

HOUSE FINANCE COMMITTEE
February 25, 2002
1:59 PM

TAPE HFC 02 - 31, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:59 PM.

MEMBERS PRESENT

Representative Eldon Mulder, Co-Chair
Representative Bill Williams, Co-Chair
Representative Eric Croft
Representative John Davies
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Carl Moses
Representative Jim Whitaker

MEMBERS ABSENT

Representative Con Bunde, Vice-Chair

ALSO PRESENT

Senator Gary Stevens; Mike Tibbles, Staff, Representative Williams; Kevin Ritchie, Alaska Municipal League

PRESENT VIA TELECONFERENCE

There were no teleconference testifiers.

SUMMARY

HB 20 "An Act relating to state aid to municipalities and certain other recipients, and for the village public safety officer program; relating to municipal dividends; relating to the public safety foundation program; and providing for an effective date."

HOUSE BILL NO. 20

"An Act relating to state aid to municipalities and certain other recipients, and for the village public safety officer program; relating to municipal dividends; relating to the public safety foundation program; and providing for an effective date."

Co-Chair Mulder MOVED to ADOPT proposed committee substitute work draft 22-LS0008\J, 2/22/02. Representative John Davies OBJECTED. He stated a preference for the original legislation.

Co-Chair Williams explained that the proposed committee substitute would simply the legislation by using the existing laws.

A roll call vote was taken on the motion.

IN FAVOR: Foster, Harris, Hudson, Lancaster, Moses, Whitaker, Williams, Mulder
OPPOSED: Davies

Representatives Bunde and Croft were absent from the vote.

MIKE TIBBLES, STAFF, REPRESENTATIVE WILLIAMS explained that the intent was to simplify the legislation. The committee substitute utilizes three existing programs: Tax Resource Equalization, Revenue Sharing for Municipal Services, and Revenue Sharing for Safe Communities. The legislation authorizes appropriations to these three programs and adds capital matching grants and payments to municipalities for costs of confinement and care of state prisoners (community jails). The per capita amount was reduced from \$150 to \$100. This would result in an estimated annual appropriation into the Fund from the Earnings Reserve Account of \$59.3 million dollars, based on last year's number of permanent fund dividend applicants.

Co-Chair Williams acknowledged that the sponsor did not support the reduction.

In response to a question by Representative Lancaster, Mr. Tibbles explained that the increase was placed in the Municipal Services program. The intent was to place the money in the program that would give the most flexibility to municipalities. It is derived by formula. Revenue Sharing for Safe Communities has priorities and statutory requirements. The Tax Resource Equalization Program would be funded at the FY02 amount: \$8.5 million dollars. The Revenue Sharing for Municipal Services Program would be \$14.0. The total revenue sharing program would be \$22.5 million dollars. The Revenue Sharing for Safe Communities Program would be funded at the FY02 amount: \$16.8 million dollars. Capital Matching grants would be funded at \$15.0 million dollars, which is slightly more than FY02. Community Jails would be funded at \$5 million dollars, which is between the FY02 level and the Governor's FY03 request.

Representative Hudson asked what was left out. Mr. Tibbles noted that the original legislation created a new program and repealed municipal assistance and revenue sharing. The new program allocated funds to communities based on services provided and allocated on a per capita basis within the service provided.

Representative Hudson observed that the original legislation was for \$89 million dollars and the committee substitute would be for \$59.3 million dollars. Mr. Tibbles explained that legislation took what was left after funding the new program and allocated it all to capital matching grants. It was substantially more than the FY02 amount. He observed that the FY02 amount [for capital matching grants] was \$13 or 14 million dollars. Under the legislation [capital matching grants] would have been \$28 million dollars. The proposed committee substitute would allocate \$15 million dollars. If there are additional funds the capital matching grants could be increased.

Representative John Davies noted that the sponsor spoke to the need for flexibility. He questioned how much flexibility exists in the proposed committee substitute. He noted that the Legislature may appropriate to the specific programs, but questioned the communities' flexibility to move the money between appropriations. Mr. Tibbles clarified that each program is a little different. He explained that the number of road miles or hospital beds within the community determines their funding under the Municipal Services Program. He thought that communities would have significant flexibility in how the money is spent. Statutes require that funding under the Safe Communities Program require that the funding be used in priority of: police, fire, water and sewage, solid waste and other community priorities.

Representative John Davies concluded that within each specific appropriation there is a variable amount of flexibility, but that between the appropriations there no ability to move funds. Mr. Tibbles agreed that the funds could not be shifted within appropriations.

In response to a question by Representative Lancaster, Mr. Tibbles acknowledged that the numbers of the original legislation and the proposed committee substitute are significantly different.

KEVIN RITCHIE, ALASKA MUNICIPAL LEAGUE observed that the committee substitute would maintain the current revenue sharing structure. The Alaska Municipal League supports any increase to revenue sharing. He pointed

out that an advantage of the original legislation is that it would target the funding formula toward services, which would be an advantage creating public support. He noted that the Alaska Municipal League strongly supports implementation of a long-range financial plan. The Alaska Municipal League will work to support the legislation as part of a long-range financial plan and additional funding toward revenue sharing, even if it is under the old formula. He emphasized that even though the original legislation would create a new program, that it would be understandable for communities. The current funding formula is rather obscure, but the plan proposed by HB 20 would be simple. Funding under the original version of HB 20 would be tied to services. He reiterated their support for a long-range fiscal plan.

Representative John Davies stressed that different communities have different priorities and needs.

Mr. Ritchie agreed that flexibility is desirable, but emphasized the need for accountability.

Representative Harris pointed out that \$15 million dollars would be appropriated for capital matching grants, which are fairly flexible.

Co-Chair Mulder spoke in support of retaining the structure of the committee substitute and emphasized its flexibility. He pointed out that all communities do not use the money in the same way. Some communities use their funds for property tax relief, local support to education, or basic operations. He acknowledged that the funding level in the committee substitute is not as great as contained in the original but noted that it is a 20 percent bump over FY02 (50 million to 60 million dollars). He observed that without the legislation municipalities might be facing another reduction to municipal assistance and safe communities. It would provide municipalities some relief in an affordable way and builds support for the use of surplus earnings of the Permanent Fund for essential community services, tax relief or however the community sees fit. He did not think that \$100 per person would be unreasonable. He stressed that the intent is to pass legislation that can be enacted into law.

Representative Lancaster observed that members that may agree with the committee substitute are concern that there might not be another opportunity to amend another appropriation bill.

Co-Chair Mulder stated his intention in pursuing a revenue package.

Co-Chair Mulder noted his intent to take up the supplemental legislation on Friday, under bills previously heard/scheduled.

HB 20 was heard and HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 2:29 PM