

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

May 7, 2003

1:38 p.m.

MEMBERS PRESENT

Senator Thomas Wagoner, Chair
Senator Robin Taylor, Vice Chair
Senator Gary Stevens
Senator Georgianna Lincoln
Senator Kim Elton

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE CONCURRENT RESOLUTION NO. 12

Requesting the Local Boundary Commission to consider borough incorporation for certain unorganized areas.

HEARD AND HELD

PREVIOUS ACTION

No previous action to record.

WITNESS REGISTER

Senator Gary Wilken
Alaska State Capitol, Room 518
Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor SCR 12

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

POSITION STATEMENT: Testified on SCR 12

Kathie Wasserman
Pelican, AK 99832

POSITION STATEMENT: Testified on SCR 12

Bob Ward

Skagway, AK 99840

POSITION STATEMENT: Testified on SCR 12

Keith Bettridge

Hoonah City Administration

Hoonah, AK 99829

POSITION STATEMENT: Testified on SCR 12

Carl Crosman

HC 60 Box 306T

Copper Center, AK 99573

POSITION STATEMENT: Testified on SCR 12

Roger Lewis

Tenakee Springs, AK 99841

POSITION STATEMENT: Testified on SCR 12

Terry Kennedy

Tenakee Springs, AK 99841

POSITION STATEMENT: Testified on SCR 12

Galen Atwater

HC 72 Box 7190

Delta Junction, AK 99737

POSITION STATEMENT: Testified on SCR 12

Daniel Boone

Box 53

Chitina, AK 99566

POSITION STATEMENT: Testified on SCR 12

Allen Minish

Box 118

Chitina, AK 99566

POSITION STATEMENT: Testified on SCR 12

Peter Jack, SR.

Angoon, AK 99820

POSITION STATEMENT: Testified on SCR 12

Floyd Jim

Angoon, AK 99820

POSITION STATEMENT: Testified on SCR 12

Denny Kay Weathers

Box 1791

Cordova, AK 99574

POSITION STATEMENT: Testified on SCR 12

Lamar Cotton
City of Delta Junction
Box 229

Delta Junction, AK 99737

POSITION STATEMENT: Testified on SCR 12

Robert Lee

Box 3140

Delta Junction, AK 99737

POSITION STATEMENT: Testified on SCR 12

Patrick Dalton

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Delta Junction, AK 99737

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Glen Marunde

Box 193

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Roslyn Isaac

Box 129

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Sy Neeley

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POSITION STATEMENT: Testified on SCR 12

Albert Shaw

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Juneau, AK 99801

POSITION STATEMENT: Testified on SCR 12

Jon Bolling

Craig City Administrator

Box 725

Craig, AK 99921

POSITION STATEMENT: Testified on SCR 12

ACTION NARRATIVE

TAPE 03-13, SIDE A

CHAIR THOMAS WAGONER called the Senate Community and Regional Affairs Standing Committee meeting to order at 1:38 p.m. Present were Senators Taylor, Elton and Chair Wagoner. Senators Gary Stevens and Georgianna Lincoln arrived momentarily.

The first order of business to come before the committee was SCR 12.

#SCR 12

SCR 12-BOROUGH INCORPORATION: UNORG AREAS

CHAIR THOMAS WAGONER announced the sponsor would introduce the bill then Darroll Hargraves the LBC Chair would give a statement and answer questions. Finally the committee would take public testimony.

SENATOR GARY WILKEN, bill sponsor, read the sponsor statement into the record:

Senate Concurrent Resolution 12 requests the Local Boundary Commission (LBC) to consider borough incorporation for four areas of the state: Upper Tanana Basin Model Borough, Copper River Basin Model Borough, Glacier Bay Model Borough, and Chatham Region Model Borough, These four areas of the state were recently identified in a February 2003 report by the LBC, Unorganized Areas of Alaska that Meet Borough Incorporation Standards, as meeting the existing standards for borough incorporation.

Although the aforementioned model boroughs are named in the recent LBC report as having the fiscal and administrative capacity to operate borough governments, the majority of the residents do not live in home rule and first class cities. As residents of the unorganized borough, these Alaskans are not required to financially support their local school system. This resolution recognizes this fact and establishes a procedure to determine if the residents of the four areas have the ability to contribute to their local school districts.

SCR 12 requests the LBC to review these areas in depth and make a recommendation for borough incorporation for each of the model boroughs that is determined to

have met the applicable borough incorporation standards. The exact details regarding the establishment of each particular recommended borough would be included in each legislative review proposal as submitted by the LBC. Each proposed borough incorporation would be adopted unless the legislature disapproved the recommendation within 45 legislative days.

SENATOR WILKEN advised the report prepared by the LBC is the basis upon which SCR 12 is founded. It identifies seven areas that would have the capacity to support local government. All seven are within the Unorganized Borough. SCR 12 identifies four of those seven that have support of local schools as a common thread. The three that aren't addressed are first class or home rule cities that currently support their local schools.

He noted the handout titled "Profile of the Unorganized Borough" and reviewed four of the 14 points.

- Created in 1961 as an instrumentality of the State of Alaska
- Encompasses 11 census areas
- Residents total 13 percent of Alaska's population - 82,809 residents
- Includes 37 of Alaska's 53 school districts (70 percent of all school districts)

Often the LBC efforts are viewed as arbitrary and punitive. He pointed to the table that identifies the 11 different standards for borough incorporation. Included are the citations that provide the authority on behalf of the state. [See bill packet.]

SENATOR WILKEN noted organized Alaska would contribute \$254 million before they get any state aid. Of that \$120,500 million will be distributed to local REAAs that don't contribute anything to local schools. He suggested there are areas of the state that could be asked to support some level of local government and support their local schools. Wage statistics in the REAA indicate 16,541 people earned an average wage of \$25,934 per person.

Every year the LBC asks the Legislature for relief to remove some of the disincentives associated with becoming organized. He said,

The best government is the government closest to the people and there are areas of our state that are being

called upon to contribute to help with education.... Those areas of the state that are able to support their schools to a level that the state mandates, the four mil limit...When people sit down to write a check every month or every year for their schools, they start to care a little more about what happens in the little red school house. I think that's almost as important an issue, maybe even more so than the money issue itself.

SENATOR GARY STEVENS referred to the REAA Wage spreadsheet and asked what A through Q represented.

SENATOR WILKEN replied those were the REAAs and they're grouped by census areas.

SENATOR GARY STEVENS asked if there was some way to identify the four areas.

SENATOR WILKEN said he was sure they were on the list, but he hadn't identified them. He noted section three in the LBC report speaks to the earned wages as an economic capacity to support government.

SENATOR GARY STEVENS commented it would take some research to identify any one of the four model boroughs to determine the average wage per employee.

SENATOR WILKEN admitted he had another table to cross-reference the names.

SENATOR ELTON referred to the REAA wage spreadsheet and asked if it included resident workers or all workers.

SENATOR WILKEN replied it included all workers. The check follows the person, so the check is reported where the employment takes place.

SENATOR ELTON referred to the third resolve on page 3, line 23. He asked how the LBC would work with area residents on issues regarding boundaries, assembly composition and different taxes. He questioned whether the LBC would make recommendations to the Legislature or would that information come from the communities through the LBC and on to the Legislature.

SENATOR WILKEN said,

The LBC would bring the recommendation to the Legislature and the Legislature would deny or disapprove the recommendation. What I envision what will happen is that the LBC, I would hope, would say, 'Well, I think area X should have review.' So they'll go through the review process and....they would look at the 11 standards and....it's going to be a six or a 12 month period that they would work with the people to identify per those 11 standards the proper form and funding and organization of that proposed government. So it would be in concert and then it would come to the Legislature.

There are ways to pick and choose the different powers that are desired as a government. The powers could be minimal or "full blown borough powers." He added his only request would be that there would be some component for education funding.

SENATOR ELTON acknowledged his question might not have been precise. He suggested using assembly composition and apportionment as an example. In his community there are some at large seats and others that are apportioned by different parts of the borough. He asked if the LBC would go to the Legislature with recommendations for assembly composition and apportionment and the Legislature would then decide whether to follow the recommendations or not. He opined it would be better to leave those decisions to the people who would be representing themselves rather than to the LBC and the Legislature.

SENATOR WILKEN said he wasn't sure he knew those details. He didn't know what the LBC would recommend but it would certainly include the qualifications of how the 11 standards would be met.

SENATOR GARY STEVENS asked if consolidation into an established borough was a possibility for any of the four.

SENATOR WILKEN didn't believe so.

SENATOR ROBIN TAYLOR said the spreadsheets don't reflect PL874 money. [Federal impact aid payments made to school districts in lieu of local property taxes lost because students live on non-taxable federal property or parents work on non-taxable federal land.] If the state assessor hasn't done assessments in the unorganized area, it's difficult to determine what the tax values might be and therefore, it's not known how much the PL874 money would contribute to fulfilling the 4 mil standard. For the larger communities with large military installations it is

likely to amount to a mil or two. Using the Glacier Bay model borough he said he'd like to know how much PL874 money comes in because of Glacier Bay National Park.

He said Juneau took Greens Creek mine and he doesn't know that they have a specific representative on the Assembly, but they probably should. He could agree with the Glacier Bay model borough if they could take Greens Creek back. The point is that PL874 money should be addressed.

SENATOR WILKEN said PL874 money isn't counted as local contributions. The Federal Director of the Impact Aid Program announced on 3/29/00 that,

.... A state may consider all local resources funds received under this title...Only in proportion to the share that local tax revenues covered under a state equalization program are of total local tax revenues.

All but a ten percent paperwork payment flows right on by the Unorganized Borough into the general fund. It then goes down through the foundation formula and everyone gets a bit that way.

SENATOR TAYLOR said that's what he meant. Whether organized or unorganized, there is a funding mechanism and if they organize they benefit because they pick up 10 percent they don't have to account for under the formula. Whether they form a borough or not, the area [federal land] is still the one that is contributing toward education because the money flows to the state from the federal government in lieu of local property taxes.

CHAIR WAGONER asked if he had population statistics for the areas as well.

SENATOR WILKEN replied the information was in section three of the LBC report.

SENATOR TAYLOR reported the 2000 census indicated Chatham had 1,354 people and Glacier Bay had 1,739.

SENATOR WILKEN added each area would have to have at least two communities and a population of at least 1,000.

SENATOR GEORGIANNA LINCOLN advised she wouldn't ask all the questions she had because she knew there were many people waiting to testify, but she wanted to note the reports discussed had old data. Even the wage information is misleading because it doesn't separate money that stays in the proposed boroughs.

There's a lot of seasonal work in the fishing and timber industries and that isn't reflected. Some of the villages in the model borough areas don't report their unemployment and they don't have unemployment benefits so that's not shown as an accurate number. Additionally, it clearly states that PL874 impact aid provides funds to school districts for children of parents living and/or working on federal land in lieu of local tax revenues. Ninety percent of those eligible funds are used in the calculation of state aid.

SENATOR WILKEN said she was taking the information out of context. The report uses the date of the information to show two things: First, it shows that there's a basis for the discussion and it's been around for some time. The conclusions are drawn from data from the late 1990s and early 2000. It's not meant to be completely accurate; it's just to support the suggestion that perhaps these areas should go under investigation, with the help of the people that live there, to come up with the best government. He said the report is based on the best information available.

SENATOR ELTON wanted everyone to be clear that Greens Creek proposed they become part of the Juneau Borough.

DARROLL HARGRAVES, Chair of the LBC, briefly stated the Legislature enacted a law last session that directed the LBC to determine which areas of the Unorganized Borough qualified for incorporation. The report, Unorganized areas of Alaska that Meet Borough Incorporation Standards, dated February 2003 is available in the committee file.

SENATOR ELTON repeated his question regarding the role of the LBC in determining assembly composition, apportionment, the proposed operating budget and the type of taxes levied for the model boroughs. He asked how the LBC would make the decisions that would lead to recommendations particularly in light of the process in which the commission makes a presentation to the Legislature and it's up to them to reject. If there is no rejection, the recommendation moves forward.

MR. HARGRAVES replied LBC staff might be available to respond, but there is precedent for organization to take place under certain stipulations.

SENATOR ELTON said he would have a follow up conversation with staff on those issues.

SENATOR LINCOLN asked if the LBC was following just the four model boroughs or all seven.

MR. HARGRAVES advised they take no part regarding prioritizing the seven areas for organization.

There were no further questions.

KATHIE WASSERMAN from Pelican spoke from the perspective of a former LBC member and pointed to the flaws in the current process for borough formation. See the STATEMENT OF VIEWS ON BOUNDARY FORMATION IN ALASKA in the committee file from the 4/9/03 hearing.

She noted anyone of the four areas might have difficulty financially supporting a borough, which raises the question of whether the LBC would be in the position to deny a petition from one of those four areas thus making the entire system look more flawed than it does currently.

CHAIR WAGONER asked Ms. Wasserman to send her testimony to his office because the first part of didn't come through.

MS. WASSERMAN agreed to do so and said the first part pointed out that government was higher in the four highlighted model boroughs due to large expanses of water and land. [See bill file for full testimony.]

BOB WARD from Skagway testified both the Model Borough Boundaries Act and Standards are in need of complete revision to reflect changes that have occurred since the act was adopted.

KEITH BETTRIDGE from the Hoonah City Administrator's office testified the City of Hoonah is investing a lot of resources with reference to the borough formation and study. At this point they asked the state to hold off on mandatory formation until they complete the process.

CARL CROSMAN from Kenny Lake [Copper River Basin] noted the report on the last legislative conference came from a survey that was mailed and all that proves is that the people who answered the survey have mailboxes; it doesn't prove they live there. He can't imagine anyone inviting someone from the borough into their home and showing them how much their house should be worth and bragging about how much money they make. He asked if residents came up with a plan to fund their school, whether that would address the legislative concern.

SIDE B
2:30 pm

TERRY KENNEDY from Tenakee reported she had lots to say, but she would be brief and state she wasn't in favor of mandatory borough formation. It would create a financial hardship for the residents. The state receives 90 percent of the PL874 federal impact aid for schools and the Chatham School District that she is in received just ten percent. From her perspective, she couldn't see where the state would get more money from taxing the model boroughs than they're already getting from the federal impact aid.

She noted the community only received 24 hours notice this bill would be heard and public testimony taken. There would probably be more people testifying that day if they had more notice.

CHAIR WAGONER advised the meeting was noticed on Saturday, which is far more than 24 hours. He asked her to send additional testimony to his office.

ROGER LEWIS from Tenakee stated the community has had a borough formation committee for several years and the consensus is clear that they see nothing to be gained by forming a borough in their area and, in fact, something may be lost. They are not convinced the areas under consideration have anything in common; they have no transportation links, little communication between communities, and are separated by great distances. It's difficult to see how Tenakee would fit into any of the criteria for a model borough at any time. If they were mandated to form a borough, they would like to form a third class borough so they could maintain control over their own planning and zoning.

SENATOR TAYLOR said the amount of PL874 money was probably equivalent to one mil for that area and all other school districts except Barrow are required to put up a minimum of four mils. He asked how many children were currently enrolled in the school.

MS. KENNEDY informed him there were 11 children currently enrolled in the Tenakee school.

SENATOR TAYLOR remarked that was close to the minimum to keep the school open.

GALEN ATWATER from Meyers Lake Roadhouse, 170 Richardson Highway, reported he was involved when Eagle River tried to secede from the Anchorage Borough. He moved away from that area to get away from a borough and is faced with being in one again. There's no need to hurry the process until they get some type of tax base.

DANIEL BOONE from Chitina spoke in opposition to SCR 12. In his view, the entire Copper Basin could not support a borough. Unemployment in this area is higher than reported and the figures used in the report are incorrect.

SENATOR LINCOLN questioned the figures used in the February 2003 Alaska Local Boundary Commission report. According to the report, Chitina had a population of 42 in 1980 and 49 in 1990 and 123 people in 2000. She asked if the data was accurate.

MR. BOONE thought the 2000 population figure probably included everyone from Strelna to Lower Tonsina and the unemployment is around 95 percent.

SENATOR LINCOLN wasn't sure how many of the unemployed residents apply for unemployment benefits and asked if that was being reported.

MR. BOONE replied it was not.

ALLEN MINISH from Chitina testified in opposition to SCR 12. He has been a property owner in the area for many years and just recently became a full time resident. He spoke against formation of this model borough because it would be just another form of government created for educational purposes. He was also against all property owners not being treated the same way if in fact non-natives were taxed and natives were not taxed.

CHAIR WAGONER advised native land would be taxed if it was subdivided or developed.

MR. MINISH thought the number of individuals supporting the tax base would be disproportionate compared to those benefiting from the tax base.

That legislative information office didn't receive copies of the bill and he asked that the information be sent.

CHAIR WAGONER said they would get them the material as quickly as possible and the LBC report was available online.

PETER JACK SR. from Angoon testified in opposition to SCR 12. Several years ago the community investigated forming a borough and determined they had little to gain. The unemployment rate is very high in the Angoon area. Most of the employment comes from fishing and that industry is seasonal and no longer robust.

He stated he heard about this meeting just today.

SENATOR GARY STEVENS asked how he suggests paying for education in Angoon.

MR. JACK SR. replied that was a good question and if they could think of a good way they would already be doing it themselves.

SENATOR TAYLOR remarked Angoon looked at forming a borough with Greens Creek in the tax base. He thought that review was the catalyst for Greens Creek to ask Juneau to annex them in the hope that the tax rate would be lower. That's why he brought up the point earlier regarding who should be taxing the facility.

FLOYD JIM from Angoon testified in opposition to SCR 12. Angoon is the only community in the Admiralty Island National Monument and employment opportunities are few. To reach the 1,000 person minimum for borough formation it would be necessary to include a number of small communities that are separated by large expanses of water, which is ridiculous.

SENATOR LINCOLN asked Angoon and others testifying to be aware that not everyone feels that the rural areas aren't paying their way. In Angoon a raw fish tax is paid and although it may not go directly to education, any employment in the villages contributes to help pay the way for the state. She is one who feels the rural areas are paying every bit they can.

DENNY K WEATHERS from Prince William Sound said the meeting was originally noticed as testimony by invitation only and they learned differently just the day before. She read a statement in opposition to SCR 12. During the last published LBC hearing she testified that the information on Cordova was incorrect. She requested that the information be corrected and it was not. The Cordova data comes from a time when the economy was doing well, which is definitely not the case any longer. [See bill file for full testimony.

LAMAR COTTEN from the City of Delta Junction testified he is currently working on a regional government option study for the

Delta/Greely REAA, which is half of the Upper Tanana model boundary. He hopes it is understood the LBC could change the boundaries of a model borough. They would like the LBC to look at the Delta/Fort Greely REAA as a separate area from the Gateway REAA.

ROBERT LEE a Delta Junction resident spoke in opposition to SCR 12. He would like to see less government rather than more.

PATRICK DALTON from Delta Junction spoke in opposition to SCR 12. He pointed out this is mostly a group of Senators from organized boroughs imposing a borough on an unorganized area. Areas will organize when they are ready, which would be a more just form of government.

SENATOR LINCOLN asked Mr. Cotton if the regional study he referred to included Big Delta, Delta Junction, Deltana and Fort Greely.

MR. COTTEN said it did.

SENATOR LINCOLN observed the population base for the four accounted for a bit over half of the 6,300 proposed for the Upper Tanana Basin.

MR. COTTEN replied that's his understanding.

GLEN MARUNDE from Tok testified in opposition to SCR 12. He made the point that city government is the most proper choice for government in small communities in unorganized Alaska. There are 145 cities in Alaska and 96 of them are in the unorganized borough. These are organized communities with city charters. Starting government at the city level is logical and that is the way it has been done across the nation since the beginning. Traditionally, the LBC has operated from the local community up to meet the needs of those ready and willing to govern themselves. He emphasized the LBC is not under the control of the Legislature; it is specifically under the control of the Executive Branch. He asked Mr. Hargraves whether the LBC actually was independent.

ROSLYN ISAAC from Tanacross represented a number of small villages in the area and spoke in opposition to SCR 12. Unemployment is high in this area and supporting a borough government is economically unfeasible at this time. They, too, took issue with the validity of the data used in the report.

SY NEELEY from Glennallen spoke as a member of the LBC from the 1960s. According to his calculations, the state is receiving more PL874 money than it would from taxes if a borough were formed. If borough formation does move forward, he would like a spreadsheet to be published to show the income, where it comes from and what the expenditures would be to operate a borough. The valley residents could then evaluate whether or not they could afford to support a borough.

SENATOR LINCOLN asked whether the LBC intent in the 1960s was for boroughs to be formed in all areas of the state.

MR. NEELEY said yes, then outlined the process for drawing boundaries.

SENATOR LINCOLN questioned whether they anticipated mandatory borough formation or were communities expected to step forward on their own.

MR. NEELEY remembered it was to be left up to the communities and originally there were 13 or 14 boroughs in the entire state.

TAPE 03-15 SIDE A

CHAIR WAGONER announced SCR 12 would not move from committee that day. There would be one more chance for testimony and discussion on Friday. He acknowledged the notice was misunderstood and a few more people might want to testify.

ALBERT SHAW from Juneau testified he was part of the Juneau City Council and helped draw the Juneau boundaries. He said he was under the impression the rest of the state would be organized. He said he would have taken more area if he'd been given the opportunity.

He said, "If, because of the resolution and new boroughs are formed, it appears an area should be added to an existing borough, the LBC is encouraged to do so."

SENATOR TAYLOR asked if he agreed with Mr. Cotten that the LBC should be able to consider taking in parts of existing boroughs if necessary.

MR. SHAW replied borough lines should be logical.

JON BOLLING, Craig City Administrator and Chair of the Prince of Wales Community Advisory Council (POWCAC), said he didn't come

to speak for or against the resolution. He came to ask that a specific analysis be done as part of the LBC work. Prince of Wales communities have followed this matter closely since the Legislature tasked the LBC with preparing the report.

He pointed out there is an important analysis missing from the February 2003 report and he would like it to be included in any subsequent work authorized by the resolution. That is that the Timber Receipts Program and PILT (Payment in Lieu of Taxes) payments to municipalities in the Unorganized Borough were based on the amount of acreage in the Unorganized Borough. If the Chatham and Glacier Bay Boroughs were formed, Craig and other communities in the Unorganized Borough in Southeast that have no school districts would see significant reductions in those payments. For example, the timber receipt funds paid to Craig for education amounted to \$800,000, which is twice the formula equivalent. If any other borough were formed in Southeast, they would all be negatively impacted financially by the change. He said he would like to see that analysis accounted for in any subsequent report issued by the LBC.

SENATOR TAYLOR asked if the timber receipt payments alone were twice the required 4-mil local effort for Craig.

MR. BOLLING replied the timber receipts Craig received last year were approximately twice the formula equivalent.

SENATOR TAYLOR remarked that would be equivalent to approximately 8 mils. He asked if that money was put toward education.

MR. BOLLING said the law requires the entire amount to go to education.

SENATOR TAYLOR pointed out the money could also be used for roads.

MR. BOLLING said there's a second fund for roads and Craig received between \$30,000 and \$40,000 as the roads component for the timber receipts money.

SENATOR TAYLOR asked what the PILT payments were.

MR. BOLLING replied they were approximately \$170,000.

SENATOR TAYLOR said that's roughly \$1 million that went to education.

MR. BOLLING clarified the PILT payments went into general fund operations. Just the \$800,000 in timber receipts to Craig that were directly earmarked for education was delivered to the school.

SENATOR TAYLOR asked if he was referring to PL874 money.

MR. BOLLING replied it was a different program.

SENATOR TAYLOR remarked Craig got PL874 money too.

MR. BOLLING said that was correct, that money goes straight to the district.

SENATOR TAYLOR stated the total contribution from Craig in the form of PILT or Timber Receipts taxes was probably twice the amount they would be paying if they organized and formed a borough.

MR. BOLLING agreed the community now supports their local school in excess of the required 4 mils.

SENATOR TAYLOR said that was his point. If a borough were formed, they might find themselves restricted to contributing only \$400,000 to \$500,000 for education.

MR. BOLLING acknowledged he hadn't calculated what the Timber Receipts payments to the Prince of Wales borough would be. He did know that if areas in Southeast Alaska that are currently in the Unorganized Borough became organized, that would have a significant financial impact on the remaining incorporated communities that have school districts.

SENATOR TAYLOR stated:

There is a fixed amount of money coming in that's currently divided up on acreage so if somebody takes some of the acreage you're currently relying upon they get a bigger piece out of that fixed pool of money...I believe there are areas of the state where when you combine PL874 monies, timber receipt monies and PILT monies that land base that would become the new borough is actually, today, generating more in the form of receipts toward education than if it were to go out and tax all of the homeowners say in Craig at 4 mils.

And then I don't know what happens - I'm going to have to talk with Eddy Jeans - at that point with the state cap that we have placed on organized communities for the amount of money they can contribute toward education. I believe you would be up against the cap if not in excess of it and once you go in excess of the cap, you then have to pay back to the state, more money than you've actually received or paid above the cap...You're receiving monies based on a federal formula, because it's not for cutting trees, it's a formula for not cutting trees. I don't know what happens to those funds if you cannot dedicate them to education as the federal law requires...What's the penalty going to be on your school district for paying too much toward education?

MR. BOLLING advised that the City of Craig contributes closer to the cap than the floor now.

CHAIR WAGONER held the bill in committee.

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CHAIR WAGONER adjourned the meeting at 3:45 pm.