistance programs are increased.

The bill increases the minimum entitlement for each municipality to at least \$100,000. The current minimum entitlement is \$25,000 adjusted by an area cost-of-living differential. The higher amount is needed to promote capacity for self-government in small communities.

By this bill, I propose to create a separate program of financial assistance for unincorporated communities. The current revenue sharing program provides for a payment of \$25,000 to Alaska Native village governments. The Department of Law has concluded that this assistance must be

shared with all unincorporated communities and that all recipients must contract for specific service delivery rather than using state money for general administrative purposes. This bill deletes the current provision and amends the existing rural development assistance grant program (AS 44.47) to allow all unincorporated communities to apply for grants up to \$100,000 for capital projects, operation and maintenance expenses, or community services. The bill also allows the department to contract directly with Native village governments in unincorporated communities where that entity is the most appropriate service provider. However, these entities must remain accountable for their agreements to provide these services. Under this bill, a Native village government must waive its immunity from suit before it contracts with the state to provide services under a rural development assistance grant.

I believe that this legislation provides a simpler system of assistance to local governments and will result in a more equitable sharing of the state's financial resources.

Sincerely,

Jay S. Hammond
Governor

February 18, 1982

(907) 272-0345

Senator Tim Kelly
Alaska Legislature
Pouch V
Juneau, AK 99811

Re: Comparison of Pending Revenue-Sharing Legislation

Dear Senator Kelly:

Disaie Simonsen of your office has requested my analysis of legislation recently introduced on behalf of the Governor concerning revenue-sharing payments to municipalities (SB 716). Before proceeding to a discussion of the bill, the following is a brief outline of the essential features of SB 716:

1. SB 716 would repeal the present municipal assistance program (AS 43.20.016) which allows municipalities to receive a portion of state revenues from corporate income taxes. The majority of these revenues are presently distributed on a per capita basis to local governments. During FY 1982, municipal assistance revenues delivered to municipalities totaled approximately \$87.4 million. In place of this program, SB 716 proposes to increase funding through the "tax resource equalization" or revenue-sharing program established under AS 29.88. This program distributes funds to local governments based on a "local effort" concept. Briefly, the revenue-sharing formula attempts to measure the relative tax base of a municipality and, more importantly, the "local effort" or the amount of local funds raised by the municipality. In theory, under the revenue-sharing statute, a municipality which holds down taxes is entitled to receive less than a municipality of the same population with a greater tax burden. For additional discussion of this program, you may wish to review pages 6 through 8 of the Preliminary Report delivered to your office December 1, 1981.

2. SB 716 would also increase the "minimum entitlements" received by small, primarily rural, municipalities by four times -- from \$25,000 to \$100,000. Also, all municipalities, in order to qualify for an entitlement, would need to spend at least 50% of their funds on no less than three "basic services" which are defined in the bill.

3. The Governor's proposal would also repeal the present sections of the revenue-sharing statutes which provide for payments of \$25,000 to Native village governments. In place of these sections, SB 716 would

amend the rural development assistance grant program (AS 44.47) to allow for grants of up to \$100,000 for capital projects or services to "unincorporated communities." These communities are defined as areas "in which 25 or more persons reside as a social unit" located outside of organized boroughs or cities.

4. Finally, SB 716 provides that, for each fiscal year after FY 1982, municipalities would be entitled to receive at least the amount received for FY 1983 under the bill. There is, of course, no way of knowing what these amounts might be until the appropriation level for the coming fiscal year is established by the Legislature. Also, the bill includes a statement of "intent" that amounts to be appropriated in fiscal years after FY 1983 will be increased by the same percentage as allowed under the proposed state spending limitation. This intent is, of course, not binding upon future legislatures, and there is no guarantee as to what future allocations to municipalities might actually be. Additionally, although Section 7 of SB 716 is not particularly clear, it appears that the bill would encourage direct state funding of various "basic services" in municipalities to be reduced after FY 1983 by the same percentage increase suggested for the proposed new revenue-sharing program. Such action, I believe, would in essence compel municipalities to pick up the costs for these services if they are desired, and would in essence mean that the municipality would receive no benefit from increases in its revenue-sharing entitlement. The bill states that it would become effective if not less than \$140,851,300 is appropriated for the revenue-sharing program. This amount appears to be somewhat less than amounts distributed to incorporated areas during FY 1982 under the present revenue-sharing and municipal assistance programs.

The basic philosophy behind SB 716 appears to be to discourage municipalities from applying state financial aid toward reduction of local taxes or toward restraining increases in local government spending. Indeed, in the transmittal letter to Sen. Kerttula, the Governor identified the fact that the present municipal assistance program emphasizes population and "tax relief" as a "problem." The most serious criticism of the proposed bill may therefore be that it is totally contradictory to the clear message that has been given to local governments over the past few years to the effect that local officials should refrain from expanding local government costs and should instead pass on state aid to local taxpayers in the form of reduced local taxes wherever possible.

In this regard, the City of Cordova may provide an interesting example. Upon receiving its greatly increased municipal assistance revenues last year, elected officials in Cordova decided not to expand their government costs and instead virtually eliminated their taxes on real property. The mill levy was in fact sliced from 15 mills to 1 mill. Under SB 716, the ironic result may apparently be that Cordova could be seriously penalized in terms of its future state aid. The same result, perhaps to a lesser degree, may apply to Anchorage, which also used its increased

state aid to hold down taxes rather than to increase significantly the size of the local budget.

The penalty effect described above is perhaps made more serious by the fact that the funds which may be denied to places such as Cordova and Anchorage will be distributed, under SB 716, to cities and boroughs which, for a variety of reasons, may have expanded local government costs and increased local taxes. In other words, assuming assessed valuation and population factors to be constant, the city which may not have exercised tight fiscal control over its spending could in essence receive a "gift" of state aid funds denied to a city which had held the line on local expenditures and held down or reduced local tax burdens.

Another impact of SB 716 which should be noted is the greatly increased allocations for small, rural communities. By increasing the minimum entitlement level by four times to \$100,000, the per capita entitlement of other municipalities may be reduced in the event that future funding is insufficient to pay all entitlements. Additionally, under Section 2 of SB 716, if future funding exceeds the minimum "hold harmless" level, any excess is first given to meet the \$100,000 minimum entitlements before any amount can be distributed to places such as Mat-Su, Kenai, Anchorage or Juneau.

The computer printouts released by the Department of Community and Regional Affairs concerning SB 716 appear to assume funding levels which are significantly in excess of the amount identified in the bill. The printouts appear to assume a total of approximately \$144.4 million as the FY 1983 "hold harmless" level, whereas the bill implies that only \$140.9 million, or approximately \$3.5 million less, may be appropriated. This difference may be very significant, and I believe that it is impossible to fully assess the impact of SB 716 unless more extensive analyses are performed showing the impacts on communities at a variety of funding levels. In particular, an analysis should be made using the total amount received by incorporated local governments during FY 1982 under the present revenue-sharing and municipal assistance programs. This would provide a clear indicator to municipalities as to how the bill will affect their future state financial assistance. Additional analyses should be made assuming, for example, 10% less than FY 1982 amounts and 10% increases from the FY 1982 level.

In summary, the proposed bill appears to possess many, if not all, of the major problems associated with the present "local effort" revenue-sharing concept and appears to multiply the impact of these problems by making the program virtually the only source of significant state aid for most municipalities. I do agree with the proposal contained in SB 716 to separate grants for unincorporated areas from the municipal revenue-sharing program. However, I believe that, particularly for more populous communities, the proposed bill should be carefully analyzed to

Senator Tim Kelly
February 18, 1982
Page 4

determine its fiscal impact, including its probable impact on local property tax rates. If you have questions concerning the above, please contact me at 272-0345.

Sincerely yours,

Theodore D. Berns

TDB:nf

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Alaska State Legislature

SENATOR
ARLISS STURGULEWSKI

COMMITTEES
CHAIRMAN
Legislative Budget & Audit

Community & Regional Affairs
Finance
Resources



Senate

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-H

While In Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3818

ANALYSIS BY SPONSOR

RE: SB 735 "An Act relating to organizational grants and transitional assistance for municipalities; and providing for an effective date."

This bill revises provisions of Title 29 relating to organizational grants to new municipalities, and to the assistance to be provided to those new local governments. This bill must be able to amend current statutes, as well as the corresponding sections of the new municipal code, if enacted. Therefore, section 1 revises the existing Title 29; sections 2 and 3, a repetition of the language in section 1, are numbered to correspond to SB 180/HB170.

Specifically, sections 1 and 2 of this bill would increase the organizational grants to cities from a minimum \$25,000 grant (except for second class cities, limited to \$10 for each person voting in the incorporation election) to a minimum \$50,000 grant, with an optional \$25,000 grant during their second year in existence.

Sections 1 and 3 also establish a separate organizational grant for boroughs, which provides \$600,000 over a three-year period. A \$300,000 organizational grant would be made to a new borough the first year, decreasing to \$200,000 the second year and \$100,000 the final year. The intent of these phased organizational grants is to allow local governments to offset state grant funds with revenue sharing funds and local revenues.

Transitional assistance to boroughs is provided in sections 1 and 3. Under this bill, the Department of Community and Regional Affairs is to determine the borough's population, and assist the new borough in establishing local assessment and tax collection capabilities. In the case of a borough that adopts sales taxes, the Department will help set up an assessment and collection mechanism. If a borough adopts a property tax, the Department will provide an initial tax assessment roll, including appraisals as required.

Sections 4, 5, 6 and 7 contain effective dates and repealers that control the implementation of this Act through current Title 29 language, and through SB 180/HB 170, if enacted.

POSITION PAPER

Requested by: Senate Community & Regional Affairs

Subject: SB 735 "An Act Relating to Organization Grants and Transitional Assistance"

Departmental Position: Support

Remarks:

AS 29.05.180 of the proposed bill provides for organizational grants for cities based on a formula of \$50,000 the first year and \$25,000 the second year.

AS 29.05.190 of the proposed bill provides for organizational grants for boroughs based on a formula of \$300,000 the first year, \$200,000 the second year and \$100,000 the third and final year.

AS 29.05.210 of the bill would provide for transitional technical assistance in the area of tax collections.

Even before the era of great state wealth the status quo in the unorganized borough was characterized as inequitable and inefficient. Inequitable in the sense that residents are not, generally, afforded the opportunity to participate directly in the decision making process nor do they participate on an equal basis in terms of financing local services; inefficient to the extent that existing service delivery mechanisms (cities and State regional offices) often lack the necessary expertise to provide services on an efficient and responsive basis. The inequity and inefficiency of the present system are now even more pronounced in light of the attention focused on and the millions of dollars spent in the unorganized borough. More goods and services are being provided in rural Alaska without the benefit of local control and a coordinated delivery mechanism.

The solution must be a voluntary one if it is to work. To make a voluntary progression from unorganized status to organized borough status work, it must have three major incentives to make it more attractive than the status quo: 1) money, 2) a mechanism for substantial local control, and 3) transitional assistance to help get a regional government off the ground. Rural areas of the State should not be rushed into any regional governance nor should they be presented with an all-or-nothing situation.

This bill combines monetary incentive with guarantees of assistance that will make regional government more attractive to residents of the unorganized borough.

The Department has long supported increased financial and technical assistance to municipalities (including newly formed cities) during the period immediately after incorporation. That initial period is critical in the development of municipal government and the assistance provided by this bill will help newly formed governments get started.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 735

Title "An Act relating to municipal government"

Requested by Rules committee by request of Legislative Date January 20, 1982

Council

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs

Program Category Affected Community Development

BRU, Program, Or Subprogram(s) Affected Local Government Assistance

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL		5.0	5.0	5.0	5.0	5.0
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		400	250.0	425	250	425.00
TOTAL		405.0	255.0	430.0	255.0	430.0

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		405	255	430	255	430
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

SEE ATTACHED

IV. DATE March 15, 1982

PREPARED BY Terry E. Earley

AGENCY C&RA/ Local Government Assistance

Original: Legislative Finance

PHONE 465-4730

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

AS 29.05.180 of the proposed bill provides for organizational grants for cities based on a formula of \$50,000 the first year and \$25,000 the second year. The proposed funding level in this fiscal note is based on 2 cities incorporating in Fiscal 82 and 1 every other year after that time.

AS 29.05.190 of the proposed bill provides for organizational grants for boroughs based on a formula of \$300,000 the first year, \$200,000 the second year and \$100,000 the third and final year. The proposed funding level in this fiscal note assumes one borough incorporation in each of the following years: FY 83, FY 85 and FY 87.

Page 5 of the bill (AS 29.05.210) deals with transitional assistance to boroughs and establishment of taxation systems. It is not completely clear how much assistance is intended by this language. Depending on the legislative intent, the cost of setting up those tax systems could run as high as \$300,000 per borough per year. This fiscal note assumes technical assistance only and that that assistance would be provided with existing staff. The only cost based on those assumptions would add additional travel of \$5,000.

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736

Alaska State Legislature



Senate

SENATOR
ARLISS STURGULEWSKI

COMMITTEES
CHAIRMAN

Legislative Budget & Audit

Community & Regional Affairs
Finance
Resources

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-H

While in Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3818

ANALYSIS BY SPONSOR

RE: SB 736 "An Act relating to home rule municipalities."

The major purpose of this bill is to allow for an unincorporated community to go directly to home rule status. This bill also clarifies references to "municipality" and "organized borough" to include both home rule and general law municipalities as appropriate.

This bill amends the existing Title 29, but would also apply to the proposed revision of Title 29 found in SB 180/HB 170. For this reason, the provisions of section 1 through 11 of the bill, which amend present Title 29, are repeated, as appropriate, in sections 12 through 20 which correspond to SB 180/HB 170.

Section 1 contains a change of wording suggested by the revisor.

Section 2 increases to 600 persons the population required to reclassify from second class city to home rule city status.

Section 3 allows unincorporated areas with a minimum population of 600 to adopt home rule charters and reflects the change in second class city population requirements made in section 2.

Section 4 directs the Department of Community and Regional Affairs to develop model charters for home rule cities and boroughs, which will be available to the public.

Section 5 changes the minimum population required for home rule status from 400 to 600, to conform to sections 2 and 3, and clarifies that these incorporation standards apply to direct incorporation to home rule status.

Sections 6, 7 and 8 clarify that standards for home rule and general law incorporation are the same.

Section 9 adds a new subsection to existing AS 29.18.050 to require a petition for incorporation to include a proposed charter. As this bill allows, for the first time, direct incorporation to home rule status, the proposed charter needs to be included in the present requirements of an incorporation petition.

Section 10 states that in an initial home rule incorporation election, a proposed home rule charter is considered as part of the vote on incorporation. That is, the question before the voters is whether to incorporate or not. In the case of those communities wishing to incorporate directly to home rule status, the proposed charter is adopted if the voters approve the question on incorporation.

Section 11 substitutes the term "municipal" for the phrase "city and borough," at the request of the revisor, and clarifies the eligibility of new home rule governments for organizational grants. As only minor wording changes are made, this section conflicts with SB 735. If organizational grants are revised under SB 735, this section should be deleted or signed into law before SB 735, as the attached memo from Tamara Cook, Legal Services.

Sections 12 through 20 repeat the above provisions as they apply to SB 180/HB 170.

Section 12 provides that communities meeting minimum standards have the option of incorporating as home rule cities corresponding to section 5.

Section 13 provides that areas meeting minimum standards have the option of incorporating as home rule boroughs, as well as boroughs of the first or second class corresponding to section 6.

Section 14 clarifies that requirements for signatures on incorporation petitions are the same for home rule and first class cities corresponding to section 7.

Section 15 corresponds to section 9.

Section 16 corresponds to section 10.

Section 17 corresponds to section 11.

Section 18 corresponds to section 3, and clarifies the ability of unincorporated areas to incorporate directly as home rule boroughs.

Section 19 corresponds to section 4.

Section 20 repeals sections 1 through 11 relating to the present Title 29, but is effective only on passage of SB 180/HB 170.

Sections 21 and 22 provide for effective dates for separate sections of the bill.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907.465.3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

February 9, 1982

SUBJECT: Home rule municipalities
(Work Order No. 12-2035)

TO: Senator Arliss Sturgulewski

FROM: Tamara Brandt Cook
Legislative Counsel

TBC

(SB 735) Here is the final version of the bill you requested that would allow incorporation of home rule municipalities. Please note that Sec. 17 of this bill conflicts with your bill dealing with organization grants to municipalities (Work Order No. 12-2382). Since Sec. 17 of this bill only becomes effective on passage of the municipal code revision, there is nothing more I can do with the effective date of that section to avoid conflicts with other pending legislation. The bill that becomes law last is presumed to take priority over conflicting bills that became law earlier, so if you desire the organization grants provisions of Work Order No. 12-2382 to take effect rather than the organization grant provision contained in the municipal code revision or in this bill, Work Order No. 12-2382 should be passed after both the municipal code and this bill are signed into law.

TBC:ljb

Enclosure

POSITION PAPER

Requested by: Senate Community and Regional Affairs Committee

Subject: SB 736, "An Act relating to home rule municipalities"

Departmental Position: Support

Remarks:

This bill would allow second class cities with a population of at least 600, and unincorporated communities or regions to reclassify or incorporate as home rule municipalities. Present law requires second class cities to reclassify to first class status before they can become home rule cities. Unincorporated communities and regions must also incorporate in a "stepping stone" fashion as a general law municipality before they can reclassify to home rule status. This requirement creates duplication and an unwarranted obstacle to cities and potential boroughs which wish to incorporate as home rule municipalities. Home rule municipalities are able to exercise a wider range of powers than are general law municipalities.

Many communities and/or regions might be willing to incorporate if they could go directly to home rule status.

The premise of allowing a second class city or unincorporated community of at least 600 persons to reclassify or incorporate immediately to home rule status is consistent with the Constitution of the State of Alaska which provides for "maximum local self-government with a minimum of local government units". Similarly, allowing for immediate incorporation as a home rule borough would allow a region more flexibility and "self government" from the very beginning of its existence.

In raising the minimum population requirement from 400 to 600 for incorporation or reclassification as a first class or home rule city, the bill does require a community to have more in the way of human resources (and probably a larger economic base) to help run the city. The Department feels this greater requirement is justified to insure that a community has available the number of interested and "dedicated" persons needed to sit on a council, school board, planning commission, and other municipal boards or commissions.

The Department supports this bill and feels it is an important step toward strengthening local government in the state.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SB 736
 Title An Act Relating to Home Rule Municipalities
 Requested by Senate C & R A Date March 16, 1982

II. FISCAL DETAIL
 Agency Affected Community & Regional Affairs
 Program Category Affected Development
 BRU, Program, Or Subprogram(s) Affected Local Boundary Commission
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES		0	0	0	0	0
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND		0	0	0	0	0
FEDERAL FUNDS						
OTHER (Specify Source)						
POSITIONS		0	0	0	0	0
FULL TIME		0	0	0	0	0
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

This bill would have no fiscal impact on this department.

IV. DATE March 16, 1982 PREPARED BY Terry E. Earley
 AGENCY C&RA/ Local Government Assistance
 Original: Legislative Finance PHONE 465-4730
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/81)

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STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3600

February 11, 1982

Hon. Bill Ray
Alaska State Legislature
Pouch V
Juneau, AK 99811

Re: Draft bill re residential loans
administered by regional Native
housing authorities

Dear Senator Ray:

Pursuant to our telephone conversation of February 10, 1982, I am forwarding to you a bill which would make Haines and Skagway rural communities under AS 18.55.997. This amendment recognizes that the road connection between Haines and Skagway is somewhat different than the road connection between other rural communities located in areas of the state other than the southeast panhandle. The Haines and Skagway roads are impassable much of the winter and pass through Canada for a substantial distance. These factors may warrant a change in the law as it relates to southeastern rural communities. I will let you and the legislature be the judge of that. You may be interested to learn of the following population determinations compiled by the Department of Community and Regional Affairs for Southeast Alaska communities:

Haines	1,017
Hoonah	799
Petersburg	3,001
Skagway	819
Wrangell	2,345

I have spoken with Harry Goldbar of the Alaska Housing Finance Authority concerning this matter and he has stated that he is anxious to assist you in resolving this and other problems with the definition of the term "rural" in AS 18.

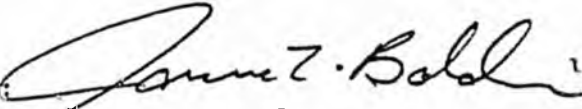
Hon. Bill Ray

February 11, 1982
Page #2

Please call if I can assist you further.

Sincerely yours,

WILSON L. CONDON
ATTORNEY GENERAL

By: 
James L. Baldwin
Assistant Attorney General

JLB/pjg

Enc.

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Proposed Amendments to SB 797

1. Page 3, Lines 18-19 - The formula should read:

$$\frac{P}{T} \times A$$

EXPLANATION: This was a drafting error which, unfortunately was not discovered prior to distribution of the bill. The intent of the base entitlement formula is that a municipality should receive its proportionate share of the total revenue sharing allocation based on its percentage of total, eligible municipal population statewide.

2. Page 3, Line 20 - Amend to read as follows:

T = The total population withⁿ municipalities in the state.

EXPLANATION: See above. Since the formula is intended to distribute 100% of available funds, each municipality's share must be measured by its share of total municipal population statewide. This is necessary so that the total percentage shares of all municipalities will equal 100%.

3. Page 5, Line 9-12 - Delete the last sentence from Section 29.87.050 and replace with the following:

Amounts allocated to the account shall first be distributed to satisfy the minimum \$25,000 base entitlements of eligible municipalities, and the remainder of the allocation shall be distributed as base entitlements to the remaining eligible municipalities.

EXPLANATION: Except to satisfy the "hold harmless" amounts provided for municipalities by Section 12 of the bill, there will be no need to prorate amounts in the base entitlement account. The formula created by A.S. 29.87.010 merely distributes whatever monies are available according to percentage of total municipal population. The suggested new language attempts to clarify the method for distributing base entitlement funds. First, all minimum entitlements (at \$25,000 or whatever other amount) would be paid, and the remainder would be distributed according to the percentage formula of A.S. 29.87.010. This will ensure that the "minimum" entitlement is a true minimum figure and will provide for the equitable distribution of all available funds.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
Position Paper on S.B. 797

Senate Bill 797 was introduced by the Special Committee on Property Taxation as a revision to the State Revenue Sharing and Municipal Assistance programs, which are the major sources of State aid to municipalities and communities.

The bill repeals A.S. 29.88, Municipal Tax Resource Equalization and A.S. 42.20.016, Municipal Assistance and replaces both with new A.S. 29.87, Entitlement to Municipalities. The elimination of the tax resource equalization chapter eliminates any distribution of funds on the basis of need and local tax effort and insures that any additional appropriations shall be distributed solely on the basis of population.

The Department strongly supports repeal of the Municipal Assistance program for 2 reasons. First, appropriations are linked to corporate income tax receipts which bear little or no relation to local need and are subject to a great deal of fluctuation. Second, distributions are based solely on population and totally ignore local need and tax effort. Distributions based on population are opposed by the Department because they fail to recognize differences in local wealth and ability to make a contribution to local government activities and because they fail to account for need.

Instead of correcting that defect in current law, S.B.797 proposes to compound the problem by requiring that all funds be distributed on the basis of population. The Department contends that the current formula utilized under Municipal Tax Resource Equalization is far preferable to a formula based solely on population. Any formula that does not recognize local effort runs the risk of fostering extreme dependence on State oil wealth that is subject to huge fluctuations in the years ahead. The Department believes that any revenue sharing program should reward development and enhancement of a broad-based local tax base and recognize local need.

S.B. 797 retains the current minimum entitlement for municipalities at \$25,000 plus a cost of living adjustment and continues to pay unincorporated communities \$25,000. These minimum payments do not provide any real financial incentive for communities to incorporate as cities. One positive feature of the Municipal Assistance program is an incentive to incorporate because payments are made only to incorporated communities. Any effort to repeal Municipal Assistance must replace that incentive and provide a sufficient minimum entitlement to build governmental capacity in small communities.

The Department feels that S.B. 716 is a more appropriate vehicle for consolidation and reform of the Revenue Sharing and Municipal Assistance programs.

M E M O R A N D U M

DATE: March 10, 1982

TO: Senator Don Gilman, Chairman
Community and Regional Affairs

FROM: McKie Campbell, Staff
Community and Regional Affairs Committee

RE: Municipal Finance Officers of Alaska
Homer, Alaska March 4th & 5th, 1982.

As you are aware I attended the Municipal Finance Officers of Alaska meeting in Homer last Thursday and Friday, March 4th and 5th. There, on Thursday afternoon, I was a member of a panel consisting of Gene Dusek, Municipal Finance Officer of Anchorage, Doug Griffin, Local Government Specialist Department of Community and Regional Affairs and Ted Burns, Special Counsel to the Interim Committee on Property Taxation. We spoke to the group on a number of legislative concerns dealing with Municipal Finances.

However, the main thrust of the discussion was the possibility of combining the Municipal Assistance and Revenue Sharing programs and administering both of the combined programs from the Department of Community and Regional Affairs.

I discussed with the Finance Officers the features we felt should be included in a new program of financial assistance to Municipalities. The new program should be comparatively simple and straight forward so that Municipal officials can understand the program and how their Municipalities entitlement is derived. The program should be consistent and should allow Municipalities to budget for upcoming financial years with a fair certainty of the amount they will receive.

There should be some recognition of the higher costs in Rural Areas, and the minimal needs of all Municipalities. I also pointed out two other principals that should be included in a new program of financial assistance and that these two principals are in apparent conflict. We discussed the need to devise a method of intergrating these two principals.

These principals are the encouragement of reduction of local property taxes, and a rewarding of local financial effort by the Municipality. I explained to the finance officers that there are currently two bills (SB 716 and SB 797) in the legislature which would combine the Municipal Assistance and State Revenue Sharing programs. Each would use a different formula for the distribution of the funds. I explained the Senate Community and Regional Affairs Committee would holding hearings

on both of these bills this week, however, it was not expected that either bill would be passed out of Committee this session.

Doug Griffin then gave a talk on SB 716, the Governors proposal to combine the programs and distribute the money according to the State Revenue Sharing formula. Ted Burns then talked about SB 797, introduced by the Special Committee on Property Taxation. This bill would also combine the Municipal Assistance and Revenue Sharing programs into one program within the Department of Community and Regional Affairs and would distribute the funds on a per capita formula with a COLA factor.

Both Doug and Ted did excellent jobs of presenting the bills and in pointing out the relative advantages and disadvantages of the different approaches.

We then discussed these programs with the finance officers. In general they all strongly agreed that the programs needed to be combined within one Department. They were extremely cautious however about committing to a particular formula of distributing the funds. When one considers the amount of money that this program will distribute (\$143 Million dollars in FY'82) this caution is justified. The finance officers were strongly supportive of the concept of a Special Interim Committee in the fashion of the Blue Ribbon Title 29 Revision Committee to review the programs and recommend the appropriate formula. This would hopefully result in a bill being introduced at the beginning of next session.

The finance officers had a number of very useful suggestions to make about a future formula and other aspects of a future program. The two points that there was very strong agreement on, however, were that No. (1): They felt the programs did need to be combined and administered by one Department and No. (2): They were very leary of rushing into any new program until they fully understood its implications.

STATE OF ALASKA

MEMBER

TENTH ALASKA LEGISLATURE
ELEVENTH ALASKA LEGISLATURE
TWELFTH ALASKA LEGISLATURE



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JUNEAU, ALASKA 99801
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SENATOR TIM KELLY

March 2, 1982

MR. CHAIRMAN, MEMBERS OF THE COMMUNITY & REGIONAL AFFAIRS COMMITTEE:

LAST SESSION, THE LEGISLATURE ADOPTED SENATE JOINT RESOLUTION NO. 19 CREATING A SPECIAL COMMITTEE ON PROPERTY TAXATION. THE PURPOSE OF THIS COMMITTEE, WHICH I CHAIRED, WAS TO EXAMINE PENDING LEGISLATION DEALING WITH PROPERTY TAXATION AND TO RECOMMEND MEASURES THAT COULD BE TAKEN TO PROVIDE PROPERTY TAX RELIEF FOR ALASKANS.

ONE PRODUCT OF THIS SPECIAL COMMITTEE WAS THE INTRODUCTION OF SB 797 WHICH I BELIEVE IS PENDING IN THIS COMMITTEE. THIS BILL WOULD CONSOLIDATE AND STREAMLINE THE PRESENT REVENUE SHARING AND MUNICIPAL ASSISTANCE PROGRAMS IN ORDER TO PROVIDE MUNICIPALITIES WITH THE FINANCIAL ASSISTANCE NECESSARY TO HOLD THE LINE ON LOCAL PROPERTY TAXES. I BELIEVE THAT THIS IS AN EXCELLENT BILL AND AT THE APPROPRIATE TIME I HOPE YOU WILL GIVE IT SERIOUS CONSIDERATION.

HOWEVER, IN ADDITION TO PROVIDING FINANCIAL ASSISTANCE DIRECTLY TO LOCAL GOVERNMENT I BELIEVE WE SHOULD TAKE POSITIVE STEPS TO ENSURE THAT AT LEAST A PORTION OF THIS ASSISTANCE IS DELIVERED DIRECTLY TO LOCAL HOMEOWNERS AND TO RENTERS AND MOBILE HOME OWNERS IN THE FORM OF PROPERTY TAX RELIEF. I EMPHASIZE RENTERS BECAUSE - AS I AM CERTAIN YOU ARE ALL AWARE - RENTERS - WHO MAY BE UNABLE TO AFFORD TO PURCHASE A HOUSE OR WHO MAY SIMPLY PREFER TO RENT - ARE ALMOST TOTALLY LEFT OUT OF BENEFITS PROVIDED BY SUCH PROGRAMS

AS REVENUE SHARING OR MUNICIPAL ASSISTANCE. RENTS HAVE TRADITIONALLY BEEN GOVERNED BY MARKET FORCES AND - ALTHOUGH LANDLORDS MAY RECEIVE A REDUCTION IN LOCAL PROPERTY TAXES FROM PROGRAMS SUCH AS REVENUE SHARING - THE RENTER HAS SELDOM, IF EVER, RECEIVED THIS BENEFIT. AS YOU ALL KNOW, AT LEAST IN ANCHORAGE, WE ARE EXPERIENCING A SERIOUS HOUSING CRISIS WHICH HAS RESULTED IN DRAMATIC INCREASES IN RENTS, A FACT WHICH I BELIEVE MAKES THE NEED FOR SOME FORM OF DIRECT TAX RELIEF FOR RENTERS EVEN MORE CRITICAL. I MIGHT ALSO ADD THAT LAST YEAR I CONDUCTED A SURVEY OF MY CONSTITUENTS AND RECEIVED ALMOST 1,100 RESPONSES. AMONG THE QUESTIONS ASKED IN THIS SURVEY WAS HOW PEOPLE FELT THAT STATE FINANCIAL ASSISTANCE TO MUNICIPALITIES SHOULD BE UTILIZED. THE NUMBER ONE PRIORITY IDENTIFIED BY MY CONSTITUENTS WAS PROPERTY TAX REDUCTION.

THE BILL BEFORE YOU TODAY, SENATE BILL 690, WOULD ESTABLISH A PROGRAM TO PROVIDE REFUNDABLE TAX CREDITS DIRECTLY TO HOMEOWNERS, RENTERS, AND MOBILE HOME DWELLERS FOR A PORTION OF PROPERTY TAXES PAID EITHER DIRECTLY OR THROUGH RENT. I WOULD LIKE TO GIVE YOU A BRIEF OVERVIEW OF MY BILL AND WHAT IT WOULD MEAN TO LOCAL TAXPAYERS, AND I WILL TRY TO ANSWER ANY QUESTIONS YOU MAY HAVE. I ALSO NOTE THAT TED BERNS IS WITH US TODAY. TED IS SERVING AS A CONSULTANT TO THE SPECIAL COMMITTEE ON PROPERTY TAXATION AND HAS DONE A CONSIDERABLE AMOUNT OF RESEARCH CONCERNING LOCAL TAXATION AND TAX RELIEF LEGISLATION. I WOULD HOPE THAT THE COMMITTEE WOULD ASK MR. BERNS FOR HIS ANALYSIS OF THIS BILL AND FOR ANY COMMENTS HE MAY HAVE.

BRIEFLY, THE BILL WOULD ALLOW HOMEOWNERS, RENTERS, AND MOBILE HOME DWELLERS TO FILE A RETURN WITH THE STATE AND TO RECEIVE A REBATE OR REFUNDABLE CREDIT FOR UP TO FIFTY PER CENT OF LOCAL PROPERTY TAXES PAID ON THEIR PRINCIPLE PLACE OF RESIDENCE. THE MAXIMUM AMOUNT OF CREDIT THAT COULD BE CLAIMED WOULD BE LIMITED TO \$300. FOR A MARRIED COUPLE OR A PERSON WHO PAID ALL OF THE TAXES OR RENT ON THEIR DWELLING AND \$150. FOR PERSONS WHO SHARED RENT OR PROPERTY TAX PAYMENTS. FOR RENTERS, INCLUDING SPACE RENT FOR MOBILE HOMES, A TAX EQUIVALENCY FORMULA WOULD BE USED TO ESTIMATE TAXES PAID THROUGH RENT, AND THIS FORMULA WOULD DETERMINE THE ALLOWABLE CREDIT. I MIGHT ADD THAT THIS IS ESSENTIALLY THE SAME APPROACH NOW USED FOR THE SENIOR CITIZEN RENTER'S TAX RELIEF PROGRAM ADMINISTERED BY THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS.

TO GIVE YOU AN EXAMPLE OF HOW THE PROGRAM WOULD WORK, A FAMILY IN ANCHORAGE PAYING TAXES ON A HOME VALUED AT \$100,000 WOULD QUALIFY FOR THE MAXIMUM CREDIT OF \$300.00. A FAMILY RENTING AN APARTMENT IN THE SAME LOCATION FOR \$500. PER MONTH WOULD QUALIFY FOR APPROXIMATELY \$240. IN TAX CREDITS. THE PROGRAM IS INTENDED TO BE ADMINISTERED THROUGH THE DEPARTMENT OF REVENUE IN MUCH THE SAME WAY AS THE PRESENT TAX CREDITS FOR CHILD CARE EXPENSES AND CAMPAIGN CONTRIBUTIONS IS NOW HANDLED.

I WON'T TAKE UP MORE OF YOUR TIME, MR CHAIRMAN, OTHER THAN TO CALL YOUR ATTENTION TO A BRIEF ANALYSIS OF THE BILL WHICH I HAVE ATTACHED TO MY PREPARED REMARKS AND WHICH I WILL LEAVE FOR YOU. I WOULD JUST LIKE TO EMPHASIZE IN CONCLUSION THAT THIS IS A VERY COMPLEX AND DIFFICULT AREA TO ADDRESS. THE BILL BEFORE YOU REPRESENTS MY BEST EFFORTS TO DESIGN A PROGRAM THAT IS EFFECTIVE, FAIR TO BOTH OWNERS AND RENTERS, AND THAT IS RELATIVELY SIMPLE TO ADMINISTER. I HAVE NO PRIDE OF AUTHORSHIP AND I ENCOURAGE YOU TO WORK ON THE BILL TO HOPEFULLY IMPROVE IT. I DO FEEL STRONGLY THAT THERE SHOULD BE A PLACE IN OUR MANY PROGRAMS FOR ASSISTING MUNICIPALITIES TO PROVIDE SOME REASONABLE AMOUNT OF DIRECT PROPERTY TAX RELIEF TO INDIVIDUAL ALASKANS TO USE AS THEY SEE FIT. BY PROVIDING THESE TAX RELIEF BENEFITS DIRECTLY TO HOMEOWNERS AND RENTERS, WE GIVE THE INDIVIDUAL SOME CHOICE ON HOW TO USE THESE BENEFITS - WHETHER TO ASK THEIR ASSEMBLEYS AND COUNCILS FOR INCREASED SERVICES, AND HIGHER TAXES, OR WHETHER TO HOLD DOWN GOVERNMENT COSTS AND ENJOY REDUCED TAX BURDENS.

I'M NOT SAYING THAT MY BILL SHOULD BE THE ONLY, OR EVEN THE MAJOR, FORM OF LOCAL FINANCIAL ASSISTANCE - BUT I BELIEVE THAT IT COULD PLAY A VALUABLE PART IN SUCH PROGRAMS.

THANK YOU FOR YOUR TIME AND ATTENTION.

S

B

802

POSITION PAPER

Requested by: Senate Community and Regional Affairs

Subject: Senate Bill No. 802 / House Bill No. 885

Departmental Position: Support With Amendments

Remarks:

HISTORY AND RATIONALE OF SB 802 AND HB 885

History:

In December, 1971 Congress adopted the Alaska Native Claims Settlement Act (ANCSA). In December of 1980, the Alaska National Interest Lands Conservation Act (ANILCA) was passed into federal law amending certain sections of ANCSA.

Section 21(d) of the amended act provided for a property tax moratorium on ANCSA lands for a period of twenty years, subject to certain provisions within the act. That section reads as follows:

TAX MORATORIUM EXTENSION

Sec. 904. Subsection (d) of section 21 of the Alaska Native Claims Settlement Act, as amended (43 U.S.C. 1601, 1620(d)), is amended to read:

"(d)(1) Real property interests conveyed, pursuant to this Act, to a Native individual, Native Group, Village or Regional Corporation or corporation established pursuant to section 14(h)(3) which are not developed or leased to third parties or which are used solely for the purposes of exploration shall be exempt from State and local real property taxes for a period of twenty years from the vesting of title pursuant to the Alaska National Interest Lands Conservation Act or the date of issuance of an interim conveyance or patent, whichever is earlier, of those interests to such individual, group, or corporation: Provided, That municipal taxes, local real property taxes, or local assessments may be imposed upon any portion of such interest within the jurisdiction of any governmental unit under the laws of the State which is leased or developed for purposes other than exploration for so long as such portion is leased or being developed: Provided further, That easements, rights-of-way, leaseholds, and similar interests in such real property may be taxed in accordance with State or local law. All rents, royalties, profits, and other revenues or proceeds derived from such property interest shall be taxable to the same extent as

such revenues or proceeds are taxable when received by a non-Native individual or corporation.

"(2) Any real property interest, not developed or leased to third parties, acquired by a Native individual, Native Group, Village or Regional Corporation, or corporation established pursuant to section 14(h)(3) in exchange for real property interests which are exempt from taxation pursuant to paragraph (1) of this subsection shall be deemed to be a property interest conveyed pursuant to this Act and shall be exempt from taxation as if conveyed pursuant to this Act, when such an exchange is made with the Federal Government, the State government, a municipal government, or another Native Corporation, or, if neither party to the exchange receives a cash value greater than 25 per centum of the value of the land exchanged, a private party. In the event that a Native Corporation simultaneously exchanges two or more tracts of land having different periods of tax exemption pursuant to subsection (d), the periods of tax exemption for the exchanged lands received by such Native Corporation shall be determined (A) by calculating the percentage that the acreage of each tract given up bears to the total acreage given up, and (B) by applying such percentages and the related periods of tax exemption to the acreage received in exchange".

A conspicuous lack of definitions for key terms along with certain ambiguities in Sec. 21(d) have caused some interpretation problems for parties impacted by the legislation. ANCSA Corporations have complained of unequal treatment from one taxing jurisdiction to the next, and local assessors have voiced their frustration in attempting to interpret the language. The situation is further complicated by the fact that there is almost no legislative history available for guidance on that section.

The proposed language is intended to provide some clarification of the section and to furnish a means for the proper implementation of the moratorium. It has been drafted in an effort to more closely define those terms which have caused problems or created concerns, and in an attempt to provide some equity of application of Sec. 21 (d) statewide.

Rationale:

The logic followed in drafting the proposed language was drawn from the basic intent of Congress in their adoption of ANCSA. Generally, that intent was to allow Alaska's Native community a reasonable amount of time to develop the lands conveyed to them pursuant to the Act and the opportunity to enter the

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economic mainstream of society without being forced to make premature or
unwise decisions in order to pay property taxes.

The purpose of Section 21(d) was to assure that local taxes would not be
levied on the lands for twenty years, or until such time as they were
developed or leased. Based upon consultation with individuals familiar with
the legislative history of ANCSA and ANILCA, it appears that Congress intended
the taxability of ANCSA lands be linked to the generation of income, thereby
providing the revenues necessary to pay property taxes without risking loss of
their lands through taxation.

Brief explanation of specific terms and concerns with the bill follow:

29.53.020 (k)(1)

Page 1, line 20:

The term "developed" has been the most controversial one in the Act. The
common understanding seems to be that the term means an intentional
"improvement" or "physical alteration" of the property. For purposes of Sec.
21 (d) however, it appears Congress intended the word "developed" to mean an
intentional improvement of the property for the purpose of producing income
through use of the land. In the application of Sec. 21 (d), it is not
important whether the development occurred prior to conveyance or afterward.
Neither does it matter who developed the property. It is only important that
as a direct result of the modification, the property was made "ripe" for the
production of income.

Essentially, it appears that the taxation of the property should be triggered
by its production of income. However, if it is improved to a point of
readiness, but the corporation elects, for its own benefit, not to commence
income producing activities, taxability is triggered as if those activities
had actually begun.

Page 1, line 25:

The term "smallest practicable tract" means that portion of a tract of land
which is identified with the income stream (or potential income stream as
explained above). The term intends to include the fully developed portion of
the land, and possibly a peripheral buffer area if it is reasonably necessary
for the productive use of the site. Where municipal zoning setbacks are
required, it would be logical to use that setback distance for delineation of
the buffer area.

Page 1, line 26:

The portion which says "Surveying, platting, construction of roads, etc." intends to safeguard against loss of the exemption before the property is fully developed. Again, the language attempts to link the definition of "develop" to the generation of income. As a general rule, the income should be produced before the exemption is lost, thereby providing a means to pay the taxes.

Local assessors across the State have unanimously voiced strong objection to that language. They are concerned that it might be construed to say that ANCSA property could be fully developed and still be exempt from taxation. The assessors have said that at some point in the subdivision and development of ANCSA lands for resale purposes, the properties should become taxable.

Page 1, line 29 through page 2, line 3:

This language contradicts the language on Page 1, lines 21-22. In addition, the portion which references AS 41.17.110 in effect allows the property owner to determine whether his own property is exempt. According to the Department of Natural Resources, it is not required that the owner of forest lands file "...a notice of conversion...", unless:

1. The property is being converted to non-forest use, and
2. The amount of property to be converted is in excess of ten acres, and
3. The property will be converted to commercial use.

Clearly, under those conditions, the owner of the forest lands could harvest the trees from the property and construct a hotel on up to nine acres of the land without being required to file a notice or conversion with DNR. Under the current language, neither the commercially cut lands nor the hotel would be taxable. To be workable, the Department strongly suggests that the language be changed as follows:

"...as defined in AS 41.17.950(6), shall be deemed "developed" when a condition for gainful or productive present use [OCCURS] exists. [AND THE OWNER OF THE FOREST LAND FILES A NOTICE OF CONVERSION UNDER AS 41.17.110.]."

Page 2, line 10:

The word "underdeveloped" in this line is a typographical error and should have been "undeveloped". We have confirmed that fact with the drafters of the bill.

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29.53.020 (k)(3)

Page 2, lines 10-14:

This paragraph is simply a rewording of certain language from ANCSA Sec. 21(d). The term on line 13, "...subject to the provisions of this subsection." was included so that no individual provision could necessarily reinstate the exemption. For example, if a lease were terminated, but the property were still to be "developed" (as described in 29.53.020 (k)(1)) the exemption would not be reinstated.

The Department feels it is necessary to define the term "exploration" within the bill, and suggest the following language be added under 29.53.020 (k)(4):

For purposes of this section, the term "exploration" shall mean the examination and investigation of undeveloped land believed to contain subsurface non-renewable resources.

STATEMENT

OF

COOK INLET REGION, INC.

ON

SENATE BILL NO. 802

Community & Regional Affairs
Alaska State Senate
March 4, 1982

by: Lance W. Anderson
Vice President, Finance
Cook Inlet Region, Inc.

STATEMENT

OF

COOK INLET REGION, INC.

ON

SENATE BILL NO. 802

MARCH 4, 1982

The Alaska Native Claims Settlement Act, 43 U.S.C. § 1620(d), as amended, provided a tax exemption for real property and interests therein conveyed to individuals and native corporations under the Settlement Act. The exemption exists for twenty years from the date of statutory vesting of title or interim conveyance or patent, whichever is earlier, and is terminated during the period the property is "developed" or "leased to third parties" for purposes other than exploration. While the legislative history of the Settlement Act provides little guidance as to the correct definition of the term, it is clear that the federal statute must be given the broadest reasonable interpretation in favor of the tax-exempt status. Federal courts, including the United

States Supreme Court, have held that federal statutes affecting native lands are to be construed strictly in favor of the native land-holder. This policy has been followed particularly with respect to tax exemptions for native lands. In the absence of an explicit tax exemption under state law, each borough assessor would have to reach an independent determination of the meaning of the federal statute. The opportunities for inconsistency and a costly and unnecessary litigation burden on both the boroughs and the native corporations is clear. The present bill will resolve the most troublesome problem, that of the definition of the terms "developed" and "leased to third parties" by providing a uniform tax exemption which is at least as broad as that provided by the federal statute. This will insure uniformity of application among the boroughs and bring state law into line with the federal exemption.

In summary, CIRI supports passage of Senate Bill No. 802 because:

1. It embodies and implements the most basic principle underlying interpretation of ANCSA § 21(d) -- that the tax exemption should be construed in favor of the native land-holder, and

2. By providing broad definitions of the terms "lease" and "developed", it automatically will resolve the vast majority of present tax exemption issues and will avoid inconsistency and a costly and unnecessary litigation burden on both the boroughs and the native land owners.

Draft

TESTIMONY OF SEALASKA CORPORATION
BEFORE THE
ALASKA STATE LEGISLATURE
ON

SENATE BILL NO. 802 "AN ACT RELATING TO TAX EXEMPTIONS; AND
PROVIDING FOR AN EFFECTIVE DATE."

My name is Robert W. Loescher, Vice President for Resource Management, Sealaska Corporation. Thank you very much for this opportunity to present comments of Sealaska on proposed legislation Senate Bill No. 802 "An Act relating to tax exemptions; and providing for an effective date."

Sealaska Corporation supports the basic intent of the legislation which is:

- o to provide for the exemption from real property taxes certain properties conveyed under the Alaska Native Claims Settlement Act
- o to implement the tax exemption required by ANCSA Section 21(d) as amended by ANILCA Section 904, which read as follows:

PL 92-203 Section 21(d): "(d) Real property interests conveyed, pursuant to this Act, to a Native individual, Native group, or Village or Regional Corporation which are not developed or leased to third parties, shall be exempt from State and local real property taxes for a period of twenty years after the date of enactment of this Act: Provided, That municipal taxes, local real property taxes, or local assessments may be imposed upon leased or developed real property within the jurisdiction of any governmental unit under the laws of the State: Provided further, That easements, rights-of-way, leaseholds, and similar interests in such real property may be taxed in accordance with State or local law. All rents, royalties, profits, and other revenues or proceeds derived from such property interests shall be taxable to the same extent as such revenues or proceeds are taxable when received by a non-Native individual or corporation."

"SEC. 904. Subsection (d) of section 21 of the Alaska Native

Claims Settlement Act, as amended (43 U.S.C. 1601, 1520(d)), is amended to read: "(d)(1) Real property interests conveyed, pursuant to this Act, to a Native individual, Native Group, Village or Regional Corporation or corporation established pursuant to section 14(h)(3) which are not developed or leased to third parties or which are used solely for the purposes of exploration shall be exempt from State and local real property taxes for a period of twenty years from the vesting of title pursuant to the Alaska National Interest Lands Conservation Act or the date of issuance of an interim conveyance or patent, whichever is earlier, for those interests to such individual, group, or corporation: Provided, That municipal taxes, local real property taxes, or local assessments may be imposed upon any portion of such interest within the jurisdiction of any governmental unit under the laws of the State so long as such portion is leased or being developed: Provided further, That easements, rights-of-way, leaseholds, and similar interests in such real property may be taxed in accordance with State or local law. All rents, royalties, profits, and other revenues or proceeds derived from such property interests shall be taxable to the same extent as such revenues or proceeds are taxable when received by a non-Native individual or corporation."

- o to define the term "developed" as used in ANCSA Section 21(d) in order to establish the point in time at which exempted property becomes taxable under State and local governmental authorities.

Of particular concern to Sealaska Corporation and other timberland owners is the application of the proposed legislation to Forest land throughout Alaska. The proposed language included within AS 29.53.020 (k)(1) which reads as follows - is acceptable:

"Forest lands, as defined in AS 41.17.950(6), shall be deemed "developed" when gainful or productive present use occurs and the owner of the forest land files a notice of conversion under AS 41.17.110."

The effect of this provision is to exempt developed or undeveloped forest land unless the landowner notifies the State of Alaska pursuant to AS 41.17.110 that he intends to reclassify or convert his forest land after timber harvesting to other uses such as residential, commercial or industrial purposes. The

provision in the Forest Resources and Practices Act reads, as follows:

"Sec. 41.17.110. Conversion of forest land to other uses. An intention to convert forest land to other uses after timber harvesting may be stated in the notification submitted under AS 41.17.090. In that event, reforestation requirements adopted under this chapter do not apply, except that conversion shall be completed during the time set by regulation for minimum reforestation of the land, and other requirements for revegetation may be imposed to the extent permitted by law. If the commissioner finds at any time that the responsible party has failed to conform to the intent to convert as stated in the notification, the commissioner shall revoke approval of the conversion and require full compliance with reforestation requirements. (Sec. 1 ch 108 SLA 1978)"

Our concern is that the definition "real property" which is used in ANCSA and Title 29 not include and specifically exclude reference or application to "forest land" - where taxation is a consideration. Currently, the definition of these terms in Alaska statutes are, as follows:

"AS 29.78.010 (13) "real property" means land and improvements and all possessory rights and privileges appurtenant to the property and includes personal property affixed to the land or improvements."

"AS 41.17.950 (6) "forest land" means land stocked or having been stocked with forest trees of any size and not currently developed for nonforest use, regardless of whether presently available or accessible for commercial purposes, and includes any such land under state, municipal, or private ownership;"

Sealaska Corporation wants to make it perfectly clear that it is not opposing consideration of taxation of forest lands at this time or in the future, but is seriously concerned about the basis or philosophy of any tax program on forest resources considered by the legislature or advanced by timber industry. This proposed legislation "touches the edge" of that discussion in an incomplete manner. By this we mean that:

- o forest lands should be treated on a resource severance tax basis rather than on real property basis as envisioned in

Title 29.45.010 Municipal Property Tax

- o forest lands are a resource of State concern and not a resource which should be dealt with in Title 29 Municipal Governments. Oversight, regulation and any taxation of the forest resource should be administered by State government and not by local governments.

This philosophy is clearly expressed in the legislature's Declaration of Intent AS 41.17.010 of the Forest Resources and Practices Act adopted three years ago, as follows:

Sec. 41.17.010. Declaration of intent. The legislature declares that

- (1) the forest resources of Alaska are among the most valuable natural resources of the state, and furnish timber and wood products, fish and wildlife, tourism, outdoor recreation, water, soil, air, minerals, and general health and welfare;
- (2) economic enterprises and other activities and pursuits derived from forest resources warrant the continuing recognition and support of the state;
- (3) the state has a fundamental obligation to insure that management of forest resources guarantees perpetual supplies of renewable resources, provides nonrenewable resources in a manner consistent with that obligation, and serves the needs of all Alaska for the many products, benefits, and services obtained from them;
- (4) government administration of forest resources should combine professional management services, regulatory measures, and economic incentives in a complementary fashion, and should draw upon the expertise of professional foresters in conjunction with other disciplines;
- (5) under the leadership of the Department of Environmental Conservation, the state should exercise its full responsibility and authority for control of nonpoint source pollution with respect to the Federal Water Pollution Control Act, as amended;
- (6) subject to Sec. 307(f) of the Coastal Zone Management Act of 1972 (P.L. 92-583), the provisions of this chapter shall be the basis for forest management standards, policies, and guidelines developed under the Alaska Coastal Management Act. (Sec. 1 ch 108 SLA 1978)

- o any forest resource tax program by the State of Alaska should consider, at a minimum, equal assessment or parity between federal and state and even local forest lands in the

application of the (PILOT) payment in lieu of taxes by government timberland holders or lease holders and the level of taxes to be applied to private landowners. These resources compete in the market place. It is important not to create an artificially induced disincentive by an inequitable tax program as a part of development of timber resources in Alaska.

Additionally, it is hoped, that in the future if a tax program is designed for forest resources that such a program would recognize and provide credits for those forest land owners who make every effort and investment to meet environmental restrictions and requirements, reforestation and other similar requirements now incorporated in the public laws and are becoming a matter of business practice.

Sealaska Corporation urges your positive consideration of this bill this session. We are available to work and discuss the many aspects of forest land taxation at any time, now or in the future. Thank you.

H

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COMMITTEE REPORT
SENATE

FURTHER: FINANCE

3/21/83

Date: _____

Mr. President:

The Committee on CAMA has had CSHB 31 (CAMA)

Relating to certain tax benefits for disabled veterans and senior residents; eff. date.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with ~~CS~~ for CSHB 31 (CAMA) same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

SENATE AMENDMENT

By _____

To: _____ SENATE BILL No. _____

To: CS HOUSE BILL No. 31 (C+RA) am

PAGE: 4 LINE: 28

after "that" insert

"does not collect a property tax but"

3
162

6
972

4
41
600
96,636
972
~~96,636~~
34

601
375,000
600
601
375,600

601
600
360,600

601
600

Offered: 2/15/83
Referred: Finance

Original sponsors: Furnace, Barnes,
Grussendorf, et al

BY THE COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 31 (C&RA) am

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain tax benefits for disabled
7 veterans and senior residents; and providing for an
8 effective date."

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

10 * Section 1. AS 29.53.020(e) is repealed and reenacted to read:

11 (e) The real property owned and occupied as a permanent place of
12 abode of a person described in this subsection is exempt from taxation
13 of the assessed value of the real property as indicated in this sub-
14 section. Only one exemption may be granted for the same property,
15 and, if two or more persons are eligible for an exemption for the same
16 property, the parties shall decide between or among themselves which
17 receive the benefit of the exemption. Real property may not be ex-
18 empted under this subsection if the assessor determines, after notice
19 and hearing to the parties concerned, that the property was conveyed
20 to the applicant primarily for the purpose of obtaining the exemption.
21 The determination of the assessor may be appealed under AS 44.62.560 -
22 44.62.570. An exemption under this subsection shall be allowed

23 (1) to a resident of the state 65 years of age or older for
24 the entire assessed value of the real property; or
25 (2) to a disabled veteran *with a disability of 50% or more* for a percentage of the assessed
26 value of the real property that is the same as the percentage of dis-
27 ability as established by the service disability rating of the vet-
28 eran.]

29 * Sec. 2. AS 29.53.020(f) is amended to read:

1 (f) No exemption may be granted except upon written application
2 for the exemption on a form approved [PRESCRIBED] by the state asses-
3 sor for use by local assessors. The claimant must file the applica-
4 tion no later than January 15 of the assessment year for which the
5 exemption is sought, but during the same year the governing body of
6 the municipality for good cause shown may waive the claimant's failure
7 to make timely application for the exemption for that year and au-
8 thorize the assessor to accept the application as if timely filed.
9 The claimant must file a separate application for each assessment year
10 in which the exemption is sought. If an application is filed within
11 the required time and is approved by the assessor, the assessor [HE]
12 shall allow an exemption in accordance with the provisions of this
13 section. If a claimant whose failure to file by January 15 of the
14 assessment year has been waived as provided in this subsection and the
15 application for exemption is approved, the amount of tax that [WHICH]
16 the claimant may have already paid for the assessment year with re-
17 spect to the property exempted shall be refunded to the claimant
18 [HIM]. The assessor shall [MAY AT ANY TIME] require proof in the form
19 the assessor [HE] considers necessary of the right to and amount of an
20 exemption claimed under this section, and shall require a disabled
21 veteran claiming an exemption under (e) of this section to provide
22 evidence of the disability rating. The assessor may require proof
23 under this section at any time.

1 * Sec. 3. AS 29.53.020(i) is repealed and reenacted to read:

2 (i) In (e) - (i) of this section,

3 (1) "disabled veteran" means a disabled person separated
4 from the military service of the United States under a condition that
5 is not dishonorable who is a resident of the state, whose disability
6 was incurred or aggravated in the line of duty in the military service

1 of the United States, and whose disability has been rated as 50 per-
2 cent or more by the branch of service in which that person served or
3 by the Veterans' Administration;

4 (2) "real property" includes but is not limited to mobile
5 homes, whether classified as real or personal property for municipal
6 tax purposes.

7 * Sec. 4. AS 29.73.060 is amended to read:

8 Sec. 29.73.060. PROPERTY TAX EQUIVALENCY PAYMENTS. (a) A
9 resident of the state 65 years of age or older or a disabled veteran
10 who rents a permanent place of abode is eligible for tax equivalency
11 payments from the state through the Department of Community and Re-
12 gional Affairs.

13 (b) For purposes of determining payments to eligible persons,
14 the department shall calculate at the rate of one percent per mil a
15 property tax equivalent percentage for each home rule or general law
16 municipality that [WHICH] levies a general property tax [AT THE RATE
17 OF ONE PERCENT PER MIL]. The property tax equivalent percentage
18 applied to the annual rent charged to the applicant equals the proper-
19 ty tax equivalency rate and equals the payment payable under this
20 section to a resident 65 years of age or older. The payment payable
21 to a disabled veteran under this section is a percentage of the prop-
22 erty tax equivalency rate that is the same as the percentage of dis-
23 ability established by the service disability rating of the veteran.
24 The payment payable to a disabled veteran who is 65 years of age or
25 older equals the amount payable to a resident 65 years of age or
26 older.

27 (c) To obtain a tax equivalency payment [PAYMENTS] the eligible
28 resident must apply to the department for payment for the preceding
29 year by January 15 of each year on forms and in the manner prescribed

1 by the department. The department for good cause shown may waive an
2 applicant's failure to make timely application for a tax equivalency
3 payment and accept the application as if timely filed. Each applicant
4 shall submit with the application rental receipts or, if rental re-
5 cepts are not available, other evidence satisfactory to the depart-
6 ment for determination of the fact of payment of rent and the amount
7 paid. A disabled veteran shall submit with the application evidence
8 of the disability rating.

9 (d) If two or more persons occupy a residence as tenants, not
10 all of whom are eligible for tax equivalency payments under this
11 section, the assessor shall determine equitable partial payments to be
12 made to the eligible tenants. However, tax equivalency payments to an
13 eligible applicant may not be reduced because the spouse is less than
14 65 years of age or is not a disabled veteran. If all occupants in a
15 residence are eligible for tax equivalency payments under this sec-
16 tion, the occupants shall decide between and among themselves which
17 shall receive payment.

18 (e) In this section "disabled veteran" means a disabled person
19 separated from the military service of the United States under a
20 condition that is not dishonorable who is a resident of the state,
21 whose disability was incurred or aggravated in the line of duty in the
22 military service of the United States, and whose disability has been
23 rated as 50 percent or more by the branch of service in which that
24 person served or by the Veterans' Administration.

25 * Sec. 5. AS 29.73 is amended by adding a new section to read:

26 Sec. 29.73.062. REIMBURSEMENT PAYMENTS. (a) A resident of the
27 state 65 years of age or older or a disabled veteran who rents a
28 permanent place of abode in a municipality that levies and collects
29 sales taxes on rents paid for residential property is eligible for
30

1 reimbursement payments from the state through the Department of Commu-
2 nity and Regional Affairs.

3 (b) The amount of a reimbursement payment to a resident 65 years
4 of age or older equals the amount of sales taxes paid on the abode
5 during the preceding year by the resident. The amount of a reimburse-
6 ment payment to a disabled veteran is a percentage of the amount of
7 sales taxes paid on the abode during the preceding year by the dis-
8 abled veteran that is the same as the percentage of disability estab-
9 lished by the service disability rating of the veteran. The reim-
10 bursement payment to a disabled veteran who is 65 years of age of
11 older equals the amount payable to a resident 65 years of age or
12 older.

13 (c) To obtain a reimbursement payment under this section an
14 eligible resident must apply by January 15 of each year to the Depart-
15 ment of Community and Regional Affairs for reimbursement of sales
16 taxes paid for the preceding year. The application shall be on the
17 form and filed as prescribed by the department. The department for
18 good cause shown may waive an applicant's failure to make timely
19 application for reimbursement and accept the application as if timely
20 filed. Each applicant shall submit with the application rental re-
21 cepts or, if rental receipts are not available, other evidence sat-
22 isfactory to the department for determination of the fact of payment
23 of rent and the amount paid. A disabled veteran shall submit with the
24 application evidence of the disability rating.

25 (d) If two or more persons occupy a residence as tenants, not
26 all of whom are eligible for a reimbursement payment under this sec-
27 tion, the assessor shall determine equitable partial payment to be
28 made to the eligible tenants. However, a reimbursement payment to an
29 eligible applicant may not be reduced because the spouse is less than

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS For HB 31 (C&RA)
Title "... providing for the exemption of the residence of a disabled veteran..."
Requested by House Community & Regional Affairs Date 2/8/83

II. FISCAL DETAIL

Agency Affected Community & Regional Affairs
Program Category Affected _____
BRU, Program, Or Subprogram(s) Affected State Accessor - Grants
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		289.7	315.8	344.2		

FUNDING (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
GENERAL FUND		289.7	315.8	344.2		
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

See Attached

RECEIVED

FEB 9 1983

LEGISLATIVE FINANCE

(See Note on page 2)

Terry Earley

IV. DATE 2/8/83 PREPARED BY Terry Earley
AGENCY Community & Regional Affairs

Original: Legislative Finance PHONE 465-4730
cc: Budget and Management
Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/82) OMB Reviewed by: David Gentry

D. Gentry

Page 2

FISCAL NOTE

"...providing for exemption of the residence of disabled veterans..."

The following tables show estimated number of veterans by percent of disability and is based on average payments made to senior citizens under current statutes.

HOMEOWNERS

<u>% Disability</u>	<u>Number</u>	<u>Total</u>
50%	150	\$44,739
60%	149	\$53,329
70%	92	\$38,416
80%	46	\$21,952
90%	2	\$ 1,074
100%	162	\$96,636
	<u>601</u>	<u>\$256,146</u>

RENTERS

50%	38	\$6,324
60%	37	\$7,389
70%	17	\$5,658
80%	11	\$ 226
90%	1	\$ 300
100%	41	\$13,647
	<u>145</u>	<u>\$33,544</u>

Grand Total \$289,690

Assumptions

1. There are 757 eligible disabled veterans in the state.
2. Census statistics show the over 65 male population of the state to comprise 1.4%. We assume this percentage also applies to disabled veterans. Therefore, 1.4% of the disabled veterans are presently exempt by virtue of age.
3. The percentage of disabled veterans who rent is similar to senior citizens who rent.

Page 2

note.

C-ka reported HB 31 out of Committee 2/15 with a fiscal note. Page 2 was not included & therefore is not in Supplement #9.

This page 2 was sent by James 3/2.

STATE OF ALASKA
FISCAL NOTE

Revision Date _____, 1983

I. REQUEST

Bill/Resolution No.: SCSCS HB 31
 Title: Tax Benefits
 Sponsor: Senate C&RA
 Requestor: Senate C&RA

II. FISCAL DETAIL

Agency Affected: Comm. & Regional Affairs
 Program Category Affected: Development
 BRU, Program of Subprogram(s) Affected: Senior Citizens Tax Relief

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		2.5	2.5	2.5	2.5	2.5
300 CONTRACTUAL		2.5	2.5	2.5	2.5	2.5
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC		448.3	488.6	532.6	580.6	632.8
TOTAL OPERATING		453.3	493.6	537.6	585.6	637.6
CAPITAL		-0-	-0-	-0-	-0-	-0-
REVENUE		-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND		453.3	493.6	537.6	585.6	637.6
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

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

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Terry Earley
 Division: Local Government Assistance Division

Phone: 465-4730
 Date: 4/13/83

Approved by Commissioner: [Signature]
 Department: Community & Regional Affairs

Date: _____

Distribution:

Original to Legislative Finance
 Copy to Office of Management and Budget (for Legislature introduced bills)

FISCAL NOTE

"...providing for exemption of the residence of disabled veterans..."

The following estimates are based on information received from the Veterans Administration and the payments currently being made to Senior Citizens.

Total Number of Applicants		Total Amount To Be Reimbursed
HOMEOWNERS		
601		\$ 360,146
	Renters (Property Tax)	
145		\$ 48,264
	Renter (Sales Tax)	
100		\$ 40,000
		\$ 448,264
	<u>Administration</u>	\$ 5,000

The new program for renters, both Senior Citizens and Disabled Veterans, will have some administrative costs.

These administrative costs include:

Forms Design & Printing	\$ 2,200
Mailing & Postage	300
Travel (to extend present outreach program)	<u>2,500</u>
	\$ 5,000

Assumptions

1. There are 757 eligible disabled veterans in the State.
2. Census statistics show the over 65 male population of the State to comprise 1.4%. We assume this percentage also applies to disabled veterans. Therefore, 1.4% of the disabled veterans are presently exempt by virtue of age.
3. The percentage of disabled veterans who rent is similar to senior citizens who rent.
4. There are approximately 100 qualified applicants in municipalities that do not collect a property tax.

STATE OF ALASKA

JAY S. HAMMOND, Governor

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B
JUNEAU, ALASKA 99811
PHONE: (907) 465-4700

Position Paper

Re: HB 31

Sponsor: Furnace

Program Effects of Bill

A property tax exemption for the homeowners of a given segment of the population may prompt companion legislation to provide for property tax rebates for renters within that same segment of taxpayers (see AS 29.73.060. Property tax equivalency payments). Additional legislation could extend into areas such as sewer and water assessment exemptions (see AS 29.63.065.) and motor vehicle tax exemptions [see AS 28.10.411(d)].

As a result of the adoption of those programs, additional administrative costs may be incurred by this department, and similar impacts could occur in numerous taxing municipalities across the State.

Comments

The Department does not oppose veterans benefits in concept. However, there are ramifications to be considered. Although this specific bill might not have a significant financial impact on the State, it could set a precedent which we believe could have such an impact.

The Department is also concerned with the deterioration of the property tax base through the passage of such bills. As more tax exemptions are passed, the net result is that fewer property owners are required to pay more in local tax dollars to maintain the existing level of municipal services.

fu

THE LEGISLATURE OF THE STATE OF ALASKA
THIRTEENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CS For HB 31 (C&RA)
 Title "providing for the exemption of the residence of a disabled veteran..."
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FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

See Attached

IV. DATE 2/8/83 PREPARED BY Tercy Earley
 AGENCY Community & Regional Affairs
 Original: Legislative Finance PHONE 465-4730
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)
 33-001 (Rev. 12/82)

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