

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 86/2

7745 HOUSE • COMMUNITY & REGIONAL AFFAIRS •

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HOUSE COMMITTEE REPORT

2/10

(7)

Date Referred: January 15, 1993

FURTHER REFERRALS:

HESS  
Finance

Date of Committee Action: 2/9/93

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HB 66

HOUSE BILL NO. 66

MUNICIPAL PROPERTY TAX EXEMPTIONS

"An Act relating to municipal property tax exemptions for certain residences and to property tax equivalency payments for certain residents; and providing for an effective date."

RECOMMENDATIONS:

be replaced with CSHB 66 (CRA)  the same title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note \_\_\_\_\_

3  zero fiscal note(s) <sup>(2)</sup> CRA Dept. Admin 1/15/93

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Harley Olberg</i>	<input checked="" type="checkbox"/>	<i>Jim Sanders</i>		<input checked="" type="checkbox"/>	
<i>Don Buehler</i>	<input checked="" type="checkbox"/>	<i>John N. King</i>	<input checked="" type="checkbox"/>		
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>W.K. Williams</i>	<input checked="" type="checkbox"/>		
		<i>Ed Wallis</i>	<input checked="" type="checkbox"/>		

*Harley Olberg*  
CHAIRMAN'S SIGNATURE

House  
2/9/93

SANDERS  
KING  
WILLIAMS  
WILLIS

# STATE OF ALASKA

## DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

February 5, 1993

WALTER J. HICKEL, GOVERNOR

PLEASE REPLY TO:

1031 W. 4TH AVENUE, SUITE 200  
ANCHORAGE, ALASKA 99501-1994  
PHONE: (907) 269-5100  
FAX: (907) 276-3697

KEY BANK BUILDING  
100 CUSHMAN ST., SUITE 400  
FAIRBANKS, ALASKA 99701-4679  
PHONE: (907) 452-1568  
FAX: (907) 456-1317

P. O. BOX 110300 - STATE CAPITOL  
JUNEAU, ALASKA 99811-0300  
PHONE: (907) 465-3600  
FAX: (907) 463-5295

The Honorable Harley Olberg  
Alaska House of Representatives  
Chair, House Community and  
Regional Affairs Committee  
P. O. Box V  
Juneau, AK 99811

RE: HB 66 relating to property tax  
exemptions

Dear Representative Olberg:

It is our understanding that HB 66, relating to property tax exemptions for certain primary residences and to property tax equivalency payments for certain residents, has been referred to your committee. The purpose of this letter is to recommend the adoption of an amendment to the bill, copy of which is enclosed.

After reviewing this bill, the Legislative Affairs Agency has suggested an amendment that we agree is appropriate. The amendment would be to delete Section 1 in its entirety (at page 1, lines 5 - 12), renumber the remaining sections accordingly, and add AS 29.45.030(h) to the list of sections to be repealed in the current Section 4 (at page 2, line 27). This amendment is recommended because with the repeal of the property tax exemptions in AS 29.45.030(e) and (f) as proposed in this bill, there would be nothing left in AS 29.45.030 that would effect a similar property tax exemption granted by a municipality. Therefore, there is no need for the bill to include such a provision.

The Honorable Harley Olberg  
HB 66 relating to property tax  
exemptions

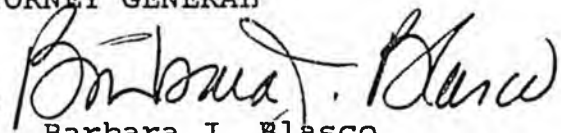
February 5, 1993  
Page 2

Please let me know if you have any questions about this  
matter.

Sincerely yours,

CHARLES E. COLE  
ATTORNEY GENERAL

By:

  
Barbara J. Blasco  
Assistant Attorney General

BJB:cp

cc: Deborah E. Behr, Assistant Attorney General  
Department of Law

Tamara Cook, Director, Division of Legal Services  
Legislative Affairs Agency

WALTER J. HICKEL  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 15, 1993

The Honorable Ramona L. Barnes  
Speaker of the House  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Speaker Barnes:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the mandatory and optional property tax exemptions for residences of senior citizens, disabled veterans and their widow or widowers, and to property tax equivalency payments for certain residents.

The bill provides for municipalities to offer tax exemptions to these people and repeals the mandatory property tax exemption. The bill also repeals the provision for state reimbursement to municipalities for property tax revenue lost to the municipality by operation of the mandatory tax exemptions. Also, the bill repeals the provision for a property tax equivalency payment from the state to persons who rent a residence but would otherwise qualify for a mandatory tax exemption (the "renter's rebate" program). Finally, the bill has a retroactive effective date to January 1, 1993.

Due to declining state revenue, it has become apparent over the past several years that the state can no longer afford to fully pay for the municipal reimbursement program for the mandatory senior citizen or disabled veteran property tax exemptions. As a result, municipalities have not been reimbursed in full for the tax revenue lost due to the mandatory property tax exemptions. This bill will allow municipalities to decide whether they wish to exempt such property from taxation in whole or in part. If they choose to exempt the property, they will, of course, lose tax revenue, but that decision will be up to the individual municipality and will not be mandated by the state.

Also, again due to declining state revenue, the state has not fully funded the "renter's rebate" program during the past several years. It is appropriate that this program be repealed at the same time as the mandatory property tax

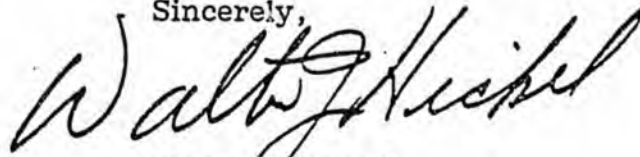
LETTER FROM THE GOVERNOR

The Honorable Ramona L. Barnes  
January 15, 1993  
Page 2

exemption provision in order to ensure that, for property tax purposes, the state is treating seniors and disabled veterans who rent a residence in a manner similar to seniors and disabled veterans who own a residence.

I urge your prompt consideration and passage of this bill.

Sincerely,

A handwritten signature in cursive script, reading "Walter J. Hickel". The signature is written in dark ink and is positioned above the printed name and title.

Walter J. Hickel  
Governor





**Municipal Property Tax  
Exemptions/Property Tax  
Equivalency Payments**

HOUSE BILL NO. 66, by THE RULES COMMITTEE BY REQUEST OF THE GOVERNOR. Relates to municipal property tax exemptions for certain residences and to property tax equivalency payments for certain residents (see accompanying letter from the Governor).

Introduced January 15, 1993 and referred to the Community and Regional Affairs Committee, the Health, Education and Social Services Committee, and the Finance Committee.

In his message accompanying the bill, Governor Hickel stated:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the mandatory and optional property tax exemptions for residences of senior citizens, disabled veterans and their widow or widowers, and to property tax equivalency payments for certain residents.

The bill provides for municipalities to offer tax exemptions to these people and repeals the mandatory property tax exemption. The bill also repeals the provision for state reimbursement to municipalities for property tax revenue lost to the municipality by operation of the mandatory tax exemptions. Also, the bill repeals the provision for a property tax equivalency payment from the state to persons who rent a residence but would otherwise qualify for a mandatory tax exemption (the "renter's rebate" program). Finally, the bill has a retroactive effective date to January 1, 1993.

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Due to declining state revenue, it has become apparent over the past several years that the state can no longer afford to fully pay for the municipal reimbursement program for the mandatory senior citizen or disabled veteran property tax exemptions. As a result, municipalities have not been reimbursed in full for the tax revenue lost due to the mandatory property tax exemptions. This bill will allow municipalities to decide whether they wish to exempt such property from taxation in whole or in part. If they choose to exempt the property, they will, of course, lose tax revenue, but that decision will be up to the individual municipality and will not be mandated by the state.

Also, again due to declining state revenue, the state has not fully funded the "renter's rebate" program during the past several years. It is appropriate that this program be repealed at the same time as the mandatory property tax exemption provision in order to ensure that, for property tax purposes, the state is treating seniors and disabled veterans who rent a residence in a manner similar to seniors and disabled veterans who own a residence.

FISCAL NOTE

Bill Version: HB 66

(H) Publish Date: 1/15/93

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: An act relating to municipal tax exemptions  
Sponsor: Rules Committee  
Requestor: Governor

Department Affected: Administration  
BRU: Div. of Pioneers' Benefits  
Component: Central Office

COMPONENT SERIAL NO. 34

Expenditures/Revenues:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

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

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)  
There is no fiscal impact on programs in the Division of Pioneers' Benefits

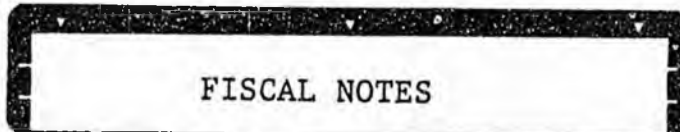
Prepared by: Dennis L. DeWitt, Director  
Division: Pioneers' Benefits

Phone: 465-4400  
Date: 12/28/92

Approved by Commissioner: Nancy Bear Usara  
Agency: Administration

Date: 1/12/93

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FISCAL NOTE

Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
 Title: "An Act relating to property tax  
exemptions...." BRU: Senior Citizens/Disabled Veterans  
 Component: Renters Equivalence Rebate  
 Sponsor: \_\_\_\_\_  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 654

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CAPITAL</b>						
<b>REVENUE FUND SOURCE:</b>						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

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

Estimate of current (FY93) Impact \$ none

**ANALYSIS:** (Attach a separate page if necessary)  
 The Renters Rebate program was instituted in order to treat seniors, who paid rent for their homes, on an equitable basis with those seniors who owned their own homes in terms of property tax relief. Since the Homeowners' program is being proposed for deletion with legislation making it a local option of the municipality, funding for the Renters Rebate program is also being deleted.  
**NOTE:** This fiscal impact is reflected in the proposed FY94 operating budget.

Prepared by: Demond Henderson Phone: 465-4708  
 Division: Administrative Services Date: 12/29/92  
 Approved by Commissioner: Rh for EDGAR BLATCHFORD Date: 12/29/92  
 Agency: Community & Regional Affairs

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Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
 Title: "An Act relating to property tax exemptions...." BRU: Senior Citizens/Disabled Veterans  
 Component: Homeowner's Property Tax Exemption  
 Sponsor: \_\_\_\_\_  
 Requestor: \_\_\_\_\_ COMPONENT SERIAL NO. 653

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

POSITIONS:

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

Estimate of current (FY93) Impact \$ none

**ANALYSIS:** (Attach a separate page if necessary)  
 As the law currently exists, municipalities are required to fund the balance of the program not funded by the state. Full funding for this program is approximately 13 million, however, at the current state general fund level of 2838.8 (21.0% of full funding amount), municipalities are required, by statute, to fund the balance. This places an extreme hardship on municipalities who are already faced with declining revenues. Therefore, the department proposes to delete the funding for this program and support legislation which would make the program a local option of the municipalities.  
 Note: This fiscal impact is reflected in the proposed FY94 operating budget.

Prepared by: Kimond Henderson Phone: 465-4708

Division: Administrative Services Date: 12/29/92

Approved by Commissioner: Rh for Edgar Blackford Date: 12/29/92

Agency: Community & Regional Affairs

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*Beune/Edgar*

# Municipal Platform

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## 1993

Adopted by the  
Board of Directors  
of the  
Alaska Municipal League  
November 14, 1992



MUNICIPAL LEAGUE PLATFORM

# Senior Citizens/Disabled Veterans Property Tax Exemption Mandate

The Alaska Municipal League supports legislation to solve the problem of the unfunded mandate imposed on municipalities by AS 29.45.030, which establishes the Senior Citizens/Disabled Veterans Property Tax Exemption Program. The League supports replacement of mandated municipal property tax exemptions with a direct state rebate program for qualified senior citizens and disabled veterans who paid real property taxes on qualified property.

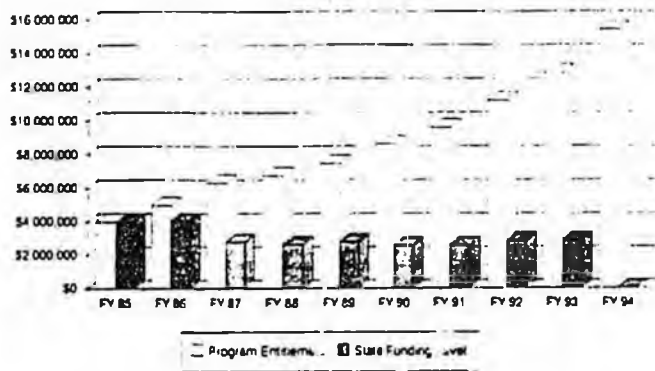
Unfunded mandates are a major element contributing to the increasing costs of government at both the state and local levels. Environmental regulations passed down from the federal to the state to the local level are but one example of unfunded mandates. Another mandate, one that has cost Alaskan municipalities over \$45 million during the last eight years, is the Senior Citizens/Disabled Veterans Property Tax Exemption Program, a program that is steadily growing at the same time funding for it is shrinking.

In 1973, a program to exempt senior citizens from local property taxes was enacted by the Alaska Legislature. In order to make the program workable for municipalities, the program included a provision that the state would reimburse municipalities for tax revenues lost because of the exemption. The intent of the original exemption, for those over 65, was to make it easier for senior citizens to remain in their own homes and, thus, to remain in Alaska. A complementary program, which provides refunds directly to senior citizen renters to compensate for property tax included in their rent charges, was also enacted in 1973. In 1985, the programs were extended to include disabled veterans with a disability of 50 percent or more.

AS 29.45.030(e) requires municipalities to exempt from local property tax "the real property owned and occupied as the primary residence and permanent place of abode by (1) resident 65 years or older; (2) disabled veteran; or (3) resident at least 60 years old who is the widow or

widower of a person qualified\* for such an exemption, up to an assessed value of \$150,000. Although this exemption is mandated by state law, full funding for the mandated exemption has not been provided by the state since 1985, which has meant that all other (i.e., non-senior or disabled veteran) municipal taxpayers have been forced to bear an additional tax burden or municipal service levels have been reduced because of the costs of this underfunded mandate.

**Figure 4 - Funding History - Senior Citizens/ Disabled Veterans Property Tax Exemption Program**



The total cost of the program, which was \$197,050 in 1973 when the program was begun, has grown steadily, reaching over \$12.8 million in FY 93 (see Figure 4). In FY 93 the state appropriation for the program was \$2,638,000, just over 22 percent of the total cost of this state mandate. The estimated cost of the exemption program for FY 94 is \$15.4 million.

The last year the legislature provided full funding for the homeowners program was 1985, when 5,418 taxpayers were eligible for the exemption and just over \$4 million was appropriated. Since then the number of applicants for the exemption has more than doubled, with nearly 11,000 senior citizens and disabled veterans claiming the exemption for FY 93. The growth in exemptions claimed was 14 percent from FY 92 to FY 93 alone. In 1990 the average value of the exemption per person was estimated to be \$1,000, and for FY 93 the average exemption claimed was \$1,374.

During those same years, Alaskan municipalities have been forced by inflation, population increases, and cut-backs in state aid to increase property tax rates, which has intensified the impact of the shortfunding on municipal budgets and local taxpayers. In the last eight years, the unwillingness of the legislature and the administration to appropriate adequate funding for this state-mandated program has cost local taxpayers nearly \$45 million. In FY 93 alone, for instance, non-exempt taxpayers in Alaska's municipalities were required to pay an additional \$10 million in property taxes, or 78 percent of the cost of the program, because reimbursement for the mandatory exemption was underfunded.

Table 7 shows the cost of FY 92 underfunding to individual municipalities and their taxpayers; FY 93 data are not yet final.

**Table 7: FY 92 Cost to Individual Municipalities of Underfunding of the Senior Citizens/ Disabled Veterans Tax Exemption Program**

Municipality	Cost of FY 92 Underfunding
Anchorage	\$4,234,348
Bristol Bay Borough	2,837
Cordova	15,653
Craig	3,549
Dillingham	8,978
Eagle	224
Fairbanks North Star Borough	1,049,667
Haines Borough	43,617
Juneau	691,369
Kenai Peninsula Borough	640,660
Ketchikan Gateway Borough	329,244
Kodiak Island Borough	100,150
Matanuska-Susitna Borough	988,536
Nenana	6,834
Nome	42,283
North Slope Borough	15,455
Pelican	1,049
Petersburg	94,472
Sitka	80,278
Skagway	15,134
Unalaska	2,518
Valdez	28,511
Whittier	514
Wrangell	41,838
Yakutat	6,652
<b>Total Shortfall in FY 92</b>	<b>\$8,454,350</b>

Source: Department of Community and Regional Affairs

Local taxpayers should not have to pay the costs of this state-mandated program without having a chance to make a conscious decision on whether or not they want to provide the tax exemption for senior citizens and disabled veterans. If the legislature wants to provide tax relief for these groups, it should be provided through state-administered tax rebate programs.

The 1993 Alaska Municipal League Policy Statement includes the following statement with reference to state-mandated tax exemption programs: "The League opposes the imposition of state-mandated exemptions on the assessed values of property, individuals, organizations, or communities from the application of taxes. Unless reimbursement is made for revenues lost due to these exemptions..."

The League's Policy Statement and AML Resolution No. 1 also opposes the imposition of burdensome state-mandated programs on local governments by the state. The tax exemption program for senior citizens and disabled veterans is a recent example of the way state-mandated programs are not accompanied by adequate funding. This places a unfair burden on citizens and their local governments. Governor Hickel's proposed FY 94 budget, which was released in December 1992, calls for no state funding for this mandated exemption, which would place the entire burden of the estimated \$15.1 million cost on local governments.

The 1993 Alaska Municipal League Policy Statement includes the following statement with reference to state-mandated tax exemption programs: "The League opposes the imposition of state-mandated exemptions on the assessed values of property, individuals, organizations, or communities from the application of taxes. Unless reimbursement is made for revenues lost due to these exemptions..."

**Table 8: Senior Citizens/Disabled Veterans Property Tax Exemption Program**

Fiscal Year	Entitlement	State Appropriation	Shortfall/ Cost to Municipal Taxpayers <sup>a</sup>	% <sup>b</sup>
1985	\$ 4,005,075	\$ 4,005,075	\$ 0	100.0
1986	4,977,451	4,008,600	968,851	79.5
1987	6,325,763	2,770,300	3,555,463	43.8
1988	6,753,663	2,622,969	4,130,694	38.8
1989	7,484,557	2,782,300	4,682,257	37.3
1990	8,627,081	2,557,900	6,069,151	29.6
1991	9,585,192	2,557,900	7,027,292	26.7
1992	11,293,150	2,838,800	8,454,350	25.1
1993	12,829,291 <sup>c</sup>	2,838,800	9,990,491	22.1
1994	15,395,149 <sup>d</sup>	0 <sup>e</sup>	15,395,149	00.0

<sup>a</sup>The actual cost to municipalities exceeds this figure by \$100,000 - \$160,000, depending on the underfunding of the renters program.

<sup>b</sup>Ratio of state appropriation (reimbursement to municipalities) to the total cost of the program.

<sup>c</sup>FY 93 figures are estimated and subject to final audit.

<sup>d</sup>Estimate as of January 1993

<sup>e</sup>Governor Hickel's proposed FY 94 budget, released in December 1992, includes no funding for this program nor for the renters rebate program. Governor Hickel has indicated that he will introduce legislation to eliminate the state-mandated program and make it a local option.

Source: Department of Community and Regional Affairs

§ 29.45.020

§ 29.45.030

MUNICIPAL GOVERNMENT

§ 29.45.030

The millage equivalent of this state aid, based on the dollar value of a mill in the municipality during the current assessment year and for the preceding assessment year, is:

	MILLAGE EQUIVALENT	
	PREVIOUS YEAR	THIS YEAR
PUBLIC SCHOOL FOUNDATION PROGRAM ASSISTANCE	....MILLS	....MILLS
STATE AID FOR RETIREMENT OF SCHOOL CONSTRUCTION DEBT	....MILLS	....MILLS
MUNICIPAL TAX RESOURCE EQUALIZATION ASSISTANCE	....MILLS	....MILLS
STATE AID FOR MISCELLANEOUS MUNICIPAL SERVICES	....MILLS	....MILLS
TOTAL MILLAGE EQUIVALENT	....MILLS	....MILLS"

Notice shall be provided

(1) by furnishing a copy of the notice with tax statements mailed for the fiscal year for which aid is received; or

(2) by publishing in a newspaper of general circulation in the municipality a copy of the notice once each week for a period of three successive weeks, with publication to occur not later than 45 days after the final adoption of the municipality's budget.

(b) Compliance with the provisions of this section is a prerequisite to receipt of municipal tax resource equalization assistance under AS 29.60.010 — 29.60.080 and state aid for miscellaneous municipal services under AS 29.60.100 — 29.60.180. The department shall withhold annual allocations under those sections until municipal officials demonstrate that the requirements of this section have been met. (§ 12 ch 74 SLA 1985)

**Sec. 29.45.030. Required exemptions.** (a) The following property is exempt from general taxation:

(1) municipal property, including property held by a public corporation of a municipality, or state property, except that

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

(B) notwithstanding any other provision of law, property acquired by an agency, corporation, or other entity of the state through foreclosure or deed in lieu of foreclosure and retained as an investment of a state entity is taxable; this subparagraph does not apply to federal land granted to the University of Alaska under AS 14.40.380 or 14.40.390, or to other land granted to the university by the state to replace land that had been granted under AS 14.40.380 or 14.40.390;

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

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

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

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

(5) money on deposit;

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

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

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

(9) natural resources in place including coal, ore bodies, mineral deposits, and other proven and unproven deposits of valuable materials laid down by natural processes, unharvested aquatic plants and animals, and timber.

(b) In (a) of this section, "property used exclusively for religious purposes" includes the following property owned by a religious organization:

(1) the residence of a bishop, pastor, priest, rabbi, minister, or religious order of a recognized religious organization;

(2) a structure, its furniture, and its fixtures used solely for public worship, charitable purposes, religious administrative offices, religious education, or a nonprofit hospital;

(3) lots required by local ordinance for parking near a structure defined in (2) of this subsection.

(c) Property described in (a)(3) or (4) of this section from which income is derived is exempt only if that income is solely from use of the property by nonprofit religious, charitable, hospital, or educational groups. If used by nonprofit educational groups, the property is exempt only if used exclusively for classroom space.

(d) Laws exempting certain property from execution under AS 09 (Code of Civil Procedure) do not exempt the property from taxes levied and collected by municipalities.

property located  
 1990, is taxable  
 tax an interest  
 by a city in that  
 bers of a house-  
 ous, charitable,  
 d entirely of per-  
 ned forces of the  
 tion were other  
 f that organiza-  
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 s, the property is  
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X(e) The real property owned and occupied as the primary residence and permanent place of abode by a (1) resident 65 years of age or older; (2) disabled veteran; or (3) resident at least 60 years old who is the widow or widower of a person who qualified for an exemption under (1) or (2) of this subsection, is exempt from taxation on the first \$150,000 of the assessed value of the real property. A municipality may, in case of hardship, provide for exemption beyond the first \$150,000 of assessed value in accordance with regulations of the department. Only one exemption may be granted for the same property and, if two or more persons are eligible for an exemption for the same property, the parties shall decide between or among themselves who is to receive the benefit of the exemption. Real property may not be exempted under this subsection if the assessor determines, after notice and hearing to the parties, that the property was conveyed to the applicant primarily for the purpose of obtaining the exemption. The determination of the assessor may be appealed under AS 44.62.560 — 44.62.570.

X(f) An exemption may not be granted under (e) of this section except upon written application for the exemption on a form approved by the state assessor for use by local assessors. The claimant must file the application no later than January 15, or a date provided by ordinance that is not later than March 31, of the assessment year for which the exemption is sought. The governing body of the municipality for good cause shown may waive during a year the claimant's failure to make timely application for exemption for that year and authorize the assessor to accept the application as if timely filed. The claimant must file a separate application for each assessment year in which the exemption is sought. If an application is filed within the required time and is approved by the assessor, the assessor shall allow an exemption in accordance with the provisions of this section. If a failure to file by January 15, or a date provided by ordinance that is not later than March 31, of the assessment year has been waived as provided in this subsection and the application for exemption is approved, the amount of tax that the claimant has already paid for the assessment year for the property exempted shall be refunded to the claimant. The assessor shall require proof in the form the assessor considers necessary of the right to and amount of an exemption claimed under (e) of this section, and shall require a disabled veteran claiming an exemption under (e) of this section to provide evidence of the disability rating. The assessor may require proof under this section at any time.

X(g) The state shall reimburse a borough or city, as appropriate, for the real property tax revenues lost to it by the operation of (e) of this section. However, reimbursement may be made to a municipality for revenue lost to it only to the extent that the loss exceeds an exemption that was granted by the municipality, or that on proper application by an individual would have been granted under AS 29.45.050(a). If ap-

appropriations are not sufficient to fully fund reimbursements under this subsection, the amount available shall be distributed pro rata among eligible municipalities.

(h) ~~Except as provided in (g) of this section, nothing in (e) — (j) of this section affects similar exemptions from property taxes granted by a municipality on September 10, 1972, or prevents a municipality from granting similar exemptions by ordinance as provided in AS 29.45.050.~~ <sup>AS 29.45.052</sup>

(i) In (e) — (i) of this section,

(1) "disabled veteran" means a disabled person

(A) separated from the military service of the United States under a condition that is not dishonorable who is a resident of the state, whose disability was incurred or aggravated in the line of duty in the military service of the United States, and whose disability has been rated as 50 percent or more by the branch of service in which that person served or by the Veterans' Administration; or

(B) who served in the Alaska Territorial Guard, who is a resident of the state, whose disability was incurred or aggravated in the line of duty while serving in the Alaska Territorial Guard, and whose disability has been rated as 50 percent or more;

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

(j) One motor vehicle per household owned by a resident 65 years of age or older on January 1 of the assessment year is exempt either from taxation on its assessed value or from the registration tax under AS 28.10.431. An exemption may be granted under this subsection only upon written application on a form prescribed by the Department of Public Safety.

(k) The department shall adopt regulations to implement the provisions of ~~(g)~~ and (j) of this section.

(l) Two percent of the assessed value of a structure is exempt from taxation if the structure contains a fire protection system approved under AS 18.70.081, in operating condition, and incorporated as a fixture or part of the structure. The exemption granted by this subsection is limited to

(1) an amount equal to two percent of the value of the structure based on the assessment for 1981, if the fire protection system is a fixture of the structure on January 1, 1981; or

(2) an amount equal to two percent of the value of the structure based on the assessment as of January 1 of the year immediately following the installation of the fire protection system if the fire protection system becomes a fixture of the structure after January 1, 1981.

(m) For the purposes of this section, the definition of 1620(d) unless stated otherwise.

(1) "developed" means land that has been developed from its original state by any inductive present use, including, but not limited to, mining, construction, or other activity normally considered a business activity, but that does not constitute a mineral lease or leasehold; developed for purposes of this section means developed for purposes of the smallest practical unit of the developed state;

(2) "exploration" means developed land to determine the presence of natural resources;

(3) "lease" means a lease for any lawful purpose with the grantor; with the intent of exploration and development, a portion of the leasehold interest.

(n) If property is to be exempt under (a) or if the lease is terminated, the provisions of (a) apply. AS 29.45.030, am 1986 SLA 1986; am 1987 SLA 1987; § 14 ch 93 SLA 1991.

Revisor's notes. — Amendments made to (e) and (g) of this section by AS 29.45.030, ch. 91, SLA 1986, and amendments to AS 29.45.030, Chapter 74, SLA 1987, AS 29.45.030 and repealed by AS 29.45.030, effective date of both 1987, 1986. The legislature has recognized the property tax exemption for the property tax exempted by amendments to AS 29.53.02, amendments to (e) and (g).

Cross references. — electric and telephone local ad valorem 10.25.540(b).

Delayed amendments (a). — Under §§ 3 and 1991, upon the entry of missing Weiss v. St.

(m) For the purpose of determining property exempt under (a)(7) of this section, the following definitions apply to terms used in 43 U.S.C. 1620(d) unless superseded by applicable federal law:

(1) "developed" means a purposeful modification of the property from its original state that effectuates a condition of gainful and productive present use without further substantial modification; surveying, construction of roads, providing utilities or other similar actions normally considered to be component parts of the development process, but that do not create the condition described in this paragraph, do not constitute a developed state within the meaning of this paragraph; developed property, in order to remove the exemption, must be developed for purposes other than exploration, and be limited to the smallest practicable tract of the property actually used in the developed state;

(2) "exploration" means the examination and investigation of undeveloped land to determine the existence of subsurface nonrenewable resources;

(3) "lease" means a grant of primary possession entered into for gainful purposes with a determinable fee remaining in the hands of the grantor; with respect to a lease that conveys rights of exploration and development, this exemption shall continue with respect to that portion of the leased tract that is used solely for the purpose of exploration.

(n) If property or an interest in property that is determined not to be exempt under (a)(7) of this section reverts to an undeveloped state, or if the lease is terminated, the exemption shall be granted, subject to the provisions of (a)(7) and (m) of this section. (§ 12 ch 74 SLA 1985; am §§ 1, 2 ch 91 SLA 1985; am § 44 ch 37 SLA 1986; am §§ 2 — 4 ch 70 SLA 1986; am § 3 ch 66 SLA 1991; am § 1 ch 85 SLA 1991; am § 14 ch 93 SLA 1991; am § 1 ch 54 SLA 1992; am § 4 ch 97 SLA 1992)

Revisor's notes. — The amendments made to (e) and (g) of this section by §§ 1 and 2, ch. 91, SLA 1985 were enacted as amendments to AS 29.53.020(e) and (g). Chapter 74, SLA 1985 enacted AS 29.45.030 and repealed AS 29.53.020. The effective date of both 1985 Acts is January 1, 1986. The legislature's intent to amend the property tax exemption provisions has been recognized by treating the amendments to AS 29.53.020(e) and (g) as amendments to (e) and (g) of this section.

Cross references. — For exemption of electric and telephone cooperatives from local ad valorem taxes, see AS 10.25.540(b).

Delayed amendment of subsection (a). — Under §§ 3 and 58, ch. 66, SLA 1991, upon the entry of a final order dismissing *Weiss v. State of Alaska*,

4FA-82-2208 Civ. and the expiration of any time for appeal, subsection (a) is amended by inserting the following text in (a)(1): "or land that is in the trust established by the Alaska Mental Health Enabling Act of 1956, P.L. 84-830, 70 Stat. 709."

Effect of amendments. — The first 1991 amendment, effective January 1, 1992, in paragraph (a)(1), deleted "or federally owned" following "state" in the introductory language, added the subparagraph designations, and the language in subparagraphs (B) and (C); and added paragraph (a)(8).

The second 1991 amendment, effective September 30, 1991, in paragraph (i)(1), added the subparagraph designations, added subparagraph (B), and made a related stylistic change.



## **Senior Citizens/Disabled Veterans Property Tax Exemption Mandate**

**The Alaska Municipal League supports legislation to solve the problem of the unfunded mandate imposed on municipalities by AS 29.45.030, which establishes the Senior Citizens/Disabled Veterans Property Tax Exemption Program. The League supports replacement of mandated municipal property tax exemptions with a direct state rebate program for qualified senior citizens and disabled veterans who paid real property taxes on qualified property.**

Unfunded mandates are a major element contributing to the increasing costs of government at both the state and local levels. Environmental regulations passed down from the federal to the state to the local level are but one example of unfunded mandates. Another mandate, one that has cost Alaskan municipalities over \$45 million during the last eight years, is the Senior Citizens/Disabled Veterans Property Tax Exemption Program, a program that is steadily growing at the same time funding for it is shrinking.

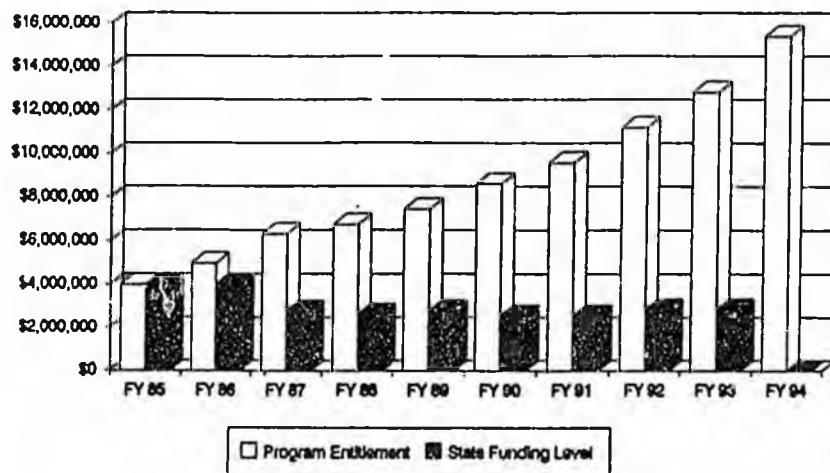
In 1973, a program to exempt senior citizens from local property taxes was enacted by the Alaska Legislature. In order to make the program workable for municipalities, the program included a provision that the state would reimburse municipalities for tax revenues lost because of the exemption. The intent of the original exemption, for those over 65, was to make it easier for senior citizens to remain in their own homes and, thus, to remain in Alaska. A complementary program, which provides refunds directly to senior citizen renters to compensate for property tax included in their rent charges, was also enacted in 1973. In 1985, the programs were extended to include disabled veterans with a disability of 50 percent or more.

AS 29.45.030(e) requires municipalities to exempt from local property tax "the real property owned and occupied as the primary residence and permanent place of abode by (1) resident 65 years or older; (2) disabled veteran; or (3) resident at least 60 years old who is the widow or widower of a person qualified" for such an exemption, up to an assessed value of \$150,000. Although this exemption is mandated by state law, full funding for the mandated exemption has not been provided by the state since 1985, which has meant that all other (i.e., non-senior or disabled veteran) municipal taxpayers have been forced to bear an additional tax burden or municipal service levels have been reduced because of the costs of this underfunded mandate.

The total cost of the program, which was \$197,050 in 1973 when the program was begun, has grown steadily, reaching over \$12.8 million in FY 93 (see Figure 1). In FY 93 the state appropriation for the program was \$2,838,800, just over 22 percent of the total cost of this state mandate. The estimated cost of the exemption program for FY 94 is \$15.4 million.

The last year the legislature provided full funding for the homeowners program was 1985, when 5,418 taxpayers were eligible for the exemption and just over \$4 million was appropriated. Since then the number of applicants for the exemption has more than doubled, with nearly 11,000 senior citizens and disabled veterans claiming the exemption for FY 93. The growth in exemptions claimed was 14 percent from FY 92 to FY 93 alone. In 1990 the average value of the exemption per person was estimated to be \$1,000, and for FY 93 the average exemption claimed was \$1,374.

**Figure 1: Senior Citizens/Disabled Veterans Property Tax Exemption Program**



During those same years, Alaskan municipalities have been forced by inflation, population increases, and cutbacks in state aid to increase property tax rates, which has intensified the impact of the shortfunding on municipal budgets and local taxpayers. In the last eight years, the unwillingness of the legislature and the administration to appropriate adequate funding for this state-mandated program has cost local taxpayers nearly \$45 million. In FY 93 alone, for instance, non-exempt taxpayers in Alaska's municipalities were required to pay an additional \$10 million in property taxes, or 78 percent of the cost of the program, because reimbursement for the mandatory exemption was underfunded.

Table 1 shows the cost of FY 92 underfunding to individual municipalities and their taxpayers; FY 93 data are not yet final.

Local taxpayers should not have to pay the costs of this state-mandated program without having a chance to make a conscious decision on whether or not they want to provide the tax exemption for senior citizens and disabled veterans. If the legislature wants to provide tax relief for these groups, it should be provided through state-administered tax rebate programs.

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**



## **Senior Citizens/Disabled Veterans Property Tax Exemption Mandate**

**The Alaska Municipal League supports legislation to solve the problem of the unfunded mandate imposed on municipalities by AS 29.45.030, which establishes the Senior Citizens/Disabled Veterans Property Tax Exemption Program. The League supports replacement of mandated municipal property tax exemptions with a direct state rebate program for qualified senior citizens and disabled veterans who paid real property taxes on qualified property.**

Unfunded mandates are a major element contributing to the increasing costs of government at both the state and local levels. Environmental regulations passed down from the federal to the state to the local level are but one example of unfunded mandates. Another mandate, one that has cost Alaskan municipalities over \$45 million during the last eight years, is the Senior Citizens/Disabled Veterans Property Tax Exemption Program, a program that is steadily growing at the same time funding for it is shrinking.

In 1973, a program to exempt senior citizens from local property taxes was enacted by the Alaska Legislature. In order to make the program workable for municipalities, the program included a provision that the state would reimburse municipalities for tax revenues lost because of the exemption. The intent of the original exemption, for those over 65, was to make it easier for senior citizens to remain in their own homes and, thus, to remain in Alaska. A complementary program, which provides refunds directly to senior citizen renters to compensate for property tax included in their rent charges, was also enacted in 1973. In 1985, the programs were extended to include disabled veterans with a disability of 50 percent or more.

AS 29.45.030(e) requires municipalities to exempt from local property tax "the real property owned and occupied as the primary residence and permanent place of abode by (1) resident 65 years or older; (2) disabled veteran; or (3) resident at least 60 years old who is the widow or widower of a person qualified" for such an exemption, up to an assessed value of \$150,000. Although this exemption is mandated by state law, full funding for the mandated exemption has not been provided by the state since 1985, which has meant that all other (i.e., non-senior or disabled veteran) municipal taxpayers have been forced to bear an additional tax burden or municipal service levels have been reduced because of the costs of this underfunded mandate.

The total cost of the program, which was \$197,050 in 1973 when the program was begun, has grown steadily, reaching over \$12.8 million in FY 93 (see Figure 1). In FY 93 the state appropriation for the program was \$2,838,800, just over 22 percent of the total cost of this state mandate. The estimated cost of the exemption program for FY 94 is \$15.4 million.

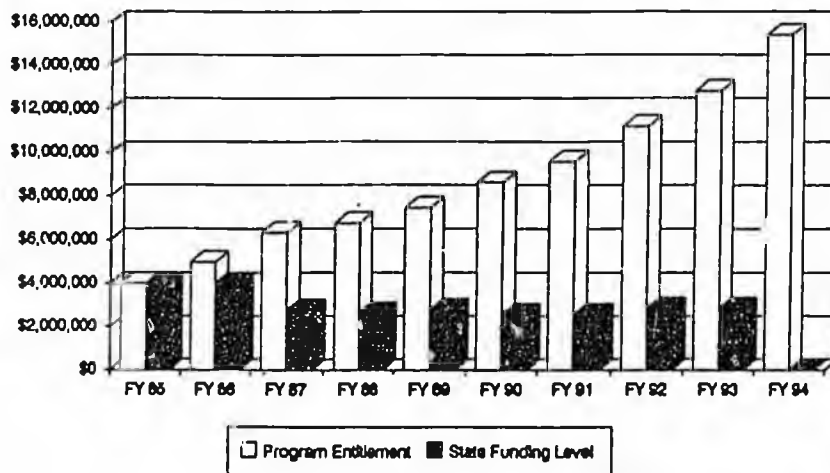
**Table 1: FY 92 Cost to Individual Municipalities of Underfunding of the Senior Citizens/Disabled Veterans Tax Exemption Program**

<b>Municipality</b>	<b>Cost of FY 92 Underfunding</b>
Anchorage	\$4,234,348
Bristol Bay Borough	2,937
Cordova	15,653
Craig	3,549
Dillingham	8,978
Eagle	224
Fairbanks North Star Borough	1,049,667
Haines Borough	43,617
Juneau	691,369
Kenai Peninsula Borough	640,660
Ketchikan Gateway Borough	329,244
Kodiak Island Borough	100,150
Matanuska-Susitna Borough	988,536
Nenana	6,634
Nome	42,263
North Slope Borough	15,455
Pelican	1,049
Petersburg	94,472
Sitka	90,278
Skagway	15,134
Unalaska	2,518
Valdez	28,511
Whittier	514
Wrangell	41,938
Yakutat	6,652
<b>Total Shortfall in FY 92</b>	<b>\$8,454,350</b>

Source: Department of Community and Regional Affairs

The last year the legislature provided full funding for the homeowners program was 1985, when 5,418 taxpayers were eligible for the exemption and just over \$4 million was appropriated. Since then the number of applicants for the exemption has more than doubled, with nearly 11,000 senior citizens and disabled veterans claiming the exemption for FY 93. The growth in exemptions claimed was 14 percent from FY 92 to FY 93 alone. In 1990 the average value of the exemption per person was estimated to be \$1,000, and for FY 93 the average exemption claimed was \$1,374.

**Figure 1: Senior Citizens/Disabled Veterans Property Tax Exemption Program**



During those same years, Alaskan municipalities have been forced by inflation, population increases, and cutbacks in state aid to increase property tax rates, which has intensified the impact of the shortfunding on municipal budgets and local taxpayers. In the last eight years, the unwillingness of the legislature and the administration to appropriate adequate funding for this state-mandated program has cost local taxpayers nearly \$45 million. In FY 93 alone, for instance, non-exempt taxpayers in Alaska's municipalities were required to pay an additional \$10 million in property taxes, or 78 percent of the cost of the program, because reimbursement for the mandatory exemption was underfunded.

Table 1 shows the cost of FY 92 underfunding to individual municipalities and their taxpayers; FY 93 data are not yet final.

Local taxpayers should not have to pay the costs of this state-mandated program without having a chance to make a conscious decision on whether or not they want to provide the tax exemption for senior citizens and disabled veterans. If the legislature wants to provide tax relief for these groups, it should be provided through state-administered tax rebate programs.

The 1993 Alaska Municipal League Policy Statement includes the following statement with reference to state-mandated tax exemption programs: "The League opposes the imposition of state-mandated exemptions of certain classes of property, individuals, organizations, or commodities from the application of taxes unless full compensation is made for revenues lost due to these exemptions. If the reimbursements for state-mandated exemptions are not fully funded, currently or in the future, the exemptions should be repealed or prorated."

The League's Policy Statement and AML Resolution No. 93-3 also oppose the imposition of unfunded mandates on local government by the state. The tax exemption program for senior citizens and disabled veterans is an excellent example of the way state-mandated programs that are not accompanied by adequate funding impose an unfair burden on citizens and their local governments. Governor Hickel's proposed FY 94 budget, which was released in December 1992, calls for no state funding at all for this mandated exemption, which would place the entire burden of the estimated \$15.4 million cost on municipalities. The governor has indicated he will introduce legislation that would eliminate the state mandate and make the program entirely a local option.

**Table 2: Senior Citizens/Disabled Veterans  
 Property Tax Exemption Program**

Fiscal Year	Entitlement	State Appropriation	Shortfall/ Cost to Municipal Taxpayers <sup>a</sup>	% <sup>b</sup>
1985	\$ 4,005,075	\$ 4,005,075	\$ 0	100.0
1986	4,977,451	4,008,600	968,851	79.5
1987	6,325,763	2,770,300	3,555,463	43.8
1988	6,753,663	2,622,969	4,130,694	38.8
1989	7,464,557	2,782,300	4,682,257	37.3
1990	8,627,081	2,557,900	6,069,151	29.6
1991	9,585,192	2,557,900	7,027,292	26.7
1992	11,293,150	2,838,800	8,454,350	25.1
1993	12,829,291 <sup>c</sup>	2,838,800	9,990,491	22.1
1994	15,395,149 <sup>d</sup>	0 <sup>e</sup>	15,395,149	0.0

<sup>a</sup> The actual cost to municipalities exceeds this figure by \$100,000 - \$160,000, depending on the underfunding of the renters program.

<sup>b</sup> Ratio of state appropriation (reimbursement to municipalities) to the total cost of the program.

<sup>c</sup> FY 93 figures are estimated and subject to final audit.

<sup>d</sup> Estimate as of January 1993

<sup>e</sup> Governor Hickel's proposed FY 94 budget, released in December 1992, includes no funding for this program nor for the renters rebate program. Governor Hickel has indicated that he will introduce legislation to eliminate the state-mandated program and make it a local option.

Source: Department of Community and Regional Affairs

Senior Citizens/Disabled Veterans  
Property Tax Rebate Program  
page 5

The Alaska Municipal League urges the Alaska State Legislature to accept full responsibility for the state's senior citizen/disabled veteran property tax exemptions by amending the statutes governing the program to base direct state rebates for local property taxes paid by eligible senior citizens and disabled veterans on the level of state funding appropriated. This would give senior citizens and disabled veterans a tax exemption based on the state's commitment to the program and remove the ever-growing burden the current program has placed on local taxpayers, who have had no opportunity to approve it.

**Senior Citizen and Disabled Veteran  
Property Tax Exemption Programs  
Department of Community and Regional Affairs**

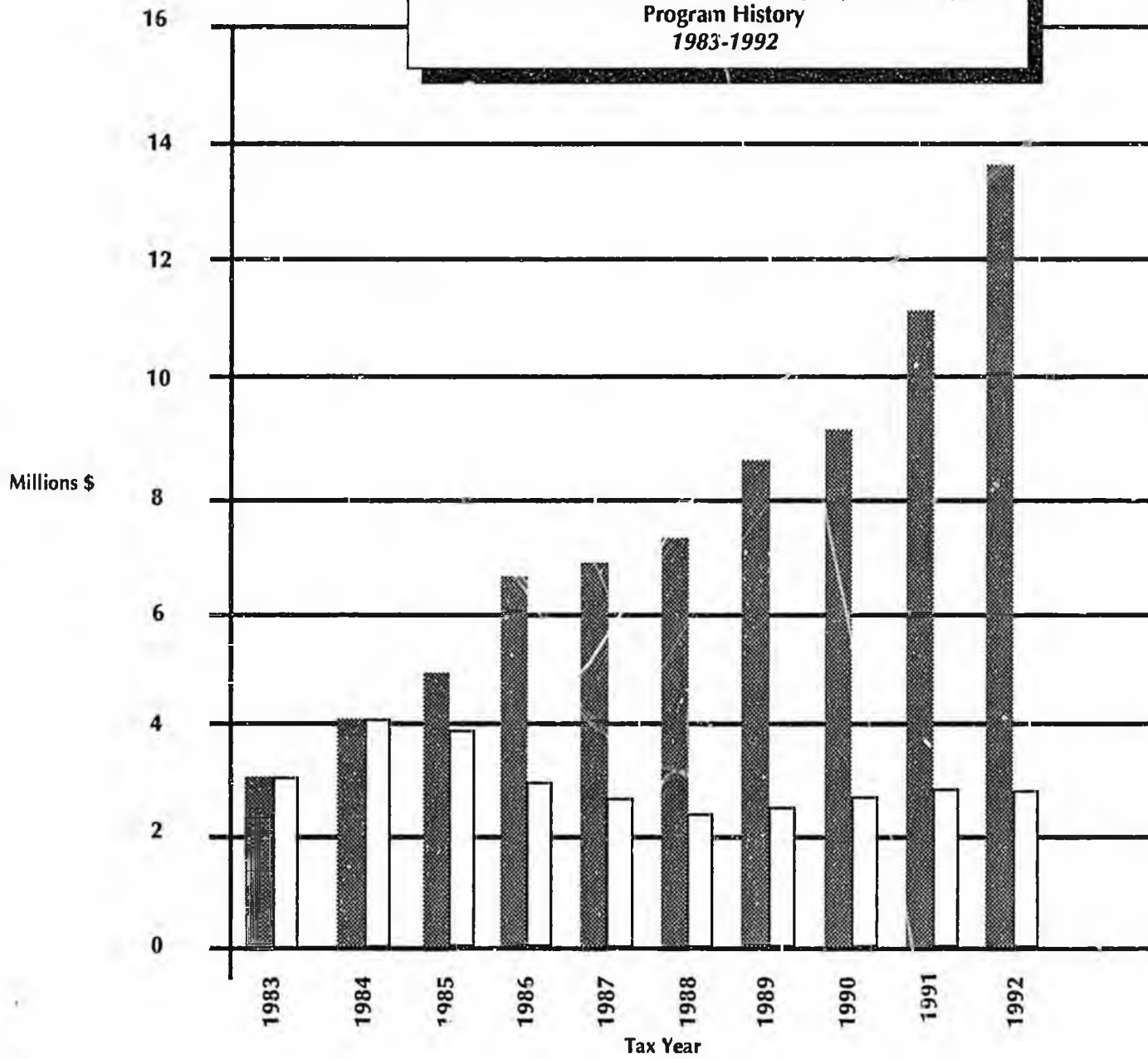
**Property Tax Exemption Program**

Created in 1974, the Senior and Disabled Veteran Property Tax Exemption Program exempts senior citizens (65 years of age or older) and disabled veterans (with a 50% or greater service-related disability) from payment of property tax on the first \$150,000 of assessed valuation of the applicant's permanent place of abode. Program participants apply each year directly to the municipality in which they seek a tax exemption. The effected municipalities compile annual reports of exempted applicants, exempted assessed values and exempted tax amounts. Based on these figures, the municipalities apply to the Department for reimbursement for property tax revenues lost due to this state-mandated program. After the submitted applications are audited and certified, the Department issues warrants to the municipalities. If taxes exempted under this program exceed funding appropriation levels, the State issues payments on a prorated basis. This has been the case since FY 86. In FY 93, state funding covered about 20% of the reimbursement requests submitted by municipalities.

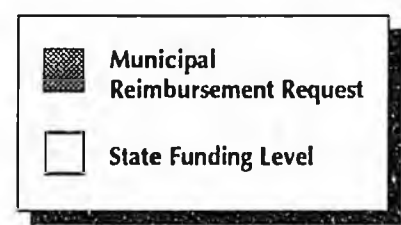
**Senior Citizen/Disabled Veteran Property Tax Equivalency Program**

This program was created in 1976 as a companion program to the property tax exemption program. The program rebates eligible applicants for that portion of their yearly rent on their permanent place of abode that goes toward the payment of real property taxes. Applicants must be at least 65 years of age or disabled veterans and rent property that is subject to a local property tax. Rent rebate payments are calculated as one percent of the local mill rate times the total annual rent. Applicants apply directly to the Department and payments are issued to each eligible applicant. Rebate payments are prorated if program costs exceed the annual program appropriation. The renter rebate program has exceeded funding levels since 1986. In FY 93 applicants will each receive about 85% of the amount calculated by formula.

**Senior Citizen/Disabled Veteran Property Tax Exemption  
Program History  
1983-1992**



Tax Yr.	State Funding Level	Municipal Reimbursement Request
1983	3,146,618	3,146,618
1984	4,005,075	4,005,075
1985	3,985,567	4,977,451
1986	2,770,300	6,325,763
1987	2,622,969	6,753,663
1988	2,519,344	7,464,557
1989	2,542,803	8,627,081
1990	2,557,900	9,585,192
1991	2,838,800	11,293,150
1992	2,838,800	13,669,469



Senior Citizen/Disabled Veteran Property Tax Exemption Program FY 93/TY 92

BOROUGHS	TY91/FY92 NUMBER OF APPLICANTS APPROVED	TY92/FY93 NUMBER OF APPLICANTS APPROVED	TY91/FY92 TOTAL ASSESSED VALUE EXEMPT	TY92/FY93 TOTAL ASSESSED VALUE EXEMPT	TY91/FY92 TOTAL TAX EXEMPT	TY92/FY93 TOTAL TAX EXEMPT	TY91/FY92 PRORATED PAYMENT	TY92/FY93 PRORATED PAYMENT	TY91/FY92 REIMBURSE- MENT SHORTAGE	TY92/FY93 REIMBURSE- MENT SHORTAGE	TY91/FY92 AVERAGE EXEMPT VALUE PER APP.	TY92/FY93 AVERAGE EXEMPT VALUE PER APP.	TY91/FY92 AVERAGE EXEMPT TAX PER APP.	TY92/FY93 AVERAGE EXEMPT TAX PER APP.	% INCREASE/ DECREASES IN PROGRAM COST
Municipality of Anchorage	4,325	4,751	330,769,989	409,111,032	5,656,157	7,082,897	1,421,809	1,470,937	4,234,348	5,611,360	76,479	86,111	1,308	1,491	0.20
Bristol Bay Borough	14	13	784,657	880,203	3,923	4,401	986	914	2,937	3,487	56,047	67,708	280	339	0.11
Fairbanks North Star Borough	1,308	1,379	82,932,034	86,472,935	1,402,124	1,665,069	352,457	345,792	1,049,667	1,319,276	63,501	62,707	1,074	1,207	0.16
Haines Borough	111	110	7,326,875	8,278,375	58,263	71,402	14,646	14,828	43,617	58,574	72,543	75,258	577	649	0.18
City & Borough of Juneau	691	714	67,004,000	73,804,100	923,516	1,017,742	232,148	211,359	691,369	806,383	95,994	103,367	1,323	1,425	0.09
Kenai Peninsula Borough	1,035	1,108	74,518,204	88,648,599	855,781	1,007,552	215,121	209,243	640,660	798,309	71,998	80,008	827	909	0.15
Ketchikan Gateway	430	436	36,090,974	38,087,600	439,797	509,577	110,553	105,826	329,244	403,751	83,932	87,357	1,023	1,169	0.14
Kodiak Island Borough	209	181	15,591,524	16,464,204	133,778	127,227	33,628	26,422	100,150	100,805	74	90,962	640	703	-0.05
Matanuska-Susitna Borough	1,133	1,249	79,829,563	97,234,600	1,320,466	1,633,159	331,330	339,166	988,536	1,293,994	70	77,850	1,165	1,308	0.19
North Slope Borough	20	22	1,133,642	1,188,570	20,644	20,946	5,189	4,350	15,455	16,596	56,682	54,026	1,032	952	0.01
City & Borough of Sitka	201	226	20,098,445	23,012,580	120,591	138,025	30,313	28,664	90,278	109,361	99,992	101,826	600	611	0.13
<b>Borough Subtotal</b>	<b>9,472</b>	<b>10,189</b>	<b>716,079,907</b>	<b>843,182,798</b>	<b>10,935,040</b>	<b>13,277,997</b>	<b>2,748,780</b>	<b>2,757,501</b>	<b>8,186,261</b>	<b>10,520,496</b>	<b>75,600</b>	<b>82,754</b>	<b>1,154</b>	<b>1,303</b>	<b>0.18</b>
<b>CITIES</b>															
CORDOVA	40	41	2,947,465	3,121,040	20,909	34,331	5,256	7,130	15,653	27,201	73,607	78,123	523	837	0.39
CRAIG	11	20	782,478	1,382,282	4,741	8,294	1,192	1,722	3,549	6,571	71,134	69,114	431	415	0.43
DILLINGHAM	23	23	2,663,130	2,648,830	9,321	11,920	2,343	2,475	6,978	9,444	115,788	115,167	405	518	0.22
EAGLE	5	6	299,540	317,550	300	318	75	66	224	252	59,908	52,925	60	53	0.06
NENANA	19	21	937,666	918,542	11,533	11,298	2,899	2,346	8,634	8,952	49,351	43,740	607	538	-0.02
NOVE	77	76	5,018,169	4,996,402	56,455	46,217	14,191	9,598	42,263	36,610	65,171	65,742	733	608	-0.22
PELICAN	5	5	254,750	254,750	1,401	1,401	352	291	1,049	1,110	50,950	50,950	280	280	0.00
PETERSBURG	133	135	12,619,436	13,216,531	126,194	132,165	31,722	27,447	94,472	104,718	94,883	97,900	949	979	0.05
SKAGWAY	38	38	2,511,267	2,635,253	20,216	18,390	5,082	3,819	15,134	14,571	66,086	69,349	532	484	-0.10
UNALASKA	4	4	285,500	285,940	3,363	3,133	845	651	2,518	2,482	71,375	66,485	841	783	-0.07
VALDEZ	37	38	2,343,968	2,809,747	38,084	55,314	9,573	11,487	28,511	43,826	63,350	73,941	1,029	1,456	0.31
WHITTIER	7	6	137,400	124,400	687	622	173	129	514	493	19,629	20,733	98	104	-0.10
WRANGELL	104	106	6,563,021	6,922,290	56,020	58,935	14,082	12,239	41,938	46,696	63,106	65,305	539	556	0.05
YAKUTAT	11	11	722,400	742,650	8,886	9,135	2,235	1,897	6,652	7,238	65,673	67,514	808	830	0.03
<b>CITIES SUBTOTAL</b>	<b>514</b>	<b>530</b>	<b>38,086,190</b>	<b>40,356,207</b>	<b>358,110</b>	<b>391,472</b>	<b>90,020</b>	<b>81,299</b>	<b>268,089</b>	<b>310,173</b>	<b>74,358</b>	<b>76,144</b>	<b>697</b>	<b>739</b>	<b>0.09</b>
<b>FY 93 STATEWIDE TOTAL</b>	<b>9,986</b>	<b>10,719</b>	<b>754,166,097</b>	<b>883,539,005</b>	<b>11,293,150</b>	<b>13,669,469</b>	<b>2,838,800</b>	<b>2,838,800</b>	<b>8,454,350</b>	<b>10,830,669</b>	<b>75,522</b>	<b>82,427</b>	<b>1,131</b>	<b>1,275</b>	<b>0.21</b>
<b>FISCAL YR. FUNDING LEVELS</b>							<b>2,838,800</b>	<b>2,838,800</b>							
<b>FF SHORTAGE</b>							(FY92 Shortage) <b>-8,454,350</b>	(FY93 Shortage) <b>-10,830,669</b>							
							<i>Prorating %</i> <b>0.25137362</b>	<b>0.207674488</b>							

## Tax Jurisdiction Summary – Tax Year 1991/FY 92

	Seniors	Veterans	Requested Rebates
Anchorage Municipality	480	61	\$516,576.00
Cordova	1		\$269.57
Craig	1		\$9.42
Fairbanks NS Borough	72	11	\$75,744.77
FNSB/Fairbanks City	35		\$30,212.51
FNSB/North Pole	1	2	\$1,909.92
Haines Borough	5		\$1,835.30
Juneau, City & Boro	11	5	\$93,077.04
Kenai Peninsula Boro	1		\$663.60
Ketchikan Gateway Boro	32	1	\$22,734.97
Kodiak Island Borough	34	1	\$9,378.73
KPB/Homer	8	2	\$6,793.11
KPB/Kenai	26		\$10,914.73
KPB/Seward	2		\$1,835.70
KPB/Soldotna	47	1	\$17,844.21
Mat-Su Borough	2		\$1,486.35
Mat-Su/Palmer	20	4	\$13,670.20
Mat-Su/Wasilla	16	3	\$18,311.78
Nenana	1		\$516.60
Pelican	2		\$250.36
Petersburg	5	1	\$2,863.00
Sitka, City & Boro	18		\$5,836.96
Skagway	1		\$303.43
Valdez	1		\$357.45
Wrangell	7		\$2,991.23
<hr/>			
<b>Total Rebates Requested</b>	<b>930</b>	<b>92</b>	<b>\$836,387.02</b>



HOUSE COMMUNITY AND REGIONAL AFFAIRS

SUBJECT OF MEETING:

DATE:

PLACE:

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Kent Sivishkes	AML	217 Second St. Juneau	99801		586-1375	<input checked="" type="radio"/>	<input type="radio"/>	H.B. 66
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	



HOUSE COMMUNITY AND REGIONAL AFFAIRS

DATE: 2/9/93

PLACE: Rm. 124

SUBJECT OF MEETING:  
 \* HB 66 ‡  
 \* HB 30

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
Jackie Damon	DFYS			465-2817		Y	N	30 - avarosio
Frank Gasaway	Self	1521 W 14 Anch AK 99501				Y	N	
Duncan Munro	DCRA	Box 112100	995112100	464 4757		Y	N	HB 66
BRUCE GERAGHTY	DCRA			4700		<input checked="" type="radio"/>	N	HB 66
Pamela Blanco	DOL	Box 110 300 Juneau	99801	465-3600		<input checked="" type="radio"/>	N	HB 66
Ken Swisher	AML	217 Second St Juneau	99801		586-1325	<input checked="" type="radio"/>	N	HB 66
Joe Alter	AARA	Box 20304 Juneau	99801	586-6600		<input checked="" type="radio"/>	N	HB 66
						Y	N	
						Y	N	
						Y	N	
						Y	N	

HB

71

# HOUSE COMMITTEE REPORT

(7) Date Referred: January 18, 1993 FURTHER REFERRALS: Judiciary

Date of Committee Action: 3-25-93

The COMMUNITY AND REGIONAL AFFAIRS Committee considered: HB 71

HOUSE BILL NO. 71 DISSOLUTION OF NATIVE CORPORATIONS

"An Act relating to the involuntary dissolution of Native corporations; and providing for an effective date."

RECOMMENDATIONS:  the same title  
 be replaced with \_\_\_\_\_  a new title  
 have attached amendments(s)  
 do pass  
 do not pass  
 no recommendations  
 individual recommendations  
 additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) APPROVES PREVIOUS: (Dept/Date)  
 fiscal impact \_\_\_\_\_  fiscal note(s) \_\_\_\_\_  
 zero fiscal note Commerce Economic Development  zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Jim Sanders</i>	✓	<i>Dr. N. P. Davis</i>		✓	
<i>Al Bunde</i>	✓	<i>Ken Willis</i>		✓	
<i>W.K. Williams</i>	✓				
<i>[Signature]</i>	✓				
<i>Haley Olberg</i>	✓				

*Haley Olberg*  
 CHAIRMAN'S SIGNATURE

SPONSOR STATEMENT

HB 71

"An Act relating to the involuntary dissolution of Native corporations; and providing for an effective date."

Representative Foster

This bill would provide a period of time within which ANCSA corporations that have been involuntarily dissolved because of their failure to file a biennial report could be reinstated.

Corporations affected by this bill would be required to pay appropriate fees as they would normally had they not been delinquent, and, in addition, would also pay any penalties allowable under statute before reinstatement.

**FISCAL NOTE**

**STATE OF ALASKA**  
**1993 LEGISLATIVE SESSION**

**BILL NO. HB 71**

Revision Date: \_\_\_\_\_  
 Title: An Act relating to involuntary dissolution of  
Native Corporations  
 Sponsor: Representative Foster  
 Requestor: \_\_\_\_\_

Department Affected: Commerce and Economic Development  
 BRU: Banking, Securities and Corporations  
 Component: \_\_\_\_\_  
 COMPONENT SERIAL NO. 1233

**EXPENDITURES/REVENUES:**

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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**FUNDING:**

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**POSITIONS:**

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

Estimate of current year (FY 93) impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)  
 \_\_\_\_\_

Prepared by: Willis F. Kirkpatrick, Director  
 Division: Banking, Securities and Corporations

Phone: 465-2521  
 Date: \_\_\_\_\_

Approved by Commissioner: Paul Fuhs  
 Agency: Commerce and Economic Development

Date: \_\_\_\_\_

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**HB 71: "An Act relating to the involuntary dissolution of Native corporations; and providing for an effective date."**

The Department of Commerce and Economic Development, Division of Banking, Securities and Corporations, has no objection to the proposed legislation.

The department supports this legislation in recognition that corporate status for Native villages and regions is specifically called for in the terms and conditions of the Alaska Native Claims Settlement Act. The department acknowledges the unique inalienability of the ownership of Native Alaskans as shareholders in Native corporations.

The department concurs that corporations affected by HB 71 should pay the appropriate fees that would have been effective had they not allowed themselves to become delinquent, plus any penalties allowable under AS 10.06.633(e).

The department encourages the involvement of the regional corporations and other Native associations, such as the Alaskan Federation of Natives, in assisting the smaller village corporations in meeting their filing requirements.

\_\_\_\_\_  
Paul Fuhs, Acting Commissioner

Date: \_\_\_\_\_

dgl009PP.BSC  
012593b

Law Offices Of  
Jerald M. Reichlin

Jerald M. Reichlin  
Kenneth G. Robertson

Attorneys At Law  
880 "N" Street, Suite 203  
Anchorage, Alaska 99501

Telephone (907)277-5955  
Telecopier (907)276-7321

December 30, 1992

Rep. Richard Foster  
State Capitol  
Room 611  
Juneau, Alaska 99801-1182

*File w/bill*

Re: Nunapiglluraq, Inc./Reinstatement of Dissolved ANCSA  
Corporations

Dear Rep. Foster:

I am writing on behalf of Nunapiglluraq Corporation of Hamilton regarding the reintroduction of legislation that would provide a "window" for the reinstatement of ANCSA corporations that have been involuntarily dissolved on account of their failure to file a biennial report. You introduced similar legislation in the form of HB435 last year but it failed to gain passage during the press of the legislature's closing hours of business. Nunapiglluraq is requesting that you propose similar legislation in the House this term. Thank you once again for your past and future efforts on behalf of Nunapiglluraq.

Very truly yours,

LAW OFFICES OF JERALD REICHLIN

  
Jerald M. Reichlin

JMR/kcm

cc: Anna Kamkoff, President  
Nunapiglluraq Corp.



HOUSE COMMUNITY AND REGIONAL AFFAIRS

DATE: 3/25/93

PLACE: Rm. 124

SUBJECT OF MEETING:

HB 220  
HB 71  
HB 93

HB 198

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Larry LaBelle	Rep Foster	State Capitol Juneau, AK	99801		465-3789	(Y) N	HB 71 - HB 93 - HB 198
Jay Frank	State Farm Allstate	431 N. Franklin St			6-5777	(Y) N	HB 34
John						Y N	
CHRIS GATES, DIR.	DEPT OF COMMERCE	DIV OF ECONOMIC DEVELOPMENT PO Box 110804			5 5467	(Y) N	HB 198
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

HB

73

## SPONSOR STATEMENT

HB 73

Representative Eileen P. MacLean

---

HB 73 was introduced primarily to bring state law into compliance with federal law. In 1987, federal law was changed to continue the property tax exemption from federal, state or local taxation on ANCSA land indefinitely, or until development occurs. The bill reflects those changes in state law to avoid confusion in the application of the state's tax laws.

In the drafting process, the attorney noted other sections of state law which need to be updated and has included those changes in HB 73. For the most part, they represent technical or stylistic wording changes to update state law to federal law.

This bill does not expand or reduce any benefits already mandated by federal law. It merely cleans up state law, and ensures that obsolete state statutes do not lead to misinterpretation by state assessors and others who work with Alaska's tax law.

HB 73 has a zero fiscal note from the Department of Revenue.

State and Local Taxation,  
& Regulation of ANCSA Holdings

HOUSE BILL NO. 73, by Rep. MACLEAN. Amends state law by changing reference in certain state statutes to the original Alaska Native Claims Settlement Act (P.L. 92-203) by replacing it with reference to the Alaska Native Claims Settlement Act, as amended (43 U.S.C. 1601 - 1641). The following sections of law are changed:

—AS 29.45.030(a), [Municipal Government. Municipal Taxation. Municipal Property Tax. Required Exemptions] to exempt from general municipal taxation real property or an interest in

real property that is exempt from taxation under certain amendments to the Alaska Native Claims Settlement Act (43 U.S.C. 1636(d), as amended).

Amends AS 29.45.030(m) by changing the definition of "developed" to mean "...that a purposeful modification of land, or an interest in land, [the property] from its original state that effectuates a condition of gainful and productive present use without further substantial modification has been made..." (underlined language added, bracketed language deleted from current law by this bill).

—Amends AS 43.80.015 [Revenue and Taxation. Miscellaneous Provisions. Taxation Under P.L. 92-203] by changing the title of the section to "Taxation Under Alaska Native Claims Settlement Act, As Amended." Changes reference throughout the section from "P.L. 92-203" to "43 U.S.C. 1601 - 1641, as amended." The new language also cleans up other references to provisions that have been addressed in the amendments to ANCSA.

Adds a new subsection to AS 43.80.015 that says "...reference to 43 U.S.C. 1601 - 1641, as amended, or to any of those sections includes the amendments and additions to any of those sections that are made by (1) P.L. 96-487 (Alaska National Interest Lands Conservation Act); (2) P.L. 100-241 (Alaska Native Claims Settlement Act Amendments of 1987); (3) amendments to 43 U.S.C. 1601 - 1641 (Alaska Native Claims Settlement Act, as amended) after December 17, 1991."

—The amendments made by this Act will be retroactive to December 18, 1991.

If enacted, the bill becomes law the day after it is signed by the Governor.

Introduced January 18, 1993 and referred to the House Community and Regional Affairs Committee, the House Judiciary Committee, and the House Finance Committee.

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

### MEMORANDUM

January 20, 1993

**SUBJECT:** House Bill 73, relating to state and local taxation and other state regulation under the Alaska Native Claims Settlement Act, as amended; and providing for an effective date — sectional analysis (Work Order No. 8-LS0402\A)

**TO:** Representative Eileen MacLean

**FROM:** Jack Chenoweth  
Legislative Counsel 

This measure, a reintroduction of last session's CSHB 451 (Res), amends various provisions of state law that exempt from certain forms of state and local taxation the property that is exempted from taxation by the Alaska Native Claims Settlement Act. The amendments set out in this bill generally reflect the inclusion of changes made by federal law since passage of the original Alaska Native Claims Settlement Act in December, 1971, and the adoption of the first state law exemptions shortly thereafter.

A principal change in the federal Act was the addition of 43 U.S.C. 1636(d) by the Alaska National Interest Lands Conservation Act of 1980. Sec. 1636(d) broadened the various protections for lands conveyed under the 1971 Act, but did not necessarily replace the federal tax exemption provided in the original Act. Since 43 U.S.C. 1636(d) did not supersede the exemptions and protections provided by the earlier-enacted 43 U.S.C. 1620, I have recommended that, where reference appears in state law only to sec. 1620 that it be followed by a second reference to sec. 1636(d) as well.

Throughout the measure, the words "as amended" are added. The intent is to conform the state tax exemptions to any further changes to the federal Act in the event the federal Act undergoes further revision in this subject matter area.

Bill section 1, an amendment to AS 29.45.030(a), a provision setting out mandatory municipal property tax exemptions, incorporates a reference to 43 U.S.C. 1636(d), as amended, following the existing reference 43 U.S.C. 1620(d) for the reasons noted two paragraphs above.

SECTIONAL ANALYSIS

Bill section 2, also an amendment to the law applicable to municipalities, makes technical corrections. In context, the terms that are being defined appear in 43 U.S.C. 1636(d), not in 43 U.S.C. 1620. The terms defined in the current statute are revised to reflect the language actually used in the federal provision expressed in a manner that is consistent with Alaska's legislative drafting style.

Bill section 3 revises AS 43.80.015, the principal provision of state law extending an exemption from state taxes to certain property. Specifically:

- the caption change at page 3, lines 19 and 20, substitutes the full proper name of the federal Act for the Public Law reference;

- deletion of reference to "the original issue" of shares in lines 20 and 21 is a substantive change; all share transactions--not just the original issues--are made non-taxable events;

- in lines 21 and 22, "state" substitutes for "Alaska" and the exact cite for the federal Act is inserted for the older reference; these are technical changes to conform to the state's drafting style;

- the changes made at lines 22 - 24 and 28 - 31 of page 3 replace existing references with the exact federal Act cites;

- the change made by substitution of the phrase on page 4, lines 2 - 4 of the bill conforms state law to the requirement of the federal Act as to how the basis of land received for purposes of equalization (in the event of land trades) is to be computed; it will be computed as the federal Act directs;

- the changes made on page 4, lines 5 - 10 are in the nature of substitutions of accurate cites and references;

- the long addition on lines 12 and 13 and the deletion of the December, 1991, date reflect substantive changes made by 43 U.S.C. 1636(d), a ~~provisi~~ provision that expands and extends the protection from taxation given ~~Native land~~ under the amended federal Act; and

- the changes made to the balance of bill section 3 on page 4 of the bill either substitute accurate federal law cites or make minor stylistic changes.

Bill section 4, adding a new subsection (e) to AS 43.80.015, enumerates the specific federal legislation that have modified the original Alaska Native Claims Settlement Act, and further allows for changes affecting the tax treatment of property that may be made future federal amendments.

Representative Eileen MacLean

January 20, 1993

Page 3

The bill is given an immediate effective date by bill section 6. As with last session's measure, out of an abundance of caution, bill section 5 makes these changes retroactive to December 18, 1991, the 20-year anniversary date of the Alaska Native Claims Settlement Act's taking effect. In the original Act, on that date a number of safeguards initially enacted would have expired. All the safeguards that are of concern for purposes of this legislation have been expanded and extended in the two later federal Acts, especially the addition made by 43 U.S.C. 1636(d).

JC:pl

93-031.plm

# FISCAL NOTE

**STATE OF ALASKA**  
**1993 LEGISLATIVE SESSION**

**BILL NO. HB 73**

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: ANCSA State Tax Exemptions BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: Representative MacLean  
 Requestor: Representative MacLean COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE:	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

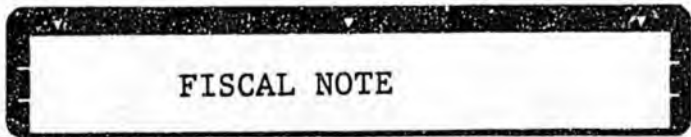
Estimate of current year (FY93) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary)

This bill has no effect on the State since there is no state property tax.

Prepared by: Larry E. Meyers, Director *Larry E. Meyers* Phone: 465-2320  
 Division: Income and Excise Audit Division Date: 1/21/93  
 Approved by Commissioner: Darrel J. Rexwinkel *Darrel J. Rexwinkel* Date: 1/21/93  
 Agency: Department of Revenue

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# Alaska Federation of Natives, Inc.

January 27, 1993

Representative Eileen MacLean  
Alaska State Legislature  
Capitol Office Building  
Juneau, Alaska 99811

Dear Representative MacLean:

The Alaska Federation of Natives has reviewed House Bill 73 as introduced on January 18, 1993. This letter is intended to convey the Federation's support for the bill as introduced.

With the exception of two language changes, HB 73 is identical to CSHB (Resources) introduced in the Second Session of the 17th Alaska Legislature.

Amendments to AS 43.90.015, as HB 73 proposes, will prevent inconsistencies with AS 29.45.030 (m) and bring AS 43.90.015 into conformity with the Alaska Native Claims Settlement Act (ANCSA), as amended.

ANCSA provisions are controlling in this matter and thus amending Alaska statutes via HB 73 will serve to limit the potential for future conflict and litigation expenses.

I view HB 73 simply as an effort to conform state law with federal law.

Thank you for your interest in this matter.

Sincerely,

Julie E. Kitka  
President

LETTER FROM AFN

## Land Protections

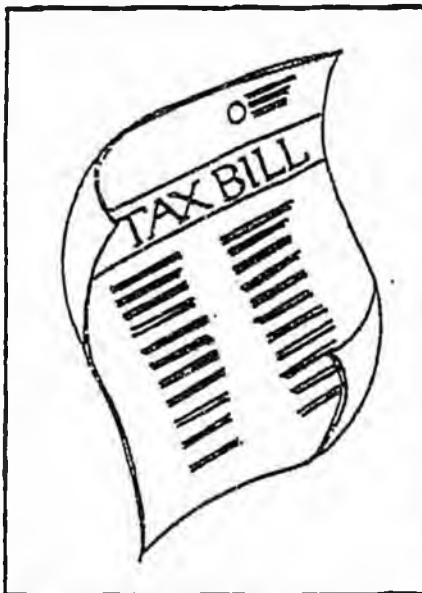
The land protections described in this section are probably the most significant gains for Alaska Natives contained in the "1991" law.

The "1991" law provides that all "undeveloped" land owned by village, urban and regional corporations automatically have the following protections:

1. The land cannot be taxed.
2. The land cannot be taken by trespassers who otherwise might acquire rights to the land through adverse possession (also known as trespassers or squatters' rights).
3. The land cannot be taken by creditors to pay a debt owed by the corporation.
4. The land cannot be lost if the corporation files bankruptcy.
5. The land cannot be lost even if the corporation is involuntarily dissolved.

Because these land protections are so important, they are now automatic. The corporation's board of directors does not need to take action, unless an activity creating "development" has already occurred. Shareholders do not need to vote in order to protect the corporation's undeveloped land.

### LAND AUTOMATICALLY PROTECTED FROM...



Taxes on undeveloped land



Bad debts



Adverse possession

## Loss of Land Protections

Members of a Native corporation board of directors must understand that actions they take could result in the loss of these land protections. Land protections can be lost in three ways:

1. Leased: If the board of directors leases the land, the protections are lost. Even though the leased land is not "developed," it can be taxed, taken by adverse possession or sold by creditors or a bankruptcy judge to pay the corporation's debts.

*Exception: If the purpose of the lease is to allow oil, gas or mineral exploration, then the land protections continue to apply.*

2. Pledged: Protections can be lost if the board of directors mortgages or pledges the land as security in a commercial transaction, such as a bank loan. If the land is

pledged, it can be taxed and it can be sold by creditors or a bankruptcy judge to pay the corporation's debts.

3. Developed: If the board of directors develops the land, it loses the automatic protections. The land can be taxed, taken by adverse possession, or, if the corporation gets into trouble, the land can be seized and sold by creditors or a bankruptcy judge to pay the corporation's debts.

### WAYS TO LOSE LAND PROTECTIONS



Leased



Pledged



Developed

Native corporations should be very cautious about pledging their undeveloped land to a bank or anyone else.

## Definition of "Developed" Land

The "1991" law defines "developed" as *"a purposeful modification of land from its original state that effectuates a condition of gainful and productive present use without further substantial modification."*

Because this definition is complicated, it is important that a board of directors be very cautious when it makes decisions about using the corporation's land. If there is any question that a board action or decision might result in losing land protections, the board should seek advice from an attorney before a final decision is made.

Some things can be done on the land without losing the protections. In some circumstances, land can be surveyed, and roads, electricity lines and sewers can be built. Whether such actions are "safe" can only be determined on a case by case basis.

Finally, land is automatically considered to be "developed" if it is subdivided, even if no changes are made to the land. For that reason, the corporation should never subdivide any of its land without careful study of the impacts on the status of its land.

To protect important subsistence uses, the law says that hunting and fishing on village and regional corporation land do not make the land "developed." For that reason, fish camps, trapping cabins and other structures may be built and used on the land if they are needed for subsistence hunting, fishing or gathering. The corporation may also charge a fee to hunters, fishermen and guides without losing the protections of "undeveloped" land.

## Regaining Land Protections

Even if land is mortgaged, leased or "developed," the protections automatically resume when the mortgage or lease expires or the development ends. For example, if a village corporation leases some of its land for five years, during the years it is leased, the land can be taxed or sold to pay the corporation's debts. However, when the five years are over and the lease expires, the land is again automatically protected from taxation and creditors.

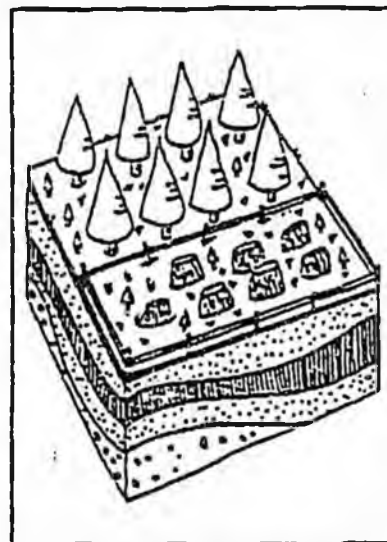
*Example: A corporation runs a gold-mining operation on otherwise-undeveloped land. During the years that the mining takes place, the land can be taxed or taken to pay a debt. But if the corporation closes down the mining operation, and restores the land to its original condition, the land then qualifies as "undeveloped" and gains back the protection lost when the venture began.*

If a corporation has already subdivided land, it can be returned to "undeveloped" status if the land is resubdivided back to its original state. The resubdivision must be approved by whichever platting authority has jurisdiction. In these cases, the protections do apply to land that was previously subdivided.

## Timber Development

The "1991" law makes an important change on how protections apply to timber development. For example, if a village corporation cuts timber on its land, only the approximate area where timber is actually cut can be taxed. Under the old law, a larger area of land would lose the protections and thus become vulnerable to taxes and loss by other means. Now, protections are lost only on the parcel of land where timber cutting and development are actually occurring and only during the period of harvest.

Timber lands can also regain land protection. During the years a village corporation cuts timber for commercial sale, the land is considered "developed," and thus can be taxed, if the corporation is in a taxing jurisdiction, or taken to pay creditors. When the commercial harvest ends, though, the land is no longer considered to be "developed" and the land is automatically protected.



**Only area where  
timber is cut  
loses protection**

## Tax Recapture on Subdivided Land

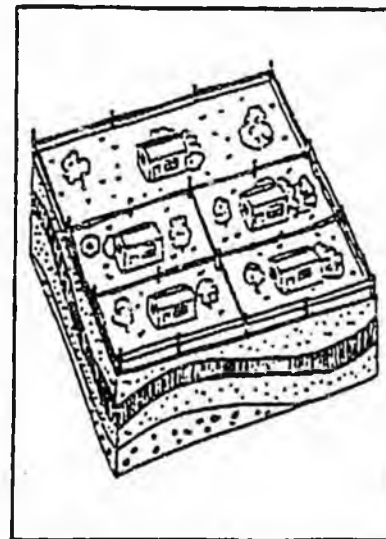
If a Native corporation is in a taxing jurisdiction and its land is subdivided, the corporation must pay the amount of taxes that would have been

levied during the 30 months before the subdivision plat is recorded. The back taxes must be paid in semi-annual installments. The entire amount must be paid off within 30 months of the date the plat is recorded.

Before the final plat is approved, the government with tax jurisdiction must notify the corporation of the taxes it will owe.

*Example: Corporation Z decides to subdivide 50 acres on a scenic river site. Until now, the land has been "undeveloped" and exempt from property taxes. On September 1, 1990, the subdivision plat is recorded. The corporation must pay an amount equal to property taxes it would have paid on that 50 acres from March 1, 1988 to September 1, 1990. The total tax bill on the 50 acres is \$10,000. Corporation Z must make its first \$2,000 payment March 1, 1991. The total bill must be paid off by March 1, 1993.*

## TAX RECAPTURE



Tax recapture applies only if the land being subdivided is within the boundaries of a taxing jurisdiction, such as a borough or municipality with the power to tax.

## Subdivided land

### Summary

One of the most important changes made by the "1991" law is that Land Bank protections are now automatic. No board action is required because the land protections automatically apply to all undeveloped ANCSA lands. Native land, so long as it remains undeveloped, is protected from property taxes, from squatters, from being taken to pay a bad debt and from bankruptcy.

Before, corporations had to apply to the federal government to get these protections. Now, they're automatic; nothing else is required. A corporation loses these protections if its land is pledged, leased, developed or subdivided. Native corporation board members must recognize the types of actions that may result in losing land protections.

Board members may want to review the status of their lands in light of the definition of "developed," to determine whether any of the corporation's land does not qualify for automatic protections.

Even if the land protections are lost, they can be regained if the lease ends or development activity stops.

# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 18, 1993

FURTHER REFERRALS:

Judiciary  
Finance

Date of Committee Action: 1-28-93

The COMMUNITY AND REGIONAL AFFAIRS Committee considered:

HB 73

HOUSE BILL NO. 73

ANCSA STATE TAX EXEMPTIONS

"An Act relating to state and local taxation and other state regulation as affected by the Alaska Native Claims Settlement Act, as amended, and related federal statutes; and providing for an effective date."

**RECOMMENDATIONS:**

be replaced with \_\_\_\_\_ ~~the same title~~  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

~~Individual~~ individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_

APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note Revenue

zero fiscal note(s) \_\_\_\_\_

	SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
Sanders	<i>Jerry Sanders</i>	✓	<i>John N. Davis</i>		✓	
Bunde	<i>W. R. Bunde</i>	✓	<i>Rep Willis</i>		✓	
Williams	<i>W. K. Williams</i>	✓				
Toohey	<del><i>Shirley Toohey</i></del>	✓				
Olberg	<i>Shirley Olberg</i>	✓				

*Shirley Olberg*  
CHAIRMAN'S SIGNATURE



HOUSE COMMUNITY AND REGIONAL AFFAIRS

DATE: 1/28/93

PLACE: CAPITOL RM 124

SUBJECT OF MEETING:

DCRA OVERVIEW

\* HB 73: ANCSA STATE TAX EXEMPTIONS

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
JACK CHENOWETH	L.A.A. LOCAL SERVICES				465-2450	Y <input checked="" type="radio"/> N	HB 73 - DRAFTING ATTORNEY AVAILABLE TO ANSWER QUESTIONS
EDGAR BLATCHFORD	DCRA				4700	<input checked="" type="radio"/> Y N	DCRA OVERVIEW
BRUCE R. GERAHTY	DCRA				4700	<input checked="" type="radio"/> Y N	DCRA OVERVIEW
JOHN WALSH	DCRA				4700	<input checked="" type="radio"/> Y N	DCRA OVERVIEW
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

H B

7 6

# Alaska State Legislature

## House of Representatives

Official Business



State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-3718

### House Majority Leader

-----SPONSOR STATEMENT-----

HOUSE BILL 76 (Purchase of inholdings and timber rights in  
Kachemak Bay State Park)

#### HISTORY OF KACHEMAK BAY BUYBACK

In 1970 the Alaska State Legislature set aside 250,000 acres across from Homer, creating Kachemak Bay State Park in order to protect these pristine lands and waters for their unique and exceptional scenic beauty and recreational use.....

During the years 1971 thru 1974, the Alaska Native Claims Settlement Act allowed the Seldovia Native Association (SNA) to make a selection of 69,000 acres of land in the Seldovia area; however, the state protested two of SNA's selections leaving them no alternative but to select the remaining 30,000 acres within Kachemak Bay State Park.

In 1975, then Governor Jay Hammond agreed that the State would work with the Seldovia Native Association to attain a land trade for SNA's park inholdings.

Four years later, SNA signs a Memorandum of Understanding to exchange its inholdings for state lands of equivalent value.

Four more years go by, and during the period of 1982 thru 1986, only two small land trades take place totaling 5,000 acres and further negotiations failed to trade the remaining inholdings due to a shrinking pool of state lands and disagreements over land values.

In 1987 land trade negotiations failed again with the state and the Seldovia Native Association sells its timber rights to Timber Trading Company (TTC).

The State in 1988 approaches Timber Trading and the Seldovia Native Association with an offer of a trees-for-trees and a land-for-land trade.

A year later, the state, (SNA) and (TTC) sign a preliminary exchange agreement outlining the process for conducting appraisals and creating replacement pools for land and timber. That same year, SNA's land value is appraised by separate appraisers at different amounts and a three party review panel makes a determination as to a land cash value. Timber Trading receives appraisal figure for the Seldovia area timber while a combined state and TTC arbitrator sets the value at a different level for exchange purposes.

Former Governor Steve Cowper, in 1990, introduces an appropriations bill to provide for the cash purchase of SNA's park inholdings and TTC's timber in lieu of the state presenting any timber or land exchange package. Four days before the close of the legislative session, Cook Inlet Region, Inc. (CIRI) enters the proposed purchase for subsurface rights within the park. The appropriations bill fails the House on a 20-20 vote.

Following the bill's failure, TTC begins the application process to secure the necessary permits to begin timber harvesting.

In 1991, legislation is introduced in both the House and Senate to purchase land, timber and subsurface rights within Kachemak Bay State Park. Neither bill is enacted and TTC formally submits preliminary permit applications to the State of Alaska. The state holds public hearings in Anchorage, Homer and Seldovia.

Major focus is on the Kachemak Bay Buyback during 1992. SNA, TTC and CIRI agree to a \$22 million cash buyout package. Legislation is introduced in both the House and Senate for the purchase from Exxon Oil Spill monies and/or through a contingent appropriation from the Restoration Endowment. Legislation fails to pass the 17th Legislature.

Before the 18th Legislature convenes on January 11, 1993, the following events occurred: \$20,500,000 is deposited in the Alyeska Settlement Fund from an Agreement & Consent decree (civil settlement) entered November 25, 1992 which includes an allocation of \$7,500,000 for the purchase of the inholdings in Kachemak Bay State Park; additionally the Exxon Oil Spill Trust Council okays a \$7,500,000 appropriation from Exxon Settlement Funds for Kachemak purchase and House Bill 76, which Representative Gail Phillips introduces on January 22, provides for the remaining appropriation of \$7,000,000 from the criminal fines levied against Exxon to complete the funding package for the purchase.

On March 4, Governor Hickel formally announces an agreement between all concerned parties to buyback the private inholdings in Kachemak Bay State Park. The agreement is formally signed by the Seldovia Native Association, Cook Inlet Region, Inc., Timber Trading Company, Inc., and the State of Alaska.

NEWS RELEASE

STATE OF ALASKA

OFFICE OF THE GOVERNOR  
Post Office Box 110001  
Juneau, Alaska 99811-0001

WALTER J. HICKEL  
Governor

JOSEF P. HOLBERT  
Director of Communications



JOHN MANLY  
Press Secretary

JOHN HENDRICKSON  
Deputy Press Secretary  
Anchorage Office: 561-4228

BRIAN HART  
Assistant Press Secretary

907-465-3500  
FAX: 907-586-8369

FOR RELEASE: March 4, 1993  
No. 93-053

GOVERNOR HICKEL ANNOUNCES KACHEMAK BUYBACK

JUNEAU--Kachemak Bay State Park will be made whole again under an agreement to buyback private inholdings announced today by Governor Walter J. Hickel.

The purchase agreement between the State of Alaska and the Seldovia Native Association, Timber Trading Company and Cook Inlet Region Inc., would transfer all rights to 23,802 acres of timberland within the park back to the state. The purchase price is \$22 million.

"This has taken a long time to put together, but I think we have a workable agreement where everybody wins," Governor Hickel said. "I want to thank all the interested parties for their patience and perseverance. And I hope the Legislature will look the agreement over and act quickly to approve it."

Of the \$22 million purchase price, \$15.5 million will go to SNA, \$4.5 to TTC, and \$2 million to CIRI. The agreement is subject to the Legislature appropriating \$7 million from the \$50 million criminal restitution fund resulting from the Exxon Valdez spill and endorsing the Alyeska settlement, which provides another \$7.5 million. The Exxon Valdez settlement trustees have agreed to fund the final \$7.5 million.

House Majority Leader Gail Phillips, R-Homer, commented, "Many, many Alaskans have worked for years to get to this day. My appreciation goes to the Governor and the A.G. and all Alaskans for achieving this finality. I'm very, very pleased for the Seldovia Native Association for their lands issue finally to be resolved."

Rep. Mike Navarre, D-Kenai, who's been working on the issue for many years, said, "I was always confident this would eventually be

2-2-2-2

93-053

Mar. 4, 1993

accomplished, and I'm glad to see it's finally been resolved. I'm hopeful the Legislature and the SNA board will approve the components of the agreement. My congratulations to Governor Hickel and Charlie Cole and to the Citizens' Coalition for all their help."

Senator Suzanne Little, D-Soldotna, added, "While the progress we've made is terrific, there's much remaining to be done. There are three bills currently in, but a lot needs to be done to put together the legislation. I'm looking forward to working on it."

All three legislators expressed their thanks to SNA President Fred Elvsaaas for his tenacity on the issue.

####

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## House of Representatives

Official Business



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(907) 465-3718

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sgn  
3-22-93

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Following the bill's failure, TCC begins the application process to secure the necessary permits to begin timber harvesting.

In 1991, legislation is introduced in both the House and Senate to purchase land, timber and subsurface rights within Kachemak Bay State Park. Neither bill is enacted and TCC formally submits preliminary permit applications to the State of Alaska. The state holds public hearings in Anchorage, Homer and Seldovia.

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AGREEMENT FOR SALE AND PURCHASE OF LANDS AND INTERESTS WITHIN  
KACHEMAK BAY STATE PARK

THIS AGREEMENT is made by and between the Seldovia Native Association (SNA), Timber Trading Company (TTC), Cook Inlet Region, Inc. (CIRI), as "Sellers", and the State of Alaska as "Purchaser" (collectively, the "Parties").

1. GRANT OF OPTION. Sellers hereby each grant to Purchaser the exclusive option to purchase all Sellers' property rights within the Kachemak Bay State Park, as more particularly described in Attachment A ("the Property"), such purchase to be made in accordance with the terms and conditions of this Agreement.

2. EXERCISE OF OPTION. Purchaser hereby agrees, subject to all appropriations required to be made by the Alaska Legislature to provide for payment of the purchase price and subsequent approval of such appropriations by the Governor of Alaska, to exercise its exclusive option to purchase the Property in accordance with the terms and conditions of this Agreement.

3. OPTION TERMS. The option payment is Ten Dollars (\$10.00), the receipt and sufficiency of which is hereby acknowledged by Sellers. The option may be exercised during the period beginning with Purchaser's execution of this Agreement and ending December 31, 1993 unless extended in writing by the parties. This option shall be exercised by written notice from Purchaser to Sellers at the below provided addresses.

4. PURCHASE PRICE. The purchase price for the Property is \$22 million, with agreed upon payments of \$15.5 million to SNA, \$4.5 million to TTC, and \$2 million to CIRI.

5. INTEREST CONVEYED. At closing, Sellers each shall execute and deliver to Purchaser such deeds or assignment documents as may be necessary to convey their respective interests to the property. SNA and CIRI do hereby warrant and represent to Purchaser as follows: (1) that SNA and CIRI are vested with title to the property to the extent conveyed to SNA and CIRI pursuant to BLM Interim Conveyance Numbers 139, 304 and 372 with respect to SNA and Interim Conveyance Numbers 102, 140, 305 and 373 with respect to CIRI, and (2) that no liens, encumbrances, defects or third party interests have been created in the Property, except that SNA has conveyed certain timber rights on the Property to TTC pursuant to the Timber Sale Agreement dated May 30, 1987 ("Timber Agreement"). TTC does hereby warrant and represent to Purchaser as follows: (1) that TTC holds all interests in the Property conveyed by the Timber Agreement; and (2) that no liens, encumbrances, defects or third party interests have been created in the interest conveyed to TTC by the Timber Agreement. At closing, Sellers each shall execute and deliver to Purchaser such deeds or assignment documents warranted as above described as may be necessary to convey their respective interests to the Property. If any Seller fails to convey title or other interest as required by this Agreement, Purchaser is no longer bound by this Agreement with respect to any Seller. No Seller shall be liable for the acts or inability of another Seller to convey title.

6. RIGHT TO ENTER PROPERTY. Sellers agree that from the date this Agreement is fully executed by the Parties, Purchaser and its agents, upon reasonable notice, shall have the right to enter the Property for all lawful purposes in connection with this Agreement, including environmental audit purposes, provided Purchaser provides sufficient indemnification to the Sellers.

7. CLOSING PLACE AND DATE. The Parties agree to endeavor in good faith to close on or before 60 days after all appropriations made by the Alaska Legislature have been made and approved by the Governor, including those related to funds provided by the Alyeska settlement and the Exxon Valdez Trustee Council; provided, however, if documents that are required to be provided or completed and executed by the Parties have not been tendered by that date, the closing shall

take place within 60 days after receipt of such documentation. The date, time and location of closing shall be set by Purchaser.

8. OTHER AGREEMENTS AND ACTIONS. The Parties agree to take other action or enter into other agreements reasonably necessary to the exercise and closing of this Agreement, including Attachment C.

9. TERMINATION. Unless otherwise agreed to in writing by each of the parties, this Agreement shall terminate upon closing or on December 31, 1993, whichever is earlier; provided, however, this Agreement shall automatically terminate if, during its 1993 session, the Legislature does not appropriate all funds required to be appropriated to provide for payment of the purchase price, or if the Governor vetoes such appropriation by the Legislature.

10. SEVERABILITY. In the event any of the provisions of this Agreement are deemed to be unenforceable, the enforceability of the remaining provisions of this Agreement shall not be affected.

11. SIGNATURE AUTHORITY. Each signatory to this Agreement represents that he has the authority to bind his principal to this Agreement. This Agreement may be executed in several counterparts, each of which shall be an original, but all of which shall constitute the same instrument.

12. NOTICE. Written notices shall be provided to the parties at the following addresses:

Seldovia Native Association  
P.O. Drawer L  
Seldovia, AK 99663-0250

Cook Inlet Region, Inc.  
P.O. Box 93330  
Anchorage, AK 99509-3330

Timber Trading Company, Inc.  
3501 Denali St., Suite 202  
Anchorage, AK 99503

State of Alaska  
Department of Natural Resources  
Director, Division of Land  
P.O. Box 107005  
Anchorage, AK 99510-7005

Craig Tillery  
State of Alaska  
Attorney General's Office  
1031 West 4th Ave. Suite 200  
Anchorage, AK 99501

Seldovia Native Association

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Cook Inlet Region, Inc.

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Timber Trading Company, Inc.

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

State of Alaska

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

## Attachment A

### CIRI Lands Remaining w/in Kachemak Bay State Park

#### Seward Meridian, Alaska

##### Township 7 South, Range 12 West

Sec. 12, W2, SE4, S2NE4;  
Sec. 31, all;  
Sec. 33-34, all.

Containing 2,469.00 acres, more or less.

##### Township 8 South, Range 12 West

Sec. 2, W2;  
Sec. 3-4 all;  
Sec. 5, (fractional), excluding ADL 49431;  
Sec. 6, (fractional), excluding ADL 48787, ADL 49431, ADL 46149, ADL 46150, ADL 46151, ADL 46152, ADL 46153, ADL 46650 and ADL 41043;  
Sec. 7-8, (fractional), all;  
Sec. 9-11, all;  
Sec. 13-15, all;  
Sec. 16, (fractional), excluding ADL 46773;  
Sec. 21, (fractional), excluding ADL 47665, ADL 41036 and ADL 41300;  
Sec. 22-27, all;  
Sec. 28-29, (fractional), all;  
Sec. 30, (fractional), excluding U. S. Survey 3605;  
Sec. 31-33, (fractional), all;  
Sec. 34, all.

Containing 15,408.83 acres, more or less.

##### Township 8 South, Range 13 West

Sec. 24, Lot 8 of U. S. Survey 4742.

Containing 5.00 acres.

##### Township 9 South, Range 13 West

Sec. 1, (fractional), all;  
Sec. 2, E2, NW4;  
Sec 11, NE4.

Containing 1,275.00 acres, more or less.

Aggregating 19,157.83 acres, more or less.

Attachment C

AGREEMENT REGARDING TIMBER HARVEST RIGHTS  
ON LANDS ADJACENT TO PETERSON BAY

State of Alaska agrees that nothing in that certain Agreement for Sale and Purchase of Lands and Interests Within Kachemak Bay State Park shall restrict the ability of Timber Trading Company, Inc. (hereinafter TTC) to pursue permits necessary for timber harvest operations; provided, however, TTC shall not commence timber harvest operations until such time that the Agreement has terminated. Additionally, TTC agrees to not exercise its timber harvest rights on lands adjacent to Peterson Bay, including Island Peninsula, as more particularly described in Attachment B, attached hereto and made part hereof, or to convey such harvest rights to any other entity before April 30, 1999.

**Timber Trading Company, Inc.**

**State of Alaska**

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Reviewed and Acknowledged

**Seldovia Native Association**

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

# HOUSE COMMITTEE REPORT

(7)

Date Referred: January 22, 1993

FURTHER REFERRALS: Resources  
Finance

Date of Committee Action: 3-25-93

The COMMUNITY AND REGIONAL AFFAIRS Committee considered: HB 76

HOUSE BILL NO. 76 APPROP: KACHEMAK BAY ST. PK. TIMBER RIGHTS

"An Act making a special appropriation to the Department of Natural Resources for the purchase of the inholdings of the Seldovia Native Association and the Cook Inlet Region, Inc., and the timber rights of the Timber Trading Company, within the Kachemak Bay State Park; and providing for an effective date."

RECOMMENDATIONS:  the same title  
be replaced with \_\_\_\_\_  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note Fish & Game

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Del N. Quinn</i>	<input checked="" type="checkbox"/>	<i>Jerry Sanders</i>		<input checked="" type="checkbox"/>	
<i>Harley Olberg</i>	<input checked="" type="checkbox"/>	<i>Earl Brunde</i>		<input checked="" type="checkbox"/>	
<del><i>Harley Olberg</i></del>	<input checked="" type="checkbox"/>	<i>W.R. Williams</i>		<input checked="" type="checkbox"/>	

*Harley Olberg*  
CHAIRMAN'S SIGNATURE

# FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. HB 76

Revision Date: \_\_\_\_\_

Department Affected: Fish and Game

Title: Purchase of Inholdings and Timber

BRU: Habitat & Restoration and Commissioner's Office

Rights in Kachemak Bay State Park

Component: Habitat & Restoration & Commissioner's Office

Sponsor: Gail Phillips

Requestor: Community and Regional Affairs

COMPONENT SERIAL NO. 04860477

**EXPENDITURES/REVENUES:**

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
<b>TOTAL OPERATING</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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**FUNDING:**

(Thousands of Dollars)

	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**POSITIONS:**

	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: \$ 0

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

Prepared By: Frank Rue Phone: 465 05

Division: Habitat and Restoration Date: \_\_\_\_\_

Approved by Commissioner: Carl F. Rosier

Agency: Department of Fish and Game Date: 2/21/93

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## KACHEMAK BAY CITIZENS COALITION PROFILE

In October 1988, a broad-based group of Homer and Anchorage residents met in Homer to discuss a response to a timber sale on Seldovia Native Association land within Kachemak Bay State Park. From the initial group of about 15, the Kachemak Bay Citizens Coalition increased in numbers as news of the problem spread. Efforts were made to contact potentially concerned people through mailings and meetings.

Currently, over 7000 people have signed petitions in support of a buyback of inholdings of Seldovia Native Association, Timber Trading Company, and Cook Inlet Region, Inc. within Kachemak Bay State Park. These people want the State of Alaska to purchase these private inholdings for inclusion in Kachemak Bay State Park. Additionally, citizens do not want to see logging take place just outside the park on the Island Peninsula separating Peterson and China Poot bays, or in the Rocky River-Red Mountain area.

The largest number of petition signers from Alaska, about 39%, are from the Anchorage-Girdwood-Chugiak area. About 31% are from the Homer-Anchor Point area, and 29% are from 66 other cities, towns, and villages in Alaska, from Barrow to Ketchikan. Additionally, over 1000 persons from all 50 states, the District of Columbia, and 15 countries have also signed KBCC petitions, tourists who are drawn to the Kachemak Bay area's scenic beauty, recreation and fishing opportunities. Interest in the issue has continued to grow, especially in the last three years.

The Homer-Anchor Point petition signers represent a cross section of area residents, with many working within tourism or commercial and charter fishing industries. Many people there feel very strongly about this issue and adamantly oppose commercial logging in the Kachemak Bay State Park area. Some own or work for businesses that may be jeopardized if commercial-scale logging were to take place within Kachemak Bay State Park. Still others were involved in the Exxon Valdez oil spill cleanup effort.

There are many visitors to Homer from Anchorage, the Kenai Peninsula, the Matanuska-Susitna Valley, and Fairbanks as well as elsewhere who want to see the area preserved for its unique scenic beauty and as a popular tourist and fishing destination. There are petition signers who own recreational or investment property in Homer or have summer homes or cabins in Bear Cove, Halibut Cove, Saie Cove, Peterson, China Poot, Jakolof, and Tutka bays.

Buyback supporters include teachers, students and volunteer naturalists who visit the area to take part in marine science education programs such as the ones offered by the Center for Alaska Coastal Studies or are involved in adult education in the natural resources field. The students are from public and private schools and come in the

# KACHEMAK BAY STATE PARK BUYBACK ISSUE

## Fact sheet

1971 - Kachemak Bay State Park (KBSP) receives temporary approval.

1974 - Under the Alaska Native Claims Settlement Act (ANCSA), Seldovia Native Association (SNA) receives nearly 30,000 acres within KBSP.

1979 - Memorandum of Understanding signed which, among other things, commits the State and SNA to exchange SNA's KBSP holdings for state land of equal value.

1983, 1985 - Two small land exchanges complete, SNA still owns 23,642 acres within the Park.

1987 - SNA signs 12 year timber harvest contract with Timber Trading Co.(TTC) on its lands inside KBSP and on the Island Peninsula directly across Kachemak Bay from Homer, and Jakolof Rocky River/Red Mountain area.

1988 - Kachemak Bay Citizens Coalition forms to facilitate the reunification of KBSP and to prevent logging within KBSP. To date, over 7,000 people have signed petitions to support these objectives.

1990 - Land and timber trade ideas are abandoned in favor of a \$20 million cash buyout that does not address Cook Inlet Region, Inc. (CIRI's) subsurface inholdings. A bill introduced by Rep. Mike Navarre fails in the House on a 20-20 vote.

1990-1991 - TTC unveils a logging plan on SNA land across from Homer using helicopters and barges. Many people testify in objection to this plan in Homer and Anchorage. Another buyback bill, HB 83 introduced by Rep. Mike Navarre passes the House but is not voted on in the Senate.

February, 1992 - SNA, TTC, and CIRI sign a statement of intent to sell their collective property rights within KBSP to the State for \$22 million. This would be divided roughly with \$15.4 million for SNA, \$4.3 million for TTC, and \$2.3 million for CIRI. The agreement expires after July 15, 1992.

Spring 1992 - HB 411, using \$50 Exxon Valdez Oil Spill (EVOS) criminal penalty money and including about \$11 million for the buyback of inholdings in KBSP passes the House and Senate, but is vetoed by Governor Hickel on July 15.

August, 1992 - After the Governor's veto, TTC and SNA announce suspensions of their discount prices to the State and return to earlier appraisers' higher valuations. CIRI does not comment.

September, 1992- EVOS Trustee Council hears testimony from the public favoring the use of civil penalty money for habitat acquisition.

November, 1992 - Gov. Hickel announces a \$32 million settlement with Alyeska Pipeline Corporation for their role in the Exxon Valdez Oil Spill. The settlement language includes \$7.5 million for the purchase of SNA, TTC, and CIRI's inholdings within Kachemak Bay State Park.

January 19, 1993 - EVOS Trustee Council approves expenditure of \$7.5 million civil penalty money for acquisition of imminently threatened habitat within Kachemak Bay State Park from SNA, TTC, and CIRI, bringing to \$15 million the funds already identified for the purchase of their inholdings.

March 4, 1993 - The Governor's office announces the signing of a purchase agreement between SNA, TTC, CIRI, and the State. The three native groups agree to sell their inholdings to the State for inclusion in Kachemak Bay State Park for \$22 million, the same amount as in 1992.

# KACHEMAK BAY \$22 MILLION PURCHASE

