

ALASKA STATE LEGISLATURE  
**SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE**  
WORK SESSION  
February 10, 2001  
1:36 p.m.

**MEMBERS PRESENT**

Senator John Torgerson, Chair  
Senator Georgianna Lincoln

**MEMBERS ABSENT**

Senator Alan Austerman  
Senator Randy Phillips  
Senator Pete Kelly

**COMMITTEE CALENDAR**

SENATE BILL NO. 48

"An Act relating to the determination of full and true value of taxable municipal property for purposes of calculating funding for education and certain other programs; and relating to incorporation of second class boroughs in the unorganized borough and to annexation of portions of the unorganized borough to boroughs and unified municipalities."

HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

See Community & Regional Affairs minutes dated 1/31/01 and 2/7/01.

**WITNESS REGISTER**

Senator Gary Wilken  
Alaska State Capitol  
Juneau, Alaska 99801-1182  
**POSITION STATEMENT:** Sponsor of SB 48

Mr. Orrie Bell  
Box 200  
Petersburg, Alaska 99833  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Charles Abbott  
HC 60, Box 4225  
Delta Junction, Alaska 99737  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Art Griswold  
HC 60, Box 4493  
Delta Junction, Alaska 99737  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Patrick Schlichting  
HC 60, Box 3050  
Delta Junction, Alaska 99737  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Paul Knopp  
Deltana Community Corporation  
Box 794  
Delta Junction, Alaska 99737  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Glenn Marunde  
Box 192  
Tok, Alaska 99780  
**POSITION STATEMENT:** Opposed to SB 48

Ms. Mary Bonin  
PO Box 30  
Chitina, Alaska 99566  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Eric Nashlund  
SR Box 271  
Copper Center, Alaska 99573  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Roy Britton  
HC 60, Box 330M  
Copper Center, Alaska 99573  
**POSITION STATEMENT:** Opposed to SB 48

Mr. John Wenger  
HC 60, Box 280  
Copper Center, Alaska 99573  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Robert Fithian  
HC 60, Box 299C  
Copper Center, Alaska 99573  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Robert Hurst  
No address furnished  
Kenny Lake Teleconference Site  
**POSITION STATEMENT:** Opposed to SB 48

Ms. Carole Morrison  
PO Box 21  
Chitina, Alaska 99566  
**POSITION STATEMENT:** Opposed to SB 48

Ms. Joy Ford  
No address furnished  
Chitina, Alaska 99566  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Daniel Boone  
PO Box 53  
Chitina, Alaska 99566  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Daniel Stevens  
PO Box 85  
Chitina, Alaska 99566  
**POSITION STATEMENT:** Opposed to SB 48

Ms. Denny K. Weathers  
PO Box 1791  
Cordova, Alaska 99574  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Eric Weathers  
PO Box 1791  
Cordova, Alaska 99574  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Dean Curran  
PO Box 42  
Cordova, Alaska 99574  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Laife Weathers  
PO Box 1791  
Cordova, Alaska 99574  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Wayne Shafer  
HC 02, Box 538  
Gakona, Alaska 99586  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Albert Reyerse  
SR Box 470  
Gakona, Alaska 99586  
**POSITION STATEMENT:** Opposed to SB 48

Ms. Michelle Apley  
HC 02, Box 538  
Gakona, Alaska 99586  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Kirk Ellis  
HC 63, Box 1415  
Gakona, Alaska 99586  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Thor Holmboe  
HC Box 510  
Gakona, Alaska 99586  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Jay Capps  
HC Box 440  
Gakona, Alaska 99586  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Bill Seeger  
HC 1, Box 440  
Gakona, Alaska 99586  
**POSITION STATEMENT:** Opposed to SB 48

Ms. Jane Brown  
PO Box 92  
Glennallen, Alaska 99588  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Matthew Krinke  
PO Box 545  
Glennallen, Alaska 99588  
**POSITION STATEMENT:** Opposed to SB 48

Mr. John Kunik  
PO Box 92  
Glennallen, Alaska 99588  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Harry Termin  
HC 60, Box 115E  
Copper Center, Alaska 99573  
**POSITION STATEMENT:** Opposed to SB 48

Ms. Gloria Stickwan  
Tazlina Village Council  
PO Box 264  
Copper Center, Alaska 99573  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Russ Bowdre  
Box 1048  
Delta Junction, Alaska 99737  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Andrew Leonard  
HC 60, Box 229  
Copper Center, Alaska 99573  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Tom Lambert  
SR Box 220  
Copper Center, Alaska 99573  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Scott Rees  
PO Box 100  
Copper Center, Alaska 99573  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Sam Lightwood  
HC 60, Box 229  
Copper Center, Alaska 99573  
**POSITION STATEMENT:** Opposed to SB 48

Ms. Diane Ellsworth  
PO Box 14  
Chitina, Alaska 99566  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Steve Ginnis, President  
Tanana Chiefs Conference  
122 First Avenue  
Fairbanks, Alaska 99701  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Pat W. Sweetsir  
Tanana Chiefs Conference  
122 First Avenue  
Fairbanks, Alaska 99701  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Phillip Skilbred  
Two Rivers School Committee  
309 Little Chena Drive  
Two Rivers, Alaska 99716  
**POSITION STATEMENT:** Opposed to SB 48

Mr. Burt Ward  
HC-01, Box 1980  
Glennallen, Alaska 99588

**POSITION STATEMENT:** Opposed to SB 48

Mr. Wayne MacMurray  
Box 952  
Slana, Alaska 99586

**POSITION STATEMENT:** Opposed to SB 48

Mr. John Smith  
No address furnished  
Copper Center, Alaska 99573

**POSITION STATEMENT:** Opposed to SB 48

**ACTION NARRATIVE**

**TAPE 01-4, SIDE A**

Number 001

**CHAIRMAN JOHN TORGERSON** called the Senate Community & Regional Affairs Committee meeting to order at 1:36 p.m. Chairman Torgerson said the meeting was scheduled on a Saturday so the committee could listen to testimony.

#SB 48

**SB 48-MUNICIPALITIES:INCORP/PROPERTY VALUATION**

SENATOR WILKEN, sponsor of SB 48, said SB 48 is an attempt to validate the \$125 million contribution that has been given to regional education attendance areas over the last six years. Some of Alaska's unorganized boroughs may have the capability of supporting their educational needs for which there is no support today. SB 48 keeps existing law in place while putting in an alternative option for the Department of Community and Economic Development to see if some unorganized boroughs are available for annexation. The boroughs are then nominated to the Local Boundary Commission. An analysis is done and a determination is made from a checklist of 12 items as to whether or not a borough has the ability to support government. If a borough has the ability to pay then it should and if it does not, that borough should be helped. SB 48 does not attempt to define or indicate areas of the state that may or may not be able to support education. It is not predatory or punitive, it simply attempts to answer the question: what is the validity of a \$125 million contribution to unorganized Alaska?

Number 106

MR. ORRIE BELL, testifying via teleconference from Petersburg, said SB 48 speaks of unfairness as well as personal responsibility. He does not think it is unfair that he pays a 3 1/2 percent raw fish tax. He has schooled his children through 12 years at no cost to the state. He has no access to roads, airports, utilities, fire protection, harbor facilities or schools. He has taken personal responsibility in these areas and he thinks it is unfair for the state to tax his home or business without some sort of well described local representation under law. Many people in the Bush are a small burden to the state by choice. The local economy is based on this and it works. SB 48 muddies the water regarding annexation and what the taxes would actually fund - this alone should defeat the bill. Families should not have to sell their assets to satisfy an unfair tax burden.

MR. CHARLES ABBOTT, testifying via teleconference from Delta Junction, said that according to Senator Wilken's statement one of the biggest benefits of becoming an organized borough is that the borough will have more say in their local school district. However, he fails to allow the borough the same consideration in deciding whether or not it wants to be a borough. The people of Delta Junction have chosen to live without the services provided by an organized borough. Should lawmakers of metropolitan areas of the state under so-called equity take this choice away from them? Senator Wilken assumes people should embrace the notion of paying taxes in support of public education, but not everyone believes that pouring more money into a struggling school system is the answer to the public education woes.

Number 165

MR. ART GRISWOLD, testifying via teleconference from Delta Junction, spoke on behalf of the Deltana Borough. Mr. Griswold said before anything happens with SB 48, the boundary commission should be reorganized and forced to look at petitions. After signatures are submitted, they should go to the Lt. Governor's office to be checked and verified. If SB 48 is passed, it opens the Deltana Borough up for annexation into another existing borough. SB 48 looks like it is set up to help boroughs annex areas around them that have an equity base - taking money without giving local people representation.

MR. PARTICK SCHLICHTING, testifying via teleconference from Delta Junction, said this is a controversial issue for many people in his area. It is hard to imagine that rural areas are not being perceived as contributing to the tax base. Imagine rural areas not buying anything from Fairbanks or Anchorage - rural areas

supplement the infrastructure of metropolitan areas. Therefore, rural areas do benefit metropolitan areas by feeding its tax base. People in his area feel an income tax or sales tax would be fair but a property tax is extortion. Mr. Schlichting feels this is the wrong way to raise money for education.

Number 234

MR. PAUL KNOPP testified via teleconference from Delta Junction for the Deltana Community Corporation. Mr. Knopp read the following statement:

Deltana Community Corporation (DCC) does not support SB 48 primarily because it does not provide for a vote of the people affected by borough incorporation. In 1998, DCC supported an RDA mini-grant application by Delta Junction to explore borough feasibility in the Delta/Greely REAA. The Department of Community and Regional Affairs chose not to fund this application. A borough steering committee was formed but was not funded by the state. Without state assistance to research and develop a budget and petition, the committee was unable to produce a petition in the best interest of the state or the area residents. If the state would like to see a borough established, it seems fair that they offer assistance to the affected community. This bill effectively allows the state to dictate what type of government will be established with no local control over the process and without the right to vote.

MR. GLENN MARUNDE, testifying via teleconference from Tok, read from a transcript entitled "Transcript - Review of Article X of the Alaska Constitution February 13 and 14 1996." The Local Boundary Commission (LBC) hosted this meeting.

Mr. Marunde read certain sections from the transcript to point out the qualifications and opinions of Judge Thomas Stewart. He said that far too much of the expert testimony regarding Article 10 of the state constitution, regarding the need for local and regional governments, comes from just two men, Mr. Vic Fisher and Mr. Dan Bockhorst. Both men have great knowledge concerning local government, and Mr. Fisher was at the constitutional convention when the constitution was drafted. In Mr. Marunde's opinion, both men strongly endorse the Model Borough Plan for regional government devised by the Local Boundary Commission. Both men seem to feel that the intent of Article X is to move in the direction of establishing a wall-to-wall layer of government, imposed over every square inch of Alaska. Mr. Marunde made the following statements:

While I disagree with their philosophies, I respect both men for knowledge and I thank them for their service to Alaska. But, in my opinion, when both men claim that Article X promotes their philosophies they are just plain wrong.

Gentlemen, before you vote SB 48 out of committee, I urge you to seek out other opinions from knowledgeable persons. I urge you to give weight to the philosophy of Judge Stewart whom I have quoted from transcript. I suspect that a majority of the delegates who participated in the constitutional convention with him believed that some parts of the unorganized borough would remain unorganized forever. Give respect and weight for the testimony you are hearing over this teleconference, today.

And, most important of all, when you get home tonight, fire up your computer, bring up any browser and search for Alaska State Constitution. In about five seconds it will pop up. Scroll down to Article 10 and read and reread it again. Article X is beautiful for its plain and simple language. You may find it to be relaxing after a long days work. Make up your own mind of what Article X does and does not say.

I challenge you to find even the slightest hint of intention to organize all of the unorganized borough or to create any form in regional government, anywhere in Alaska. Clearly, our constitution calls for borough government to be local government, not regional.

Please do not vote in support of SB 48.

Number 339

MS. MARY BONIN, testifying via teleconference from Chitina, said there were 45 people with her who were outraged because they had not received notice of the teleconference, and because they are not sure what has transpired in the past. The people attending this teleconference with Ms. Bonin feel that past meetings are invalid because they were not included. They want it on the record that they are filing a protest against the entire commission's program because they were not notified.

Number 365

MR. ERIC NASHLUND, testifying via teleconference from Copper Center, said he resents politicians attempting to deprive the people of the state. Alaska's constitution specifically provides for unincorporated boroughs. Legislators are people sworn to defend the constitution and trying to deny the peoples right to vote on incorporation is, in Mr. Nashlund's opinion, impeachable.

MR. ROY BRITTON, testifying via teleconference from Kenny Lake, said he has lived in the area for 40 years and has never seen the need for a borough. A lot of people in the area are barely making due and if they were taxed they would probably go out of business. Mr. Britton sees no need for SB 48.

MR. JOHN WENGER, testifying via teleconference form Kenny Lake, commented that bureaucrats do not know what is going on and should not force an unorganized borough on the people. Mr. Wenger is opposed to SB 48.

MR. ROBERT FITHIAN, testifying via teleconference from Kenny Lake, said he is opposed to the blanketing of existing non-borough lands with the incorporation of new boroughs. Incorporated boroughs have resources, both natural and human, that require a more regulated government. Any or most of the unincorporated areas have not had and do not have this requirement. Many of these areas do not have the resources to support a borough or taxes. They do not have the employment opportunities that organized boroughs have. Mr. Fithian believes that SB 48 carries an unjust assumption that these areas can carry additional costs, which will burden their struggle. Mr. Fithian asked the committee to consider SB 48 as an unjust bill for rural residents.

Number 427

MR. ROBERT HURST, testifying via teleconference from Kenny Lake, said he has to travel over 100 miles in the summer to get a steady job so he can make it through the winter. Taxing his place would be telling him that the state wants to take his property away from him. There is no fire or police protection in his area. Therefore, being incorporated into a borough without being able to get the amenities of a borough is an outrage.

MS. CAROLE MORRISON, testifying via teleconference from Chitina, said she has educated her five children with the help a state program. Ms. Morrison lives a subsistence lifestyle that just gets her through the winter and there is not enough money left over for taxes.

MS. JOY FORD, testifying via teleconference from Chitina, noted

that last summer she did a survey for water and sanitation in the Chitina area. One of the things the people were adamant about was that they wanted the amenities of an incorporated borough but they wanted to provide for these things themselves. People do not want improvements that would create taxes or government presence. The people of Chitina are very upset that they have not been notified of meetings, allowing them input on these types of decisions.

CHAIRMAN TORGERSON asked Ms. Ford to send the committee a copy of her survey.

MR. DANIEL BOONE, testifying via teleconference from Kenny Lake, said he was upset that there was no notification for this meeting. The people of Chitina do not want a borough; there is no economy to support one. The people in charge in Juneau have no idea what is going on in his area. The people of Chitina would like more time to study this bill, but at this time they are opposed to SB 48.

Number 492

MR. DANIEL STEVENS, testifying via teleconference from Kenny Lake, said he was raised in Anchorage and has seen what an organized borough can do to a person. The children of Chitina are bused an hour to and from Kenny Lake in the winter, and the residents feel they have been neglected because they have not received improvement funds for their town.

Number 512

MS. DENNY K. WEATHERS, testifying via teleconference from Cordova, read the following statement:

Every year since 1996 except 2000, a few politicians decided to push an unconstitutional piece of legislation designed to take the vote away from the people. SB 48 is nothing more than trying to force mandatory boroughs under the guise of funding education.

In 1996 it was SB 280, where 95% of the testimony opposed the bill. 1997, SB 30, same thing. Then came SB 337, same thing, and all these bills were basically the same as SB 48. Each year the people have to re-fight the same issue, only difference is the bill number.

Under existing procedures for borough incorporation, it allows for the resident voters of the area to vote on whether they want to incorporate or not. A few areas with the people's vote have incorporated or annexed such

as Yakutat, but it was the will of the people that made the decision, not the legislature.

Under SB 48 there is nothing that guarantees any type of school funding and, as you know, dedicated funds are restricted to certain things, and education is not one of them.

The writer of this bill and the sponsors are trying to fleece the public with fictitious statements.

According to Article 12, Section 5, Oath of Office, those in the legislature take an oath to support and defend the constitution, both U.S. and state. This oath is not being honored.

The preamble says, we the people of Alaska...not we the legislature. The constitution says all political power is inherent in the people, not the legislature. And, is instituted society for the good of the people as a whole, not for the good of the legislature? Some of you in Juneau want to use we the people as a moneymaking resource.

The people in the unorganized boroughs have offered many solutions to school funding - the legislature ignores them.

Most importantly, at least in Prince William Sound, it should be noted that all borough studies to present, including the PWS Borough Feasibility Study of June 25, 1997, along with the SB 337 (mandatory borough) sectional analysis and policy concerns by the Department of Community and Regional Affairs, March 18, 1998, and the Alaska Legislative Digest - 3/15/96 - concerning SB 280 mandatory incorporation of boroughs, show that mandatory boroughs are a failure and that rural boroughs without a special revenue niche would be those in fiscal trouble, like much of the unorganized borough.

Before you vote, please check the facts.

MR. ERIC WEATHERS, testifying via teleconference from Cordova, read the following statement:

We do not need another layer of socialistic bureaucracy; we need the legislature to start peeling back the layers of tyranny. SB 48 is not a bill to make people pay their

fair share for education, it is to squeeze the last drop of blood from those that work and support themselves. It is only to benefit the social services, welfare cases and government. You the legislature were voted in because you were trusted to not sell us any further into servitude.

MR. DEAN CURRAN, testifying via teleconference from Cordova, read the following statement:

I am against the legislature forcing a mandatory borough on any place in the state of Alaska. I see it as just another form of taxation, another layer of government, another way to make higher administrative costs to the local area. I am a commercial fisherman. The state gets half of the raw fish tax that I produce. We have a local sales tax, which helps to support our school system. Why should I have to support rural education attendance areas? I hear the city officials of Cordova say they want to incorporate into a borough. I am a resident of Cordova for 49 years, I don't want any borough. They haven't even brought this to the local people here in Cordova to decide on.

MR. LAIFE WEATHERS, testifying via teleconference from Cordova, said he is a resident of Prince William Sound. He is opposed to any and all government - he opposes SB 48.

Number 575

MR. WAYNE SHAFER, testifying via teleconference from Gakona, said he is opposed to SB 48 for many reasons. The main problem for Slana is that it does not have a viable tax base. Many of the residents are retired and live on fixed incomes. SB 48 is being touted as funding for education, but line 2 gives the option for other programs, without defining what these other programs are. Mr. Shafer believes this is in direct violation of Article 9, Section 7, of the constitution. Slana recently received a limited number of grants providing for road maintenance and limited fire protection. If SB 48 were enacted, this money would be lost to the municipalities. The only thing SB 48 would do for Slana is depress an already depressed area.

**SIDE B**

MR. ALBERT REYERSE, testifying via teleconference from Gakona, said the annexation of an unorganized borough into a tax-paying borough is not needed.

MS. MICHELLE APLEY, testifying via teleconference from Gakona, said she is opposed to SB 48. The population in her area is not large enough to support a borough. There is no work in her area and the people could never pay - they would lose their homes. She put in a special appeal to Senator Wilken against SB 48.

MR. KIRK ELLIS, testifying via teleconference from Gakona, noted that a borough would do nothing for him. People who live in the Bush have a lot of things that would be taxed and these taxes would take away everything.

MR. THOR HOLMBOE, testifying via teleconference from Gakona, said this situation is too complex for a yes or no. Before SB 48 is put to a vote, he would like the legislature to show some sensibility in the expenditure of money - show a return for the dollar.

Number 535

MR. JAY CAPPS, testifying via teleconference from Gakona, said he is a storeowner in Slana. He has seen a 60 percent reduction in population over the last five and one half years. Most of this is because of the rising cost of fuel and lack of jobs. Additional taxes would hurt the economy with the result of more people leaving. Mr. Capps is opposed to SB 48 and feels that people should be able to vote on this issue.

MR. BILL SEEGER, testifying via teleconference from Gakona, said he sees no need for creating another borough just because existing boroughs need more money for education. Mr. Seeger thinks the sales tax should be increased to reach this end.

MS. JANE BROWN, testifying via teleconference from Glennallen, said she is a 10-year resident of Copper Basin and a member of Copper River Residents Against Bureaucracy (CRRAB). She opposes SB 48 because it is unconstitutional and it is riddled with false information. She is not anti-government or anti-tax. She wonders how a bill can be supported if the sponsors will not allow unorganized residents to vote on their own destiny.

Number 469

MR. MATTHEW KRINKE, testifying via teleconference from Glennallen, thanked the committee for listening to the people and hoped it would take the peoples advise and not pass SB 48. People will pay for education, but taxing their land will cause them to lose their land. They are being taxed through the pipeline and that money is going into the general fund.

MR. JOHN KUNIK, testifying via teleconference from Glennallen, said as a member of CRRAB he is opposed to SB 48. The legislature is attempting to establish another level of government. According to the Wall Street Journal, the average amount of state government spending in the United States was 5.8 percent, the highest spent was Alaska at 13.5 percent. The resident's of his community pay user fees for different services, and they also have high unemployment. If portions of the unorganized borough are annexed, they will lose subsistence rights - they will not be considered rural. He also noted that unorganized boroughs do not have representation on the boundary commission.

MR. HARRY TERMIN, testifying via teleconference from Copper Center, commented that he is not anti-tax or anti-government but the less of each the better. The cost of living in the Copper River Basin is very high, and the people have to go to Fairbanks for about 90 percent of their needs. There is a very small portion of land in the Copper River Basin that will fall under the taxable classification. Mr. Termin noted there would be a large cost for becoming a borough and a large percent of the tax burden would fall on a small percent of the people. The law needs to be realigned so that a property tax is not the only tax allowed - possibly a sales or income tax could be used.

Number 385

MS. GLORIA STICKWAN, representing Tazlina Village Council, testified via teleconference from Copper Center. Ms. Stickwan said the people of her area do not have jobs and they will not be able to pay for an organized borough.

MR. RUSS BOWDRE, testifying via teleconference from Delta Junction, read the following statement:

In the sponsor's statement he suggests that residents in an unorganized borough make no contributions to the education fund. While we may not pay taxes per se, I know that Delta residents spend a lot of time and money in Fairbanks supporting those businesses that do pay taxes.

Paragraph 3, lines 2 through 4 of the sponsor's statement says that some areas of the state may meet applicable standards for annexation to current boroughs. If a portion of an unorganized borough that is taxable is annexed, that reduces the future possibilities for the remaining part of the unorganized borough to be able to

sustain a borough government. But the biggest complaint I have with this proposed bill is that it takes away the right to vote, the right to govern ourselves. Nowhere in this bill is a provision made for the people to vote on whether they want to be in a borough or not. And then, on top of that, the legislature does not even have to vote or approve - they simply just 'not reject the recommendation.'

There is no need to create a new option for borough incorporation. There is no need for this legislation at all. People make choices about where they live and the type of services they desire.

MR. ANDREW LEONARD, testifying via teleconference from Copper Center, said SB 48 is a total waste of time and he is against it.

MR. TOM LAMBERT, testifying via teleconference from Kenny Lake, said there are a lot of people in his area who could not pay a property tax. Mr. Lambert thinks that legislators should be making bills that block this type of thing, rather than creating this problem. Once an organized borough is formed it cannot be changed, and people will lose their right to ownership. He asked the committee to look at SB 48 hard, because it is a bad deal.

Number 268

MR. SCOTT REES, testifying via teleconference from Kenny Lake, said he moved from California to Copper Center two years ago because of the minimal interference by government. He sacrifices many services by living where he does, but he has been amazed by the volunteerism in the Kenny Lake area. It is not true that everyone else is subsidizing them, they have a pipeline running through their valley and they do not get any direct money from it - the money goes directly to the state.

MR. SAM LIGHTWOOD, testifying via teleconference from Kenny Lake, said he feels that Kenny Lake does not need an unorganized borough. He is not in favor of a property tax but an income tax throughout the state would be good.

MS. DIANE ELLSWORTH, testifying via teleconference from Chitina, said Chitina is ready for some type of government but it needs self-government. People do not need government that is forced on them.

Number 165

MR. STEVE GINNIS, testifying via teleconference from Fairbanks, read the following statement:

My name is Steve Ginnis. I am President for Tanana Chiefs Conference, Inc., and I would like to testify against SB 48.

Over the years, several bills have been introduced into the Alaska legislature that would require mandatory borough incorporation throughout the state. Often, as with this bill, the argument is made that mandatory borough incorporation is needed to insure that all citizens of the state are paying their fair share for educational services. The charge is that residents of the rural areas are not paying taxes to support their school districts. The problem with such bills is that they fundamentally misunderstand educational funding in Alaska. Moreover, we fear that proponents of mandatory incorporation do not fully appreciate the unanticipated associated costs and consequences of organizing the state into boroughs. Sadly, rural residents are not seriously believed in this debate, because proponents of borough incorporation focus only upon taxing the residents of rural Alaska without seriously considering the consequences. We would urge you to seek a creditable analysis of the true costs and consequences of this bill.

In particular, we would recommend that the committee request the Departments of Education, Revenue, Commerce and Economic Development, and Natural Resources to make a presentation to the committee to answer the following questions:

For the Department of Revenue:

- 1) What is the loss of revenue to the state general fund from taxes derived from the Alaska pipeline if boroughs are organized along the entire pipeline corridor and those boroughs levy a maximum property tax on the pipeline?
- 2) What other tax revenues (including the type and amount) collected by the state government would be diverted to local governments if all the areas in the unorganized borough were to organize into boroughs?
- 3) What intergovernmental transfers (including the type and amount) currently received by the state from the

federal government would be diverted to local governments if all the areas in the unorganized borough were to organize into boroughs?

For the Department of Education:

1) What is the total amount of intergovernmental revenues currently received by REAA's from the federal government?

2) What is the total amount of intergovernmental revenues that would be received in the future by all new boroughs if all the areas in the unorganized borough were to organize into boroughs?

3) What is the total cost to the state in bond reimbursement costs to all new boroughs if all the areas in the unorganized borough were to organize into boroughs and pass bond issues to fund currently requested educational capital improvements?

For the Department of Community and Economic Development

1) What new additional taxes and intergovernmental transfers from the federal government would be generated if the all the areas in the unorganized borough were to organize into boroughs?

2) What is the total cost which would be incurred by all new boroughs in collecting taxes if all the areas in the unorganized borough were to organize into boroughs, and they were to impose a tax to fund the required local contribution under AS 14.17310, and the additional costs of maintaining a minimum level of government administration based upon the current average of approved indirect rates of municipalities in the state?

For the Department of Natural Resources:

1) What is the total amount of land that the state would have to transfer as municipal entitlement to all new boroughs if all the areas in the unorganized borough were to organize into boroughs?

2) What would be the total cost incurred by the Department of Natural resources to transfer all such lands, and does the state have sufficient land to meet this obligation in all areas of the state?

We suspect that the answer to these questions will be that the cost of organizing the state into boroughs will have the following effect:

- Divert current state tax revenues and intergovernmental transfers to local governments with a disproportionate increase in administrative costs;
- Fail to produce any appreciable increase in tax or intergovernmental revenue available for school operation;
- Exhaust state school construction bond reimbursement funds;
- Over obligate available state owned land for municipal land entitlements in many areas of the state.

When the legislature has honestly looked at this issue in the past, the conclusion has been that the costs of mandatory borough incorporation is much greater than the realistic benefits to the state as a whole or to the residents of the future boroughs. Please don't take our word for it. We would challenge this committee to make the above inquiries and we believe that you will come to agree with us that these types of bills are not particularly well thought out.

Tape 2, Side A  
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MR. PAT W. SWEETSIR, testifying via teleconference from Fairbanks, said there is not much of a tax base in his area. Mr. Sweetsir feels SB 48 is bad legislation.

MR. PHILIP SKILBRED, testifying via teleconference from Fairbanks, said he is president and petitioners representative for the Two Rivers School Committee. The revenue Alaska gets is not generated in or by the cities and municipalities of this state. Revenues come almost exclusively from the rural areas - resources that are developed and extracted from those areas. SB 48 will only cause more bitterness and an even larger rift will grow between urban and rural factions of the state. SB 48 will steal the valuable assets of the rural unincorporated areas and put them into the pockets of the urban power brokers. Two Rivers was forced to be in a borough.

It has very little to show from the oil wealth and has paid heavy taxes for over 35 years - to a borough which has repeatedly refused to build a secondary school for an area of over 1,200 people.

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MR. BURT WARD, testifying via teleconference from Glennallen, said he is a 28 year resident of Alaska. Taxation without representation is illegal and has been voted down before. Mr. Ward said the state does gain a lot of revenue from people in rural Alaska.

MR. WAYNE MACMURRAY, testifying via teleconference from Slana, said he agreed with everything said during the teleconference meeting. There were 30 people sitting in the room with him who were 100 percent against SB 48.

MR. JOHN SMITH, testifying via teleconference from Kenny Lake, said if there is a property tax in Slana an incredible amount would be exempt - "it has native land and native homes written all over it," - and a division may inadvertently be created.

CHAIRMAN TORGERSON thanked the 45 people who testified.

SENATOR LINCOLN expressed her appreciation to the Chairman for taking testimony on a Saturday, which may have been the only time people could testify. She also thanked all the people who testified. Senator Lincoln said there were 10 communities that testified, and even though the committee could not respond, she took notes of everything that was said.

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With no further business to come before the committee, CHAIRMAN TORGERSON adjourned the meeting at 3:20 p.m.