

**ALASKA STATE LEGISLATURE**  
**SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

April 9, 2003

1:40 p.m.

**MEMBERS PRESENT**

Senator Thomas Wagoner, Chair  
Senator Gary Stevens  
Senator Georgianna Lincoln  
Senator Kim Elton

**MEMBERS ABSENT**

Senator Robin Taylor, Vice Chair

**COMMITTEE CALENDAR**

Legislative Directive for Unorganized Borough Review:  
Local Boundary Commission

**PREVIOUS ACTION**

No previous action to report

**WITNESS REGISTER**

Darroll Hargraves  
Local Boundary Commission (LBC) Chair  
Department of Community & Economic Development  
550 West Seventh Avenue, Suite  
Anchorage, Alaska 99501-3510

**POSITION STATEMENT:** Presented the LBC Report

Dan Bockhorst  
Staff to the Local Boundary Commission  
Department of Community & Economic Development  
PO Box 110800  
Juneau, AK 99811-0800

**POSITION STATEMENT:** Answered questions on LBC Report

**ACTION NARRATIVE**

**TAPE 03-10, SIDE A**

**CHAIR THOMAS WAGONER** called the Senate Community and Regional Affairs Standing Committee meeting to order at 1:40 p.m. Present were Senators Gary Stevens, Lincoln, Elton and Chair Wagoner.

He announced the business before the committee was the Local Boundary Commission borough review.

**Legislative Directive for Unorganized Borough Review:**  
**Local Boundary Commission**

DARROLL HARGRAVES, Local Boundary Commission Chair from Wasilla, reported commission members Robert Hicks from Seward, Georgianna Zinnerle from Ketchikan and Fairbanks member Dr. Anthony Nakazawa were also in attendance. Robert Harcharek from Barrow wasn't able to attend. He gave the following report:

The commission is here today at the invitation of the Senate Community and Regional Affairs Committee to present information about the recently completed review of the unorganized borough.

Last year, the legislature passed SB 359 by unanimous vote among all members of the Senate and House that were present. The legislation was signed into law as Chapter 53, Session Laws of Alaska, 2002.

The law directed the LBC to review the unorganized borough in terms of the standards for borough incorporation. It also directed the LBC to report to the 2003 Legislature those unorganized areas that meet the standards for borough incorporation.

Four members of the commission that participated in the review of the unorganized borough are no longer on the commission. It is fitting that I recognize the hard work of those former commissioners regarding this matter. Those former members are Kevin Waring, Allan Tesche, Ardith Lynch, and Myrna Gardner.

The commission began its review shortly after the law took effect on September 17 of last year. The commission endeavored to promote broad public awareness about and participation in the review.

The commission met six times concerning the unorganized borough review: October 22, 2002, November

13, 2002, December 9, 2002, January 22, 2003, February 8, 2003 and February 11, 2003.

During the February 8 meeting, the commission held a statewide hearing on the matter and received testimony from residents of twenty-seven communities. 110 individuals and organizations submitted written comments on the matter to the commission. All written comments, along with a transcript of the commission's meetings of December 9, January 22, February 8, and February 11 are part of the record reviewed by the commission.

The commission filed its report with the Legislature on February 19 of this year. A copy of the report was provided to each legislator. The report and a copy of the correspondence and transcripts have also been provided to the Secretary of the Senate and the Chief Clerk of the House.

Again, four of the five current members of the commission did not participate in the review of the unorganized borough. However, the currently appointed members of the commission have had the opportunity to fully review the February 19 report on the unorganized borough. The commission met two days ago to address the matter at length.

Chapter 53, SLA 2002 imposed on the commission a duty only to make a determination as to which unorganized areas meet borough standards. The law was clear that the commission's report to the legislature did not constitute a formal recommendation for incorporation of boroughs in any areas under Article X, Section 12 of the constitution. As such, the commission's duties under Chapter 53 have been fulfilled. The commission will address any future directives by the legislature regarding in accordance with the law.

Dan Bockhorst, staff to the commission, is prepared to provide a summary of the commission's review of the unorganized borough. The summary that he will provide reflects the current views of the commission.

Mr. Bockhorst will provide you with a summary of the study and report.

CHAIR WAGONER announced that no public testimony would be taken that day.

SENATOR KIM ELTON asked where previous members Ardith Lynch and Myrna Gardner resided.

MR. HARGRAVES replied Ms. Lynch was from Fairbanks and Ms. Gardner was from Juneau. He added he is the member-at-large and therefore serves as chair.

SENATOR GARY STEVENS asked if SB 359 required this to be a continuing process.

MR. HARGRAVES said it is his understanding this is a one-time event.

He reported the group was economical and conservative in their approach and much of the \$50,000 appropriated for the report was not spent.

SENATOR ELTON asked about the process. He noted no one from the unorganized part of the state was involved and he wondered what kind of public process the commission went through to bring in public comment from individuals in the unorganized borough.

MR. HARGRAVES said he would defer to Mr. Bockhorst.

DAN BOCKHORST, staff to the Local Boundary Commission, advised he prepared a Power Point presentation. [Copy in bill file] The outline is as follows:

#### **SUMMARY ADDRESS**

1. LBC's duty to review the unorganized borough & study local government boundary problems
2. Key background information about establishment of boroughs
3. Significant conclusions reached by the LBC regarding borough establishment
4. Unorganized areas that meet borough incorporation standards

#### **Part I**

- Last year the Legislature passed a law that stated, "The Local Boundary Commission shall review conditions in the unorganized borough. ....the commission shall report to the

legislature the areas it has identified that meet the standards for incorporation."

- "The Local Boundary Commission shall make studies of local government boundary problems..."
- "Shortcomings in the manner in which the borough concept has been implemented" were studied by the commission in 2001
- "The commission considers the lack of a strong state policy promoting the extension of borough government to be the most pressing 'local government boundary problem' facing Alaska."

## Part II

- Borough government, as a concept for regional service entity in Alaska was conceived during Alaska's Constitutional Convention. The session lasted nearly 11 weeks beginning in November 1955 and ending in February 1956.
- The Committee on Local Government met 44 times before presenting the Local Government Article to the Convention.
- Delegates formally considered the Local Government Article on January 19, 20 and 30, 1956.
- The minutes show discussion about how the borough concept would be implemented in Alaska. John Rosswog from Cordova and Chair of the Committee on Local Government said, "...we allow for the boroughs remaining unorganized until they are able to take on their local government functions."
- Delegate Barrie White expressed concern whether the provisions proposed by the committee didn't offer incentives for areas to remain unorganized.
- Member Victor Rivers replied the state would create enough inducements to cause areas to embrace government and organize voluntarily.
- Member Maynard Londborg from Unalakleet added boroughs could be organized on a voluntary or mandatory basis, with voluntary being the best approach.
- Delegate James Hurley from Palmer asked, "Is my idea correct that no organized borough will become effectuated without the voice of the people in the area?"
- Secretary Vic Fischer responded, "The answer, I think, would be 'no'. ...when a certain area reaches a position where it can support certain services and act in its own behalf, it should take on the burden of its own government." He continued, "...we don't actually visualize

that the state will force boroughs to organize, since we feel that they should be set up on such a basis that there will be enough inducement for each one to organize."

- Article X was adopted by the convention on January 30, 1956.
- The constitution was ratified by a two to one margin by voters on April 24, 1956 and took effect January 3, 1959.
- Provisions in the constitution dictated that the Legislature would establish policy for the institution of borough government in Alaska.
  - Boroughs, organized or unorganized, must be established throughout Alaska.
  - All boroughs, organized or unorganized, must be established according to standards and procedures enacted by the legislature.
- The 1961 Legislature set the initial state policy regarding establishment of boroughs.
  - Procedures for incorporation of organized boroughs by local option were enacted.
  - Standards for incorporation of organized boroughs were enacted.
  - Independent school districts formed under Territorial law, but not sanctioned under Alaska's constitution, were given two years to be integrated into boroughs.
  - A single unorganized borough was established encompassing all of Alaska not within organized boroughs. The amount to 656,000 square miles.
- Significant evidence indicates state policy makers anticipated the Borough Act of 1961 would be generally ineffective in promoting borough formation.
  - Representative Jay Hammond said, "Attractive enough on paper, in practice, the organized borough concept had little appeal to most communities. After all, why should they tax themselves to pay for services received from the state, gratis?"
  - Affairs Agency Director, Roger W. Pegues wrote, "It was generally believed that the 1963 legislature would adopt a mandatory incorporation law."
  - A later study indicated Alaskans were not generally induced to voluntary borough incorporation.

- Then Attorney General John Rader said, "...the moment [a proposed borough] began to have an immediate tax equalization feature, the borough had two chances for success - slim and none."
- Arguments against boroughs in the early 1060s were similar to those voiced today.
  - "School district officials wanted to avoid loss of autonomy, city residents saw no need for a new layer of government and taxation, and Alaskans outside cities and school districts wanted to preserve their tax-free status."
- As anticipated, the Borough Act of 1961 proved to be generally ineffective in promoting borough formation.
  - In the two years allowed, none of the nine regions containing independent school districts had formed boroughs.
  - The deadline for integration of independent school districts into boroughs was just months away when the 1963 Legislature convened.
  - John Rader said, "...the greatest unresolved political problem on the state was the matter of boroughs. ...A great opportunity to create something of value could be lost."
- In 1963, Representative Rader sponsored HB 90 mandating that the nine election districts encompassing independent school districts must incorporate boroughs by January 1, 1964.
  - HB 90 was amended to exclude one of the nine areas.
  - Ch. 52, SLA, 1963 mandated boroughs in: Ketchikan, Sitka, Juneau, Kodiak Island, Kenai Peninsula, Anchorage, Mat-Su, and Fairbanks. Icy Strait/Lynn Canal was excluded.
- When the Legislature directed the eight areas must organize, they expressed their intent.
  - "It is the intention of the Legislature to provide for maximum local self-government with a minimum number of local government units and tax-levying jurisdictions."

- "...No area incorporated as an organized borough shall be deprived of state services, revenues, or assistance or be otherwise penalized because of incorporation."
- In 1964, the Alaska Supreme Court characterized the 1963 Mandatory Borough Act as a means of accomplishing a constitutional objective of establishing borough government.
  - John Rader said, "It was only after a series of repeated failures that in 1963 the State Legislature finally exercised the authority which had previously been delegated to others."
- Despite the proven ineffectiveness of the local option approach, the state returned to the policy of delegating borough establishment to local residents after 1963.
  - In 44 years of statehood, boroughs have formed under the local option process in areas encompassing just 4 percent of Alaskans.
  - In contrast, the eight boroughs formed under the 1963 Mandatory Borough Act encompass 83 percent of Alaskans.
  - Incentives to incorporate boroughs were generally inadequate in the early 1960s.
  - Since then, borough incentives have diminished dramatically.
- The Alaska Municipal League expressed some of the same concerns the commission has raised.
  - The state has failed to continue the evolution of local government as intended under the Alaska Constitution.
  - Alaska is the only state in the nation that has voids in terms of regional government.

- "Article X of the constitution also states, 'The purpose of this article is to provide for maximum local self government with a minimum of local government units.' In the Unorganized Borough the opposite is true. There is currently a minimum of local self-government with a maximum of local government units."
- "Adding borough government would not be a new, expensive layer of government. Local services are currently provided by the state and a patchwork of over 400 separate [entities]. Current service delivery is neither inexpensive or efficient, due to the lack of coordinated service delivery."

### Part III

#### Significant Conclusions Reached by the Commission Regarding Establishment of Borough in Alaska

- Fundamental provisions in the constitution remain unfulfilled
  - Lack of standards for establishment of unorganized boroughs as called for
  - Procedures for establishment of unorganized boroughs have not been enacted
  - The single unorganized borough has highly diverse interests, not common interests as required in the constitution
- Boroughs promote equity among Alaskans
  - Art. 1, Sec. 1 is referred to as the equal protection clause and should also be the equal responsibility clause
  - Local contributions required of municipal school districts under AS 14.17.410 reduce education foundation funding that would otherwise be paid by the state to boroughs and home rule & first class cities in the unorganized borough.
  - Reduction of funding conflicts with the 1963 Act
    - "...No area incorporated as an organized borough shall be deprived of state services, revenues, or assistance or be

otherwise penalized because of incorporation."

- The local contribution requirement is, in effect, a \$160 million annual state tax levied only on organized boroughs and home rule & first class cities in the unorganized borough.
- In the absence of standards and procedures to determine whether unorganized areas have the capacity to take on responsibility for their own government, the current disparate treatment isn't rational.
- Organized boroughs promote maximum local self-government
  - Attorney General, Representative and Senator John Rader: "...A great opportunity to create something of value could be lost."
  - Legislative intent to provide maximum local self-government
- The 1974 Alaska Supreme Court reviewed an appeal of a borough incorporation proposal
  - They favored upholding the organization of boroughs wherever the LBC determined the standards had been met
  - They indicated the constitution encourages the creation of organized boroughs
- Boroughs promote maximum local self-government
  - Provide capacity to supplement funding for essential services like education (REAA's are dependent upon the state)
  - Establishing an entity with ability to issue bonds to construct to rebuild regional facilities such as schools (REAA's have no authority to issue bonds)
  - Creating a government to levy taxes to provide services not otherwise available (borough governments are the only regional entity with taxing power)
  - Borough governments have authority to act as a municipal platting authority (The state is responsible in the unorganized areas)

- Offers a mechanism to provide alcohol control on a regional basis (currently available only on a community basis in the unorganized borough)
- Providing the capacity to participate in the National Flood Insurance Program (currently limited in the unorganized borough to areas within city government boundaries)

#### **Part IV**

- Unorganized Areas That Meet Borough Standards:
  - Aleutians West, Upper Tanana Basin, Copper River Basin, Prince William Sound, Glacier Bay, Chatham, Wrangell-Petersburg
- Standards for Incorporation
  - Population Size and Stability: The seven regions had populations in 2000 ranging from 1,354 to 6,964; each region exceeded the presumptive minimum population standard of 1,000; 1980-2000 population trends were reasonably stable in all regions except Aleutians West; when adjusted for base closures, Aleutians West population was reasonably stable
  - Regional Commonalities: Natural geography; social, cultural & economic characteristics; transportation facilities; communications and exchange; consideration of REAA boundaries; and presence of multiple communities
  - Economic capacity: Mandatory powers of boroughs; anticipated borough expenses; projected borough revenues; ability to generate income; economic base, land use, & development; property valuation; personal income; and prior borough feasibility studies
  - Broad public interest: maximum local self-government; promoting a minimum of local government units; and relieving the state of responsibility for local services

MR. BOCKHORST concluded the establishment of borough government is often acrimonious and difficult, but when boroughs have been established they have proven themselves to be efficient and effective in delivering service.

CHAIR WAGONER asked if there were any questions.

SENATOR ELTON restated his question regarding the manner of decision-making. His concern was that people from organized boroughs made decisions about the Unorganized Borough.

MR. BOCKHORST explained there are five commission members and statute directs that one member is selected from each of the four judicial districts while the fifth member is appointed from the state-at-large. Arguably, each member reflects 20 percent of Alaskans and the Unorganized Borough represents 13 percent of the population. The commission encouraged participation and received considerable written testimony, but in that instance, no commission member was a resident of the Unorganized Borough.

SENATOR ELTON found it startling that the LBC concluded that, by not shrinking the Unorganized Borough, the Legislature was assessing a tax on the organized borough that equated to \$160 million for school services. He asked whether the Commission ever discussed TL874 funds that come from the Unorganized Borough and flow into the foundation program.

MR. BOCKHORST replied the commission is aware that both the Unorganized and the Organized Borough receive TL874 money.

SENATOR ELTON asked how much money comes from the Unorganized Borough into the foundation program.

MR. BOCKHORST said the commission didn't get that information, but there was information in the report regarding the levels of TL874 money that flowed from the seven areas.

SENATOR ELTON asked that he be provided with that information. He found that statement to be inflammatory because he thought the ability to pay should be evaluated. Several times throughout the presentation it seemed as though the commission was comparing the success of borough governments created in the early 1960s and assuming that same level of success could be reached in the Unorganized Borough. As the report noted, the original boroughs encompassed 83 percent of the population and clearly, that must be a factor in the success of those local governments.

CHAIR WAGONER said his questions ran in the same vein as Senator Elton's. He noted the population of one of the models was just 1,354, which seemed rather small to form a successful borough government.

He asked why there wasn't a record of the October and November meetings held by the LBC.

MR. BOCKHORST explained the commission adopted a work plan at the first meeting and he could provide a transcript for that meeting. The second was a presentation to the Municipal League and there was no transcript. All the other meetings dealt with the topic and were transcribed.

SENATOR LINCOLN acknowledged the commission's task was difficult because of the staff turnover, which was one of her concerns. Because four of the five commission members were new and the continuing member wasn't present, she felt it was unlikely that the new members could answer her questions. She noted much of the unorganized areas were in her district and many of the model boroughs were in her district as well. She firmly believes that when an area is able to meet the qualifications for borough formation it would step forward. The Denali Borough, the North Slope Borough and the Haines Borough are examples of that. Skagway, too, is ready to assume the responsibilities of a borough, but the LBC did not embrace that decision and she was interested in the explanation of that judgment.

Her second question was in regard to a letter from previous commissioners, Nancy (Cannington) Galstad and Kathie Wasserman. They wrote to suggest the report was flawed because some of the data that was used was from 1989 and not from 2000 as indicated. She asked for clarification.

MR. HARGRAVES responded to the second question regarding the economic capability and population for borough formation saying the criteria would have to be evaluated separately regardless of how the petition was presented to the commission. A borough could be mandated and the commission would apply the standards at that point so he thought there were a number of ways the commission would have a say in the new boroughs. The difference would be how the Legislature approached mandating or requesting that new boroughs come into existence.

MR. BOCKHORST advised the commission used the latest data whenever possible and, for the most part, they used year 2000

federal census data, which was released on September 25, 2002. He was unaware of the allegation that data from 1989 was used, but he assured her they used the most recent data available in every instance.

SENATOR LINCOLN said she misspoke; the economic data came from 1986 rather than 1989.

MR. BOCKHORST replied the commission did examine borough feasibility studies for areas under consideration and some of the studies might have gone back to 1986.

SENATOR LINCOLN asked if the data from that time was used.

MR. BOCKHORST said it was not; in every case, the commission examined year 2000 federal census data. In addition, the commission reviewed any borough feasibility studies, but didn't necessarily rely on that data to make the determination.

SENATOR LINCOLN asked what census data was used.

MR. BOCKHORST replied it was employment, personal income, poverty, and percentage of employment for an area data.

SENATOR LINCOLN asked for a copy of the data that was used.

MR. BOCKHORST agreed and said much of the information could be found in the report.

SENATOR GARY STEVENS said he could understand why communities might not want to become part of a borough, but in terms of equity, each case needed to be carefully examined. He asked about combining geographically proximate areas into existing boroughs rather than creating separate ones. He used the example of the Aleutians East and West as a possibility.

MR. BOCKHORST said that could happen in a couple of ways. The existing East Aleutians Borough could annex the unorganized territory to the west or an Aleutians West borough could be incorporated and the two boroughs could consolidate. Starting small with the presumption that consolidation would occur is difficult to achieve once the status quo is set. The Bristol Bay borough is the smallest borough in Alaska and is surrounded on three sides by the Lake and Peninsula Borough, which meets inside the Bristol Bay Borough. In fact, their administrative headquarters is in the Bristol Bay Borough, but the two have resisted efforts to voluntarily consolidate.

SENATOR GARY STEVENS added the school district is also headquartered in another borough.

CHAIR WAGONER returned to the Skagway decision and asked for additional explanation.

MR. BOCKHORST stated the Skagway circumstance is quite clear. There are two levels of government recognized under the Alaska Constitution: city governments and borough governments. City governments are community based with constitutional limits on the size and scope of that type of government. They serve a community while borough governments serve a region. In the case of Skagway, an area encompassing a city government wanted to become a borough government with no expansion or change in the size of the area in question. They simply applied to change the City of Skagway to Skagway Borough. Both the department and the commission find a city government is not the same as a borough government and the consequences of ratifying the Skagway petition would be very troublesome. Oftentimes there is interest in areas within existing boroughs that want to detach and form a separate borough. Not only is this inconsistent with constitutional intent it would have many adverse consequences in terms of detachment and formation of new, small boroughs.

CHAIR WAGONER recalled the borough and city government of Anchorage merged and a borough government was formed for the entire area.

MR. BOCKHORST agreed; the city governments of Girdwood, Anchorage and Glen Alps were dissolved and the Municipality of Anchorage was formed as a borough government.

CHAIR WAGONER added it was voted on as well.

SENATOR LINCOLN advised she had information from Skagway that says the footprint is not the same; it was expanded in the borough petition. She asked for an explanation of the difference between what Skagway requested to do and Haines successfully accomplished in 2002.

MR. BOCKHORST assured her the boundaries of the City of Skagway and the proposed borough were identical. The boundaries of the Haines Borough were much more expansive and included multiply communities. Neither the commission nor the department believes the Haines Borough was ideal in terms of boundaries. Compromises were made to get voter approval and it actually took four votes

before the voters finally approved incorporation. One of the evident deficiencies is that Klukwan isn't within the jurisdiction of the Haines Borough even though it is geographically positioned within the borough boundaries. It is part of the Chatham REAA and receives education services from Angoon on Admiralty Island even though there is a school at Mosquito Lake several miles away. Both schools are underutilized but that was one of the compromises.

SENATOR ELTON followed up on the Skagway issue and asked if the "recipe" is outlined in the constitution.

MR. BOCKHORST explained the constitution provides that boroughs are intermediate units of government and community units are city governments. Both the statutes and the constitution are very general with regard to a "recipe" but the LBC has defined model boundaries to guide prospective petitioners. Those guidelines have been adopted in administrative regulations, which the commission has a duty to adopt under statute for standards for borough incorporation. Therefore, the model boundaries identified by the commission are reflective of their interpretation of the constitution and statutes.

SENATOR ELTON asked if he meant there was a constitutional prohibition against Skagway forming a borough along the lines of their application.

MR. BOCKHORST replied the constitution clearly does not intend for a city government and a borough government to be the same. Skagway is a city government and they were proposing to become a borough government with no change in jurisdiction or services. The proposal was essentially a change in the name, which isn't consistent with constitutional intent.

SENATOR ELTON said he had difficulty with the explanation because there is no duplication of local and borough government because there would be no more local government.

He also questioned the model borough encompassing Petersburg and Wrangell because those two communities demonstrate dramatically different types of culture. The economic and socio-demographic differences are pronounced even though they are geographically proximate. He could see a battle in the making over where the borough manager lived. Because of this, he was curious what difference it makes to the state on whether or not there are two local governments, or a borough government and two local governments, or a borough government and no local government.

Given their diversity, he couldn't imagine those two communities relinquishing their local governments. As cited in the presentation, it is the intention of the Legislature to provide for maximum local self-government with a minimum number of local government units. He couldn't understand how this would be possible with the Petersburg/Wrangell proposed model borough.

MR. BOCKHORST responded there are three levels of school districts serving that territory. They are: the Regional Educational Attendance Area (REAA) that serves outside both cities, the City of Petersburg school district, and the City of Wrangell school district. With borough formation, there would be a single school district serving the territory. The commission would be willing to entertain another proposal to see whether it met the standard, but this is what they determined based on information gained through an extensive review over a period of years in the early 1990s. He noted there were strong feelings expressed, but the commission was guided by the idea that borough governments are more than a large community government.

SENATOR ELTON asked whether anyone from that area came forward to petition to create a Petersburg/Wrangell borough or was the idea generated from outside forces.

MR. BOCKHORST acknowledged no petition was filed to incorporate either a Wrangell borough or a Petersburg borough. A feasibility study was recently completed that looked at several options for Petersburg including city annexation and borough incorporation. He understood there was an unsuccessful effort in Wrangell to gather signatures to incorporate a Wrangell borough.

SENATOR ELTON stated, "The commission balanced the consolidation of the school districts against the proliferation of regional government layered on top of local government."

MR. BOCKHORST agreed; that is one of the factors the commission applied, but if a petition were filed, there would be more intensive evaluation and review.

SENATOR ELTON said the adage that says that the best government is the government that is closest to the people would argue against formation of a Petersburg/Wrangell borough. He remembers an argument regarding where the school superintendent would live if those districts were consolidated. Because of this, there is another issue in addition to consolidation of school districts. That is the philosophical issue of how close you want your local government to be.

MR. BOCKHORST recognized that sentiment and said it was reflected in the presentation. Pelican has fewer than 20 students and is interested in forming its own borough. There is a structure for local government established in the constitution that provides for city and borough governments and there is a distinction. The commission often struggles with that circumstance and there definitely are gray areas.

Several years ago the Legislature enacted a provision that set a tone regarding efficiency, economy of scale and the creation of school districts. Lacking compelling reasons, there wouldn't be any more school districts created with fewer than 250 students. Currently, about 35 percent of the school districts in the Unorganized Borough are below that threshold. Ultimately, the commission respectfully recognizes it is the Legislature's task to set the policy for organization of boroughs.

SENATOR LINCOLN admitted she had a roster of questions. In particular, she was baffled that a community that wanted to form a borough was denied because the commission determined their footprint was the same as the proposed borough. She returned to the letter from the former boundary commissioners that stated Skagway should be a borough because it meets the standards.

She assured the commissioners she meant no disrespect, in fact she applauded them for taking the time to serve. However, she felt the system was flawed due to the requirements placed on the commissioners, the turnover rate for commissioners, and because there were just two DCED staff members to do so much work. The two previous commissioners voiced the same concerns in their "Statement of Views" letter.

She asked commission members to keep an open mind, review the model borough requirements, and determine ways to help communities that want to become a borough as well as those that say they are unable to do so. She advised her interpretation regarding mandated boroughs throughout the state is different than the presentation. She interprets the language to mean there will be both organized and unorganized boroughs. It is legitimate that unorganized areas remain that way if they are unable to support a borough.

MR. HARGRAVES expressed opposition to changing the requirements placed on the commission. He said he has served on the commission before and changing the requirements would enhance the potential for commissioners to become politicized. Having

served under governors of both parties, he advised he would not serve on the commission if it were to become politicized. The prohibition against ex-parte contact is a protection, not a hindrance.

SENATOR LINCOLN stated that was not the intent.

SENATOR ELTON advised he had a 3:00 pm meeting and requested he be provided with information from DCED regarding the anomaly in the Haines Borough in which Klukwan was part of the Chatham REAA rather than the Haines School District. If the net result is supposed to be efficiency in government, that appears to be an inefficiency that was allowed to persist while efficiencies are sought in Petersburg and Wrangell.

MR. BOCKHORST advised he would be happy to follow up on those issues and give a response.

SENATOR LINCOLN thanked the commission and staff for dedicating their time and efforts.

CHAIR WAGONER acknowledged sitting on boards and commissions is sometimes difficult but necessary for government to operate.

There being no further business to come before the committee, Chair Wagoner adjourned the meeting at 3:15 pm.