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IN THE SUPERIOR COURT FOR THE STATE OF ALASKA

FIRST JUDICIAL DISTRICT AT KETCHIKAN

KETCHIKAN GATEWAY BOROUGH,  
AGNES MORAN, JOHN CROSS, JOHN  
HARRINGTON, AND DAVID SPOKELY

Plaintiffs,

v.

STATE OF ALASKA AND MICHAEL  
HANLEY, COMMISSIONER OF ALASKA  
DEPARTMENT OF EDUCATION AND  
EARLY DEVELOPMENT

Defendants.

FILED in the Trial Courts  
State of Alaska First District  
at Ketchikan

NOV 21 2014

Clerk of the Trial Courts

By \_\_\_\_\_ Deputy

Case No. 1KE-14-16CI

**ORDER ON MOTION AND CROSS MOTION FOR SUMMARY JUDGMENT**

**INTRODUCTION**

The Ketchikan Gateway Borough, et. al. (the Borough) challenges one facet of Alaska's education funding law -- the required local contribution (RLC). The Borough argues that the RLC is unconstitutional because it violates three provisions of the Alaska Constitution: Article XI, Section 7, the dedicated funds clause; Article IX, Section 13, the appropriations clause; and Article II, Section 15, the governor's veto clause. The Borough moves for summary judgment on these claims. The State of Alaska and Michael Hanley (the State) oppose the Borough's motion and has filed its own motion for summary judgment on the claims. For the following reasons, the Borough's motion is partially granted and the State's motion is partially granted.

**ORDER ON CROSS MOTIONS FOR SUMMARY JUDGMENT**

Ketchikan Gateway Borough v. State of Alaska, 1KE-14-16 CI

## ISSUES

- 1) Is the RLC a dedicated fund in violation of the dedicated funds clause of the Alaska Constitution<sup>1</sup> when it requires some localities to make payments to their local school districts for the purpose of meeting that district's Basic Need for education funding?
- 2) If the RLC is in violation of the dedicated funds clause, does it qualify for the exemption that clause allows for pre-Statehood dedicated funds?
- 3) Does the RLC violate the appropriations clause<sup>2</sup> and governor's veto clause<sup>3</sup> of the Alaska Constitution because the RLC payments flow directly from a locality to its school district and thus takes place outside of the legislative appropriation process?
- 4) If the RLC is unconstitutional, should the court order a refund of the Borough's 2014 RLC payment under theories of assumpsit or restitution?

## STATEMENT OF FACTS

The State of Alaska is constitutionally mandated to "establish and maintain a system of public schools."<sup>4</sup> Title 14 of the Alaska Statutes governs school administration.<sup>5</sup> Alaska manages its public schools through a system of school districts.<sup>6</sup> Alaska has 53 school districts. Each of Alaska's 19 organized boroughs constitutes a borough school district. Likewise, each of Alaska's 15 home-rule and first-class cities within an unorganized borough constitutes a city school district. The court will use the term "municipal district" to refer to a school district located in one of the previous two areas, i.e., a school district located within an organized borough or a home-rule or first-class city. Finally, the remaining 19 school districts are within

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<sup>1</sup> Alaska Const. art. XI, § 7.

<sup>2</sup> Alaska Const. art. IX, § 13.

<sup>3</sup> Alaska Const. art. II, § 15.

<sup>4</sup> Alaska Const. art. VII, § 1.

<sup>5</sup> See AS 14.03.010 (establishing a system of public schools within the state).

<sup>6</sup> See AS 14.12.010.

## ORDER ON CROSS MOTIONS FOR SUMMARY JUDGMENT

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1 the areas of unorganized boroughs that are exclusive of home-rule or first-class city districts.  
2 Those final school districts are divided into State created regional educational attendance areas  
3 (REAA).<sup>7</sup> The Ketchikan Gateway Borough School District (KGB School District) is located  
4 within a municipal district.

5 Alaska Statute Title 14, Chapter 17 outlines the State aid for which a public school is  
6 eligible.<sup>8</sup> Each public school district is funded through three primary sources: state aid, a  
7 required local contribution, and eligible federal impact aid.<sup>9</sup> The composition of this funding  
8 depends on whether the schools within the district are located within a municipal district or a  
9 REAA.<sup>10</sup> The calculation of necessary education funding for a given fiscal year always starts  
10 with a computation of a school district's "Basic Need." This occurs regardless of where the  
11 school district is located (whether it is in a municipal district or REAA).

12 The Basic Need formula is set by statute.<sup>11</sup> To calculate a district's Basic Need, the  
13 district starts by calculating the adjusted daily membership (ADM) of each school in the  
14 district.<sup>12</sup> The ADM is then multiplied by the district cost factor, a factor set by statute.<sup>13</sup> Then  
15 the ADMs of each school in the district, as adjusted based on the prior calculations, are then  
16 added together. The sum is then multiplied by several factors, which look at the special needs  
17 funding the district as a whole requires. These factors take into account things that make the  
18 cost of education more or less expensive in a district. Among the factors are: the cost of any  
19 vocational or technical instruction provided by the district, the number of correspondence  
20

21 <sup>7</sup> REAAs are established under AS 14.08.031(a).

22 <sup>8</sup> The court recognizes that although the State is constitutionally mandated to "establish and maintain a system of  
public schools," it is not mandated to fully fund public schools. *See* AS 14.17, noting several times that public  
23 school districts are "eligible" for, not entitled to, State aid.

<sup>9</sup> AS 14.17.410(b).

<sup>10</sup> *Id.*

24 <sup>11</sup> *See* AS 14.17.410.

<sup>12</sup> *See* AS 14.17.450 for the calculation used to reach a district's ADM. The calculation is based on the number of  
25 students in average daily attendance during a student count, plus other weighted factors.

<sup>13</sup> AS 14.17.460.

1 students, and other associated economies of scale.<sup>14</sup> Those calculations yield a school district's  
2 Basic Need.

3 As stated previously, there are three sources of funding that may be used to fulfill a  
4 school district's Basic Need: State aid, eligible federal impact aid, and a required local  
5 contribution.<sup>15</sup>

6 Every school district is eligible for State aid for the operation of its district.<sup>16</sup> State aid is  
7 paid from the Public Education Fund. This fund consists of funds appropriated for education by  
8 the Alaska State Legislature.<sup>17</sup> If the Public Education Fund contains insufficient funds to make  
9 full payments of the calculated State aid requirement, the Alaska Department of Education and  
10 Early Development is required to reduce each district's Basic Need on a pro-rata basis.<sup>18</sup>

11 The RLC is at the heart of this lawsuit. Municipal districts must fund a portion of their  
12 school districts' Basic Need.<sup>19</sup> This is accomplished through an annual RLC payment from the  
13 municipal district directly to its school district.<sup>20</sup> RLC payments do not change the amount of  
14 Basic Need required to fund a district's schools. Therefore, when a municipal district pays the  
15 RLC, the district's Basic Need is partially fulfilled, which in turn reduces the State's Basic  
16 Need obligation.

17 The amount of a municipal district's RLC payment is 2.65 mills of the full and true  
18 value of taxable real and personal property<sup>21</sup> in the municipal district in the second prior fiscal  
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20 <sup>14</sup> AS 14.17.410(C) and AS 14.17.420.

21 <sup>15</sup> AS 14.17.410(b).

<sup>16</sup> AS 14.17.410.

<sup>17</sup> AS 14.17.300.

22 <sup>18</sup> AS 14.17.400(b).

23 <sup>19</sup> AS 14.17.410(b) and 14.12.020(c). AS 14.12.020(c) in particular highlights the mandatory nature of the RLC. It  
provides: "[a municipal district] shall provide the money that must be raised from local sources to maintain and  
operate the district."

24 <sup>20</sup> See Brandt-Erichsen Aff. ¶ 10 (Feb. 6, 2014).

25 <sup>21</sup> Taxable real and personal property in the district means such property within the city of Ketchikan and the  
Borough because the city and the Borough constitute the district. Taxable real and personal property "means all real  
and personal property taxable under the laws of the state." AS 14.17.990(7).

1 year of the fiscal year at issue.<sup>22</sup> The RLC is capped at 45% of a municipal district's Basic  
2 Need in the preceding fiscal year.<sup>23</sup> If a municipal district fails to make its RLC payment, State  
3 aid for education funding "may not be provided" to a municipal district.<sup>24</sup> In addition, the  
4 municipal district will be disqualified from receiving supplemental funding under AS  
5 14.17.490.

6 The expected fiscal year (FY) 2014 Basic Need for the KGB School District is  
7 \$25,947,546.<sup>25</sup> Using the statutory formula set forth above, the Borough's FY 2014 RLC is  
8 \$4,198,727.<sup>26</sup> The Borough paid its RLC to the KGB School District on October 9, 2013.<sup>27</sup> On  
9 that same date, the Borough sent a letter to Commissioner Hanley and attached a copy of the  
10 check it sent to the KGB School District.<sup>28</sup> The letter noted that the Borough was making its  
11 RLC payment "under protest" and recited the Borough's belief that the RLC was  
12 unconstitutional.<sup>29</sup>

13 On January 13, 2014, the Borough filed suit against the State alleging that the RLC  
14 violates the Alaska constitutional prohibition against dedicated funds<sup>30</sup> and arguing that the  
15 RLC unconstitutionally circumvents the constitutional provisions setting forth the legislature's  
16 appropriation power<sup>31</sup> and the governor's veto power.<sup>32</sup> The Borough filed a Motion and  
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19 <sup>22</sup> AS 14.17.410(b)(2).

20 <sup>23</sup> AS 14.17.410(b)(2).

21 <sup>24</sup> AS 14.17.410(d).

22 <sup>25</sup> See Brandt-Erichsen Aff. ¶ 3 (Feb. 6, 2014).

23 <sup>26</sup> *Id.* Because of certain optional property tax exemptions, the actual taxable value of real and personal property in  
24 the Borough was lower than the full and true value of that property. Therefore, the RLC equates to an actual mill  
25 levy of 3.19 on the FY 2014 taxable property within the Borough. The Borough paid an additional \$3,851,273 to the  
KGB School District in optional local contributions and in kind contributions allowed by AS 14.17.410(c).

<sup>27</sup> The Borough paid the RLC, and other expenditures, through an area wide property tax levy of 5 mills and an area  
wide sales tax levy of 2.5%. *Id.*

<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> Alaska Const. art. XI, § 7.

<sup>31</sup> Alaska Const. art. IX, § 13.

<sup>32</sup> Alaska Const. art. II, § 15.

## **ORDER ON CROSS MOTIONS FOR SUMMARY JUDGMENT**

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1 Memorandum in Support of Motion for Summary Judgment on February 6, 2014 seeking the  
2 relief outlined in the introduction section.

3 The State filed an Opposition to Ketchikan Gateway Borough's Motion for Summary  
4 Judgment and Cross Motion for Summary Judgment on March 28, 2014.

5 The Borough filed its Reply on April 28, 2014. On that same date, the Fairbanks North  
6 Star Borough filed a Reply in Support of Plaintiffs' Motion for Summary Judgment and  
7 Opposition to Defendants' Cross Motion for Summary Judgment.

8 The State filed its Reply Brief in Further Support of Cross Motion for Summary  
9 Judgment on May 23, 2014.

10 Oral argument on the dueling motions for summary judgment was held on June 2, 2014.

11 **DISCUSSION**

12 Alaska Civil Rule 56(c) provides that summary judgment should be granted if "the  
13 pleadings, depositions, answers to interrogatories, and admissions on file, together with the  
14 affidavits, show that there is no genuine issue as to any material fact and that any party is entitled  
15 to a judgment as a matter of law." The moving party "must show that there are no genuine issues  
16 of material fact and that it is entitled to judgment as a matter of law. In determining whether  
17 there is a genuine issue of material fact, all reasonable inferences of fact from proffered materials  
18 must be drawn against the moving party and in favor of the non-moving party."<sup>33</sup> Once a  
19 moving party has met its burden, the party seeking to avoid summary judgment must "set forth  
20 specific facts showing that [it] could produce admissible evidence reasonably tending to dispute  
21 or contradict the movant's evidence, and thus demonstrate that a material issue of fact exists."<sup>34</sup>

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24 <sup>33</sup> *Reeves v. Alyeska Pipeline Serv. Co.*, 926 P.2d 1130, 1134 (Alaska 1996) (citations and internal quotations  
omitted).

25 <sup>34</sup> *Still v. Cunningham*, 94 P.3d 1104, 1108 (Alaska 2004) (quoting *Philbin v. Matanuska-Susitna Borough*, 991  
P.2d 1263, 1265-66 (Alaska 1999)).

1 In this case, the material facts are not in dispute. In their cross motions for summary  
2 judgment each party presents multiple legal arguments.

3 **a) The RLC is a “proceed[] of any state tax or license” because it a source of**  
4 **public revenue.**

5 There are two steps the court must engage in determining whether the RLC violates the  
6 dedicated funds clause. The first requires the court to determine whether the funds at issue are  
7 “proceeds of any state tax or license” so as to be subject to the dedicated funds clause. If the  
8 answer is yes, the court must then determine whether those funds are dedicated to a particular  
9 purpose.

10 The Borough argues that the RLC is a “proceed[] of any state tax or license” because it  
11 is a source of public revenue. The State disagrees, arguing that the RLC is not a source of  
12 revenue subject to the dedicated funds clause because the RLC consists of local, not state,  
13 money. The court finds that the RLC is a “proceed[] of any state tax or license” and is therefore  
14 subject to the constraints of the dedicated funds clause.  
15

16 Article IX, section 7 of the Alaska Constitution states,

17 The proceeds of any state tax or license shall not be dedicated to any special purpose,  
18 except as provided in section 15 of this article or when required by the federal  
19 government for state participation in federal programs. This provision shall not prohibit  
20 the continuance of any dedication for special purposes existing upon the date of  
21 ratification of this section by the people of Alaska.

22 This section “prohibits the earmarking of state funds for predetermined purposes.”<sup>35</sup>  
23 The Alaska Supreme Court has held that “there is no doubt that [the clause] was intended to  
24 prohibit any and all dedications.”<sup>36</sup>

25 <sup>35</sup> See *Southeast Alaska Conservation Council v. State*, 202 P.3d 1162, 1167 (Alaska 2009).

<sup>36</sup> *State v. Alex*, 646 P.2d 203, 210 (Alaska 1982).

1 The two primary motivations for enacting the clause were 1) to promote the “scope and  
2 flexibility” afforded by having a general fund instead of specifically earmarked funds, and 2) to  
3 prevent the abdication of legislative responsibility that earmarking creates.”<sup>37</sup>

4 Most of the litigation surrounding the dedicated funds clause has focused on the  
5 meaning of the phrase “the proceeds of any state tax or license.”

6 The section as originally drafted by the framers stated that “all revenues shall be  
7 deposited in the state treasury without allocation for special purposes.”<sup>38</sup> This language was  
8 later changed to the current “proceeds of a state tax or license” language. But, the Alaska  
9 Supreme Court in *State v. Alex* found that “the change did not seek to exempt some sources of  
10 revenue from the prohibition” and that the consistent use of the words revenue, funds, and taxes  
11 interchangeably during the drafting process indicated that the section was intended to prohibit  
12 the dedication of any source of revenue.<sup>39</sup>

13  
14 In *Alex*, the Alaska Supreme Court held that royalty assessments on the sale of salmon  
15 which were collected by private aquaculture associations under power granted to the  
16 associations by a state statute were “proceeds of any state tax or license.”<sup>40</sup> The statute at issue  
17 in *Alex* provided for an assessment on the sale of salmon by commercial fishermen to  
18 processors.<sup>41</sup> The assessments were levied for the purpose of providing revenue for the  
19 associations.<sup>42</sup> The associations were private entities set up to enhance the efficiency of salmon

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22 <sup>37</sup> *Id.* at 209.

23 <sup>38</sup> *Id.*

24 <sup>39</sup> *Id.* at 210. The Attorney General’s Opinion also stated, after studying the debate of the constitutional convention  
25 on the section, that the section “can be given its intended effect and serve its repeatedly expressed purpose only if  
the words ‘proceeds of any tax or license’ are interpreted to mean what their framers clearly intended, i.e., the  
sources of any public revenues.” 1975 Formal Op. Atty. Gen. No. 9, at 24 (May 2, 1975).

<sup>40</sup> *Alex*, 646 P.2d at 210.

<sup>41</sup> *Id.* at 205.

<sup>42</sup> *Id.*



1 production and processing in a given region.<sup>43</sup> Commercial fishermen brought suit against two  
2 of the private aquaculture associations and the state arguing that the assessments were  
3 unconstitutional because, among other reasons, the statute violated the dedicated funds clause.<sup>44</sup>

4 In siding with the fishermen, the Alaska Supreme Court rejected the state's contention  
5 that the assessments were not "proceeds of a state tax or license."<sup>45</sup> In reaching that conclusion,  
6 the court examined the history of the dedicated funds clause. As stated, the court noted that the  
7 language of the clause changed from its original draft to the current "proceeds of a state tax or  
8 license" language, but the court in *Alex* found that "the change did not seek to exempt some  
9 sources of revenue from the prohibition" and that the consistent use of the words revenue,  
10 funds, and taxes interchangeably during the drafting process indicated that the section was  
11 intended to prohibit the dedication of any source of revenue.<sup>46</sup> The court cited the definition an  
12 Attorney General's Opinion gave to the phrase which "the proceeds of any state tax or license"  
13 to include "the sources of any public revenues" including a "tax, license, rental, sale, bonus-  
14 royalty, royalty, or whatever..."<sup>47</sup> Accordingly, given the court's broad interpretation of the  
15 phrase, the court held that the salmon assessments required under the statute constituted  
16 "proceeds of a state tax or license" within the meaning of article IX, section 7, and were  
17 therefore an unconstitutional dedication.<sup>48</sup>

19 The Alaska Supreme Court has had several opportunities to reexamine the dedicated  
20 funds clause over the years, and has consistently held that the explicit exceptions contained in  
21 the clause and in the amendment to the clause indicate "that the prohibition [against dedicating  
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23 <sup>43</sup> *Id.* at 206.

24 <sup>44</sup> *Id.*

25 <sup>45</sup> *Id.*

<sup>46</sup> *Id.* at 210.

<sup>47</sup> *Id.*

<sup>48</sup> *Id.*

1 funds] is meant to apply broadly.”<sup>49</sup> The court has even gone so far as to note that “the reach of  
2 the dedicated funds clause might be extended to statutes that, while not directly violating the  
3 clause by dedicating revenues, in some other way undercut the policies underlying the clause.”<sup>50</sup>

4 In addition to the clause at issue in *Alex*, the Alaska Supreme Court has held that  
5 revenues from the Alaska Marine Highway System,<sup>51</sup> the sale of future income from a  
6 settlement claim,<sup>52</sup> revenue from assessments on the sale of salmon,<sup>53</sup> proceeds from the sale of  
7 state land,<sup>54</sup> and funds generated by a local bed tax<sup>55</sup> are all “proceeds of a state tax or license.”

8 The Borough relies heavily on *Alex* and argues that the RLC is “materially  
9 indistinguishable” from the assessments in that case. In both cases, the Borough argues, a state  
10 statute required payments to fund a particular source. In *Alex* it was to the private aquaculture  
11 associations and in this case it is to the Borough School District. Furthermore, the Borough  
12 points out that in *Alex* the funds were never deposited into the State treasury but rather flowed  
13 directly from the fishermen to the associations. The court in *Alex*, the Borough argues, was not  
14 concerned with the fact that the funds never entered the State’s coffers and this court should not  
15 be concerned over the direct payment of the RLC to the School District here either.  
16

17 The State argues that the RLC does not run afoul of the dedicated funds clause because  
18 the RLC does not qualify as a “proceed[] of any state tax or license.” Although the State  
19 acknowledges the broad meaning prescribed to the phrase under case law, the State argues that  
20 the RLC is not a source of public revenue. The State contends that this is the case because of  
21 what would happen if the RLC were no longer required. The State points out that the statutory  
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23 <sup>49</sup> *Southeast Alaska Conservation Council v. State*, 202 P.3d 1162 (2009).

24 <sup>50</sup> *Id.*

25 <sup>51</sup> *Sonneman v. Hickel*, 836 P.2d 936 (Alaska 1992).

<sup>52</sup> *Myers v. Alaska Hous. Fin. Corp.*, 68 P.3d 386 (Alaska 2003).

<sup>53</sup> *Alex*, 646 P.2d at 210.

<sup>54</sup> *Southeast Alaska Conservation Council*, 202 P.3d at 1177.

<sup>55</sup> *City of Fairbanks v. Fairbanks Convention & Visitors Bureau*, 818 P.2d 1153 (Alaska 1991).

1 scheme setting up the RLC “does not create a pot of money that is available for the legislature  
2 to appropriate if it is not provided directly to school districts.”<sup>56</sup> Because the funds never go to  
3 the legislature and because the funds would not otherwise be available to the legislature if the  
4 statute did not order the funds to be paid directly to the school district, the funds are not, in the  
5 State’s eyes, a source of public revenue that is subject to the dedicated funds clause. The State  
6 also points to the Borough’s concern and objections regarding the RLC and argues that if the  
7 RLC were a “proceed[] of any state tax or license,” and not local revenue as the State contends,  
8 then the Borough would not characterize the RLC as taking local money and the Borough  
9 would not feel as though the State is wronging the Borough by requiring this contribution.

10 The State distinguishes the RLC from the assessments at issue in *Alex* by arguing that  
11 unlike in that case, where a set tax was established,<sup>57</sup> the statute here merely provides a formula  
12 for the calculation of the RLC and leaves municipalities subject to the requirement free to raise  
13 the funds as they see fit, whether through taxes or other means. The State points out that the  
14 statutes at issue in previous dedicated funds clause cases all involved a two part scheme – both  
15 the requirement of funds and the method of how to raise those funds.<sup>58</sup> Such a system is not  
16 present here because there is only the requirement that the Borough pay the RLC, but no  
17 constraints on how the Borough must raise the funds to fulfill that obligation.

18 Finally, the State contends that the purpose of the dedicated funds clause would not be  
19 served by its application to the RLC. The State cites comments made by delegates at the Alaska  
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22 <sup>56</sup> State’s Opp. and Cross Motion for Summary Judgment at 11.

23 <sup>57</sup> The statute in *Alex* established a set tax at “two or three per cent of the fair market value of the fish” that had to be  
24 paid to the aquaculture associations. *Alex*, 646 P.2d at 207.

25 <sup>58</sup> See *Southeast Alaska Conservation Council*, 202 P.3d at 1177 (grant of state lands to the University of Alaska and  
directing where those funds would go); *Sonneman v. Hickel*, 836 P.2d 936 (Alaska 1992) (establishing a specific  
fund for revenue raised by the Alaska Marine Highway System); *Myers v. Alaska Hous. Fin. Corp.*, 68 P.3d 386  
(Alaska 2003) (requiring the sale of future settlement revenue and the dedication of that revenue to a specific  
source).

1 Constitutional Convention reflecting delegates' concern that without the dedicated funds  
2 clause, earmarking would occur and would curtail the legislature's exercise of budgetary  
3 controls. The State argues that such a danger does not exist with the RLC. The RLC actually  
4 gives the legislature more control over its budget by leaving more money in the State's budget  
5 because without the RLC, the State would have to contribute more to the funding of State  
6 education programs.

7 The State's attempts to characterize a statute that requires certain municipal districts to  
8 raise a substantial amount of funds and contribute those funds to a state program as a statute  
9 that does not concern "proceeds of any state tax or license" as defined by the Alaska Supreme  
10 Court are unpersuasive. As noted, the Alaska Supreme Court has consistently given that key  
11 phrase a broad definition, even citing with approval an Attorney General's Opinion that  
12 concluded the dedicated funds clause was intended to cover "the sources of any public  
13 revenues" including a "tax, license, rental, sale, bonus-royalty, royalty, or *whatever...*"<sup>59</sup>  
14 (emphasis added).  
15

16 The RLC plainly consists of public revenue. The State's assertion that the RLC is not a  
17 source of public revenue because the statutory scheme only requires that the funds be raised,  
18 but does not tell the municipal districts how to raise those funds, ignores reality. Notably, the  
19 RLC is only applicable to municipal districts. As stated, municipal districts consist of organized  
20 boroughs and home-rule or first-class cities.<sup>60</sup> Organized boroughs and cities have local taxing  
21 power.<sup>61</sup> It is hard to conceive of a way, and the State does not propose any, whereby a  
22 municipal district could raise the funds necessary to fulfill its RLC obligation without resorting  
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24 <sup>59</sup> *Alex*, 646 P.2d at 210.

25 <sup>60</sup> AS 14.12.010.

<sup>61</sup> Alaska Const. art. 10, § 2.

1 to taxes. Indeed, that is what the Borough has done in this instance.<sup>62</sup> Funds raised through the  
2 exercise of a municipal district's taxing power are clearly a source of public revenue as broadly  
3 defined by the Alaska Supreme Court.

4 Even absent the fact that most, if not all, municipal districts resort to local taxes to raise  
5 the fund necessary to meet their RLC obligation, the RLC is a source of public revenue. If one  
6 supposes that a municipal district's RLC funds come directly from the district's coffers, and are  
7 not raised by taxes, those funds are still "proceeds of any state tax or license" because the funds  
8 consist of money raised, in some way or another, by municipal districts. That is local money  
9 and that is public revenue. Under the Alaska Supreme Court's expansive definition of the  
10 phrase "proceeds of any state tax or license," this is sufficient to implicate the constraints of the  
11 dedicated funds clause.

12 The Alaska Supreme Court's analysis in *State v. Alex* is especially useful here. As in  
13 that case, here we are concerned with a state statute that directs that a certain amount of funds  
14 be paid from one state organization to another. In *Alex*, the payee was a private organization set  
15 up by state statute and the method of raising revenue was explicitly defined, but that only  
16 makes the case for finding the statutory scheme here as dealing with "proceeds of any state tax  
17 or license" all the more compelling. Here, rather than a private organization receiving funds  
18 raised by individuals, we have one unit of government (the municipal district) raising funds at  
19 the direction of another unit of government (the State) and paying those funds to a public  
20 institution (the municipal district's schools). These facts only further illustrate the public nature  
21 of the funds at issue. The State's attempt to distinguish *Alex* on the grounds that unlike in that  
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25 <sup>62</sup> See Brandt-Erichsen Aff. ¶10 (Feb. 6, 2014).

1 case, municipal districts have the choice of how to raise the funds necessary to meet the RLC is  
2 unpersuasive for the reasons discussed above.

3 *City of Fairbanks*<sup>63</sup> is also helpful in resolving this question. In that case, the Alaska  
4 Supreme Court held that a local initiative that expanded the permissible uses of funds derived  
5 from a bed tax to uses other than tourism was constitutional under the dedicated funds clause.<sup>64</sup>  
6 The bed tax funds were clearly “proceeds of any state tax or license” and thus the question  
7 before the court was whether the initiative set aside specific amounts of the funds for a specific  
8 purpose in a way that was mandatory.<sup>65</sup> As in that case, here we are presented with an entirely  
9 local source of money. The fact that the funds in *City of Fairbanks* were the product of a local  
10 bed tax did not matter in the court’s determination that the tax proceeds were “proceeds of any  
11 state tax or license.” Thus, the fact that the RLC is, essentially, a solely local matter and local  
12 source of funds, does not weigh in the court’s consideration of whether the RLC consists of  
13 funds subjected to the dedicated funds clause.  
14

15 Finally, the nuanced questions analyzed by the Alaska Supreme Court in past dedicated  
16 funds clause cases further illustrates the clarity of the issue here. Past cases dealing with this  
17 provision presented more complex issues such as whether the sale of future settlement income<sup>66</sup>  
18 or whether the proceeds of land use or sales transferred from the state to a state university<sup>67</sup>  
19 qualified as “proceeds of any state tax or license.” Here, the court is focused on local revenue  
20 raised to fulfill a municipal district’s required contribution to that district’s education facilities.  
21 This is a much clearer issue than *Myers* or *Southeast Alaska Conservation Council*, for  
22 example. In contrast to those cases where there was a multilayered statute involving items that  
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24 <sup>63</sup> 818 P.2d 1153 (Alaska 1991).

25 <sup>64</sup> *Id.* at 1158.

<sup>65</sup> *Id.*

<sup>66</sup> *Myers v. Alaska Hous. Fin. Corp.*, 68 P.3d 386 (Alaska 2003).

<sup>67</sup> *Southeast Alaska Conservation Council v. State*, 202 P.3d 1162 (2009).

1 were later transformed into money (settlement revenue or land sales), here there is clear  
2 direction from a state statute requiring municipal districts to contribute money to their school  
3 districts. There is no need to parse the statute as was required by *Myers* or *Southeast Alaska*  
4 *Conservation Council*, for example, because the scheme here much more clearly and directly  
5 involves local money. As stated, this local money qualifies as “proceeds of any state tax or  
6 license” and is thus subject to the restrictions of the dedicated funds clause.

7 **b) The RLC is a dedicated fund because the funds are earmarked for a specific**  
8 **purpose and cannot be used in any other way.**

9 As stated, after the court determines that the RLC is a “proceed[] of any state tax or  
10 license,” the court must then determine whether the RLC is dedicated to a specific purpose.  
11 This question is easier to answer than the first issue. Yes, the RLC is dedicated to a specific  
12 purpose. This is evident even from a cursory reading of the statute. The statute explicitly  
13 requires that municipal districts pay the RLC directly to their respective school districts  
14 annually.<sup>68</sup>

15 The statute clearly dedicates the RLC to municipal school districts. Like the bill in  
16 *Southeast Alaska Conservation Council* that explicitly committed land and proceeds to a  
17 specific fund, the *Myers* case which did the same but with settlement revenue, and *Sonneman v.*  
18 *Hickel* which established a special fund for Alaska Marine Highway Revenue,<sup>69</sup> the RLC is  
19 committed by statute to a specific fund – the municipal school district’s budget. Neither side  
20 substantially addresses this point at all, likely in recognition that most of the debate in this case  
21 involves the definition of “proceed[] of any state tax or license.”

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25 <sup>68</sup> AS 14.17.410.

<sup>69</sup> 836 P.2d 936 (Alaska 1992).

1 The fact that the RLC never passes through the State treasury is inconsequential. It  
2 actually provides further support for the dedicated nature of the RLC. For example, in *City of*  
3 *Fairbanks*, the Alaska Supreme Court noted that the initiative that removed restrictions for the  
4 use of the proceeds of the bed tax was best thought of as “an ‘undedication’ than a  
5 dedication.”<sup>70</sup> Also relevant to the court’s analysis was its finding that the initiative at issue  
6 “did not infringe on flexibility in the [city’s] budget process.”<sup>71</sup> Here, unlike in *City of*  
7 *Fairbanks*, the RLC funds are not available for use throughout the Borough but rather are  
8 earmarked for specific use at the Borough’s schools. This setting aside of funds infringes  
9 greatly on the Borough’s flexibility in budgeting and further illustrates the dedicated nature of  
10 these funds.

11 **c) The RLC is a dedicated fund but it is not exempted from the dedicated funds**  
12 **clause because it was not in existence at the time the Alaska Constitution was**  
13 **ratified.**

14 The dedicated funds clause provides an exemption for pre-Statehood dedications. The  
15 clause states: “This provision shall not prohibit the continuance of any dedication for special  
16 purposes existing upon the date of ratification of this section by the people of Alaska.”<sup>72</sup> One  
17 Alaska Attorney General Opinion concluded, after analyzing the minutes from the Alaska  
18 Constitutional Convention, that any repeal or repeal and re-enactment of a dedication after  
19 ratification “takes the dedication from under the protection of the grandfather clause...”<sup>73</sup>  
20  
21

22 <sup>70</sup> 818 P.2d 1153, 1158-59 (Alaska 1991).

23 <sup>71</sup> *Id.*

24 <sup>72</sup> Alaska Const. art. IX, § 7.

25 <sup>73</sup> 1959 Op. Atty. Gen. No. 7, at 1-2 (March 11, 1959). The Borough cites to several more recent Attorney General  
Opinions that likewise hold that a grandfathered dedicated fund must have existed before Statehood and that such  
pre-existing dedications lose their grandfather status once repealed (even if repealed and re-enacted). *See* 1992  
Informal Op. Atty. Gen. vol. 1 at 33 (Jan. 12, 1990, re-dated Jan. 1, 1992); 1992 Informal Op. Atty. Gen. vol. 1 at 31  
(Sept. 11, 1989, re-dated Jan. 1, 1992).



1 The State argues that even if the court found that the RLC were a dedicated fund, it  
2 would be exempted from the dedicated funds clause under the exemption for dedicated funds  
3 existing at the time of ratification. The State argues that similar statutory provisions requiring a  
4 local contribution to a locality's school district have been in existence since the Territorial  
5 days. Therefore, if the court found the RLC were a dedicated fund, it would qualify for the  
6 exemption from the dedicated funds clause.

7 The Borough argues that the RLC cannot be grandfathered in as a pre-existing  
8 dedication because 1) the RLC was enacted after Statehood (enacted in 1962) and 2) even if  
9 pre-Statehood laws were dedications (which the Borough rejects) all previous similar  
10 Territorial laws were repealed when the RLC was enacted.

11 The Borough then discusses the Territorial laws proposed by the State as being similar  
12 to the RLC.<sup>74</sup> The Borough argues that under the law analyzed by the State, municipalities were  
13 free to contribute as much as they deemed fiscally responsible and then the Territory would  
14 reimburse the municipalities. This is in contrast to the RLC, in the Borough's view, because the  
15 RLC compels a set amount and does not let municipalities use their independent judgment as to  
16 how much to contribute to local schools.

17 Even if the Territorial laws were dedications, the Borough argues that their grandfather  
18 status was extinguished when they were repealed and replaced by the education funding  
19 scheme (including the RLC) enacted in 1962. The Borough cites to the aforementioned Alaska  
20 Attorney General opinion for support and asks the court to reject the State's argument that the  
21 RLC is protected by the clause's exemption for pre-ratification dedicated funds.  
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25 <sup>74</sup> Both parties attached copies of the Territorial laws discussed.

1 The court agrees with the Borough on this issue and finds that the RLC does not qualify  
2 for the exemption for dedications in existence before the Alaska Constitution was ratified. For  
3 one, the Territorial laws were more permissive with regards to local contribution requirements  
4 than the RLC here. For example, the Territorial laws allowed the localities to determine how  
5 much to contribute to education and then the Territory would reimburse a percentage of those  
6 expenditures. That is contrasted here with the set, mandatory amount of the RLC. Thus, the  
7 RLC has not been in existence since Territorial days.

8 Second, and more importantly, those laws were repealed and replaced by the RLC and  
9 other education funding law in 1962. Alaska Attorney General Opinions conclude that pre-  
10 Statehood exemptions under the dedicated funds clause are extinguished when the law is  
11 repealed, even if it is later re-enacted.<sup>75</sup> There are no cases that address this exemption portion  
12 of the dedicated funds clause, and therefore the Attorney General Opinions are the most  
13 persuasive authority available to this court on this issue. The logic employed in those opinions  
14 makes sense when applied to this situation as well. Merely because localities have always been  
15 statutorily mandated to contribute to the funding of their schools should not mean that the RLC,  
16 which was enacted after Statehood, should be exempted from the dedicated funds clause. In  
17 sum, because the RLC was not in existence before Alaska's constitution was ratified and  
18 because the pre-Territorial education funding law was repealed and replaced in 1962 (which  
19 included the statute enacting the RLC), the RLC does not qualify for the exemption found in the  
20 dedicated funds clause.  
21

22 **d) The RLC does not violate the legislative appropriations clause or the**  
23 **governor's veto clause because the funds are not involved in the appropriations**  
24 **process**

25 <sup>75</sup> 1959 Op. Atty. Gen. No. 7, at 1-2 (March 11, 1959).

1 The court will address the remaining two claims – that the RLC violates the  
2 appropriations clause and the governor’s veto clause – together because the parties present  
3 virtually identical arguments with respect to both claims. The court finds that the RLC does not  
4 violate either of these constitutional provisions because the RLC does not enter the state treasury  
5 (and its failure to do so likewise does not violate these clauses) and because the RLC is not an  
6 appropriation.

7 Article IX, section 13 of the Alaska Constitution, the appropriations clause, states:

8 No money shall be withdrawn from the treasury except in accordance with appropriations  
9 made by law. No obligation for the payment of money shall be incurred except as  
10 authorized by law. Unobligated appropriations outstanding at the end of the period of  
time specified by law shall be void.

11 The notes of decisions concerning this clause have to do with items such as special  
12 funds<sup>76</sup> and the scope and manner of municipal appropriations.<sup>77</sup> There are no cases analogous to  
13 the situation at hand. Black’s Law Dictionary gives the following meanings to the term  
14 appropriation: “A legislative body’s act of setting aside a sum of money for a public  
15 purpose...The sum of money so voted.”<sup>78</sup> Similarly, Black’s includes the following definition of  
16 appropriations bill: “A bill that authorizes governmental expenditures.”<sup>79</sup> The Alaska Supreme  
17 Court has defined an item in an appropriations bill as “a sum of money dedicated to a particular  
18 purpose.”<sup>80</sup>

19 The only mention of the appropriations clause in the context of a dedicated fund that the  
20 court could find was a citation to a comment made by a state official in the dissent of *Myers*. The  
21

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22 <sup>76</sup> *Carr-Gottstein Prop. v. State*, 899 P.2d 136 (Alaska 1995) (holding that private funds, deposited into an  
administrative agency’s account and subject to the agency’s instructions, do not constitute unrestricted “program  
23 receipts” that must be deposited in the state treasury and subject to the legislature’s power of appropriation).

24 <sup>77</sup> *Municipality of Anchorage v. Frohne*, 568 P.2d 3 (Alaska 1977) (interpreting the charter of the municipality of  
Anchorage as allowing the municipality to make appropriations outside of the ordinance process).

25 <sup>78</sup> BLACK’S LAW DICTIONARY 123 (10th ed. 2014).

<sup>79</sup> BLACK’S LAW DICTIONARY 196 (10th ed. 2014).

<sup>80</sup> *Alaska Legislative Council v. Knowles*, 21 P.3d 367, 373 (Alaska 2001).

1 dissent briefly mentioned the concern an official had raised prior to the finalizing of the  
2 settlement scheme that the payment of the revenues from the tobacco settlement directly to a  
3 private entity upon receipt by the State was potentially in violation of the appropriations clause.<sup>81</sup>

4 Other than that brief mention, the Alaska Supreme Court has not addressed appropriation clause  
5 (or governor's veto clause) claims in the context of a dedicated funds challenge.

6 Article II, section 15 of the Alaska Constitution, the governor's veto clause, provides:

7 The governor may veto bills passed by the legislature. He may, by veto, strike or reduce  
8 items in appropriation bills. He shall return any vetoed bill, with a statement of his  
9 objections, to the house of origin.

10 The Alaska Supreme Court has interpreted this clause as a safeguard against "corrupt or  
11 hasty and ill-considered legislation," and as a power granted "to preserve the integrity of the  
12 executive branch of government and thus maintain an equilibrium of governmental powers."<sup>82</sup>

13 The governor's veto power applies only to monetary appropriations, as defined above.<sup>83</sup>

14 The case law interpreting this clause has focused on the different meaning ascribed to the  
15 term appropriation when dealing with a citizen's initiative versus a bill originating in the  
16 legislature,<sup>84</sup> and whether a governor properly exercised the veto.<sup>85</sup> As stated, there are no  
17 analogous cases in which the Alaska Supreme Court has discussed a challenge to a funding  
18 scheme on the grounds that it violates the governor's veto clause in the context of a suit also  
19 challenging the statute or action on the grounds that it violates the dedicated funds class too. All

20 <sup>81</sup> *Myers v. Alaska Hous. Fin. Corp.*, 68 P.3d 386, 399-400 (Alaska 2003) (Justice Bryner and Justice Fabe  
21 dissenting).

22 <sup>82</sup> *State v. A.L.I.V.E. Voluntary*, 606 P.2d 769, 772 (Alaska 1980) (internal citations omitted).

23 <sup>83</sup> *Alaska Legislative Council ex rel. Alaska State Legislature v. Knowles*, 86 P.3d 891, 895 (Alaska 2004) (holding  
24 that a bill which transferred land and the income derived from that land to the University of Alaska was not an  
25 appropriation subject to the governor's enhanced veto power (requiring a three-fourths vote of the legislature to  
override the veto under article II, section 16) because the bill presented a non-monetary asset transfer which is not  
an appropriation as defined by the court).

<sup>84</sup> *Alaska Legislative Council ex rel. Alaska State Legislature*, 86 P.3d at 894-95 (Alaska 2004).

<sup>85</sup> *Simpson v. Murkowski*, 129 P.3d 435 (Alaska 2006) (holding that the governor's line item veto of a budget  
appropriation was authorized by the constitution); *Alaska Legislative Council*, 21 P.3d 367 (Alaska 2001) (holding  
that the governor sufficiently stated his objections to vetoed items in appropriations bill).

1 of the cases interpreting this clause concerned more direct cases of bills coming from the  
2 legislature or ballot initiatives that directly required the outlay of state funds. None of them dealt  
3 with the negative appropriation argument we have here, where the Borough argues that the fact  
4 that the RLC is never subject to the appropriations clause or governor's veto clause thereby  
5 violates those provisions.

6 Unlike the arguments advanced related to the dedicated funds clause, both parties present  
7 virtually no case law to support their arguments related to the appropriations clause or the  
8 governor's veto clause. The Borough argues that the RLC violates the appropriations clause and  
9 the governor's veto clause because when it compels a direct transfer of public funds from the  
10 Borough to the Borough School District, it effectively circumvents the legislature and the  
11 legislature's ability to appropriate the funds to the school district or to other means and the  
12 governor's ability to veto items in appropriations bills.

13 The State argues that the appropriations clause and the governor's veto clause do not  
14 apply for the same reason the dedicated funds clause does not apply – the RLC is not a source of  
15 public revenue. The State argues that the RLC is local money, over which the legislature has no  
16 authority to appropriate and thus the governor has no authority to exercise his veto over. The  
17 State contends that the legislature may only appropriate funds from the State treasury and  
18 because the RLC is comprised of Borough funds, the legislature has no power over it and  
19 therefore the appropriations clause is not violated. The State points out that the governor's  
20 authority to strike out or reduce an item in an appropriation bill is limited to appropriations that  
21 are authorized by the legislature. Because the RLC is not an appropriation from the legislature,  
22 the governor has no authority over the funds and the governor's veto clause does not apply. The  
23 State does not address the case law referenced by the Borough.  
24  
25

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1 The RLC is clearly not an appropriation as defined by the Alaska Supreme Court or by  
2 Black's Law Dictionary. It is plainly not a "sum of money so voted."<sup>86</sup> Simply because the  
3 legislature enacted the RLC statute does not mean that the RLC is an appropriation as the term is  
4 commonly used. As stated, the appropriations clause and governor's veto clause only apply to  
5 appropriations. Because the RLC is not an appropriation, those clauses do not apply.

6 The Borough's argument that the RLC violates these constitutional provisions because of  
7 the lack of opportunities for the legislature to appropriate the funds another way, or for the  
8 governor to veto an appropriation of the funds, is unpersuasive. The appropriations clause and  
9 governor's veto clause clearly require an appropriation before they apply and the argument that  
10 the lack of an appropriation violates those provisions is too tenuous for the court.

11 The court does not adopt all of the State's arguments on these clauses, though. The RLC  
12 can still be a source of public revenue for purposes of the dedicated funds clause while also  
13 being considered a source of funds that is not an appropriation for purposes of the appropriations  
14 clause and governor's veto clause. To hold otherwise would mean that any outlay of local funds  
15 at the direction of a state statute violates these two clauses. Thus, the court's holding that the  
16 RLC is a source of public revenue for purposes of the dedicated funds clause is not incongruous  
17 with its holding here, that the RLC is not a source of funds subject to the appropriations clause or  
18 governor's veto clause.

19  
20 Lastly, the RLC does not run afoul of the purposes of either of these provisions. Both  
21 strive to ensure that public funds are not spent without legislative approval or without a final  
22 check on an errant legislature. Here, while although there is a statute that directs municipal  
23 districts to spend funds, the statute was enacted through the legislative process and protected by  
24

25 <sup>86</sup> BLACK'S LAW DICTIONARY 123 (10th ed. 2014).

1 all of the safeguards that provides. Thus, the RLC was not enacted without legislative oversight  
2 and the purposes of the appropriations clause or governor's veto clause have been met. To  
3 impose additional burdens on the funding scheme here by virtue of its absence from the  
4 appropriations process would be unnecessarily duplicative.

5 **e) The Borough is not entitled to a refund under either a theory of assumpsit or**  
6 **restitution**

7 This court has explained, *supra*, that the RLC is a dedicated fund. The Borough argues  
8 the RLC reduced the amount the state must pay to support the Borough schools and therefore  
9 was enriched by the RLC payment.<sup>87</sup> The state responds that it received no enrichment because  
10 the RLC never passed through state coffers and in fact triggered a statutory obligation of the state  
11 to additionally fund Ketchikan Gateway Borough School District.<sup>88</sup>

12 “Assumpsit will lie whenever the defendant has received money which is the property of  
13 the plaintiff, and which the defendant is obliged by natural justice and equity to refund.”<sup>89</sup>  
14 Assumpsit is a quasi-contract cause of action to enforce a duty to repay.<sup>90</sup> Alaska recognizes  
15 actions in assumpsit and its common counts.<sup>91</sup> In order to later bring an action in assumpsit, the  
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19

20 <sup>87</sup> Pl.’s Reply in Support of Mot. for Summary Judgment and Opp. to State’s Cross Mot. for Summary Judgment at  
21 16.

<sup>88</sup> State’s Opp. and Cross Motion for Summary Judgment at 11.at 21-22.

22 <sup>89</sup> *Bayne v. U.S.*, 93 U.S. 642, 643 (1876) (Assumpsit is underpinned by principles of quasi-contract and unjust  
enrichment); *State of Alaska Commercial Fisheries Entry Comm’n v. Carlson*, 270 P.3d 755, 765 (2012).

23 <sup>90</sup> *See American Surety Co. of New York v. Multnomah Co.*, 171 Or. 287, 325 (Or. 1943); RESTATEMENT (THIRD) OF  
RESTITUTION AND UNJUST ENRICHMENT § 70 (2011).

24 <sup>91</sup> *State v. Wakefield Fisheries, Inc.*, 495 P.2d 166, 172 (1972), “The common law has long recognized a cause of  
25 action in assumpsit to recover overpayment of taxes” (*overruled on other grounds by Principal Mut. Life Ins. v.*  
*State Div. of Ins.*, 780 P.2d 1023, 1030 (Alaska 1989)). *See also Stone v. White*, 301 U.S. 532, 534 (1937), “[I]t has  
been gradually expanded as a medium for recovery upon every form of quasi-contractual obligation in which the  
duty to pay money is imposed by law, independent of contract, express or implied in fact.”

1 paying party must formally protest at the time of payment.<sup>92</sup> Similarly, restitution is a remedy  
2 that corrects unjust enrichment.<sup>93</sup>

3 Both pled theories of assumpsit and restitution rest on the doctrine of unjust enrichment.  
4 Unjust enrichment occurs when one side is benefitted at a loss to the other. Alaska case law  
5 recognizes three elements of unjust enrichment:

- 6 1. A benefit conferred upon the defendant by the plaintiff;
- 7 2. Appreciation of such benefit; and
- 8 3. Acceptance and retention by the defendant of such benefit under such circumstances that  
9 it would be inequitable for him to retain it without paying the value thereof.<sup>94</sup>

10 Classifying the RLC payment as an unjust enrichment to the state turns on the first prong.  
11 Factually, one must determine whether the state received a benefit from the Borough's RLC  
12 payment. On one hand, the Borough made the RLC payment directly to the Borough School  
13 District. The money never passed through state coffers. This would support the state's argument  
14 that there was no unjust enrichment because there was no type of enrichment at all. Further, the  
15 payment of the RLC caused the state to release the remaining funding to the school district. The  
16 Borough impliedly argues that without the RLC payment, the State of Alaska would have been  
17 forced to contribute money in the place of the RLC payment to fully fund schools, and the  
18 Borough's RLC payment lessened the state's obligations.<sup>95</sup>

19 This argument fails for two reasons, First, neither party has argued that the Alaska  
20 Constitution's education clause compels the state to fully fund all public schools in Alaska.<sup>96</sup>

21 <sup>92</sup> *Principal Mutual*, 780 P.2d at 1030. *See also Era Aviation, Inc. v. Campbell*, 915 P.2d 606, 612 (1996) ("To later  
22 bring an action in assumpsit, a payer must specifically notify the State, whether by the words 'paid under protest' or  
otherwise, that it intends to seek reimbursement").

23 <sup>93</sup> RESTATEMENT (THIRD) OF RESTITUTION AND UNJUST ENRICHMENT § 1 cmt. a (2011).

24 <sup>94</sup> *Alaska Sales and Service, Inc. v. Millet*, 735 P.2d 743, 746 (Alaska 1987).

25 <sup>95</sup> "Because the state's obligations have been lessened by the Borough's payment under protest of an  
unconstitutional assessment, the Borough is entitled to a refund." Pl.'s Reply in Support of Mot. for Summary  
Judgment and Opp. to State's Cross Mot. for Summary Judgment at 16.

<sup>96</sup> *See* State's Opp. and Cross Motion for Summary Judgment at 18-21; Pl.'s Reply in Support of Mot. for Summary  
Judgment and Opp. to State's Cross Mot. for Summary Judgment at 10.



1 Second, without this showing one cannot conclude the state received any benefit from KGB's  
2 payment. If on one hand the state has a duty to fully fund public schools, then perhaps the  
3 payment of the RLC to the Borough School District would indeed give the state an indirect  
4 benefit. However, if the state has no duty to fully fund public schools and requiring a local  
5 contribution violates no constitutional provision beyond the dedicated funds clause, then  
6 payment of the RLC does not provide the state a tangible benefit.

7 Because the Borough has failed to offer argument that the state has a duty to fully fund  
8 public schools and because the RLC payment was paid to the school district and not the state, a  
9 claim of unjust enrichment fails and the state need not pay the borough the amount of the RLC  
10 payment under an action in assumpsit or restitution.  
11

## 12 CONCLUSION

13 For the reasons stated above, the Ketchikan Gateway Borough's motion for summary  
14 judgment is GRANTED in part because the court finds that the RLC is a dedicated fund in  
15 violation of the dedicated funds clause of the Alaska Constitution. The Borough is entitled to a  
16 declaratory judgment to this effect.

17 The Borough's motion for summary judgment is DENIED, in part, because the court  
18 finds that the Borough is not entitled to funds equivalent to the 2013 RLC payment under  
19 theories of assumpsit and restitution.  
20

21 Further, the State of Alaska's cross motion for summary judgment is GRANTED, in  
22 part, because the RLC does not violate the governor's veto clause or the legislative  
23 appropriations clause of the Alaska Constitution. The State's cross motion for summary  
24 judgment insofar as it relates to the dedicated funds clause is DENIED.

25 **IT IS SO ORDERED.**

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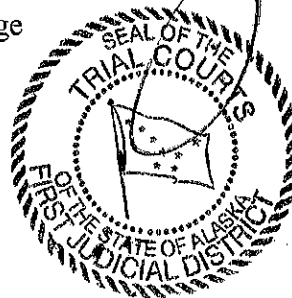
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*Alaska Court System*

Dated at Ketchikan, Alaska this 21 day of November 2014.

William B. Carey  
Superior Court Judge



**CERTIFICATION**

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**ORDER ON CROSS MOTIONS FOR SUMMARY JUDGMENT**

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