

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

May 9, 2003

1:55 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

CS FOR HOUSE BILL NO. 209(RLS)

"An Act relating to municipal property tax adjustments for property affected by a disaster."

MOVED CSHB 209 (RLS) OUT OF COMMITTEE

SENATE CONCURRENT RESOLUTION NO. 12

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

FAILED TO MOVE OUT OF COMMITTEE

PREVIOUS ACTION

HB 209 - No previous action to record.
SCR 12 - See CRA minutes dated 5/07/03

WITNESS REGISTER

Senator Gary Wilken
Alaska State Capitol, Room 517
Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor SCR 12

Joneal Hicks
Box 241
Gakona, AK 99586

POSITION STATEMENT: Testified on SCR 12

Wayne MacMurray

Box 952
Slana, AK 99586
POSITION STATEMENT: Testified on SCR 12

Alan LeMaster
Box 222
Gakona, AK 99586
POSITION STATEMENT: Testified on SCR 12

Charlie Broker
Box 84Tok, AK 99780
POSITION STATEMENT: Testified on SCR 12

Chris Marshal
HC 63 Box 131
Tok, AK 99870
POSITION STATEMENT: Testified on SCR 12

Naidene Johnson
HC 72 Box 7290
Paxson, AK 99737
POSITION STATEMENT: Testified on SCR 12

Karen Eldridge
HC 72 Box 7290
Paxson, AK 99737
POSITION STATEMENT: Testified on SCR 12

Marvin Rassmussen
Box 97
Delta Junction, AK 99737
POSITION STATEMENT: Testified on SCR 12

Denny Weathers
Box 1791
Cordova, AK 99574
POSITION STATEMENT: Testified on SCR 12

Fred Heinz
Box 196
Gakona, AK 99586
POSITION STATEMENT: Testified on SCR 12

Jane Brown
Box 92
Gakona, AK 99586
POSITION STATEMENT: Testified on SCR 12

Betty Boznak
Box 326
Gakona, AK 99586

POSITION STATEMENT: Testified on SCR 12

Mark Heinz
Box 324
Gakona, AK 99586

POSITION STATEMENT: Testified on SCR 12

ACTION NARRATIVE

TAPE 03-16, SIDE A

CHAIR THOMAS WAGONER called the Senate Community and Regional Affairs Standing Committee meeting to order at 1:55 p.m. Present were Senators Gary Stevens, Robin Taylor, and Chair Thomas Wagoner. Senators Georgianna Lincoln and Kim Elton arrived momentarily.

The first order of business was HB 209.

#

HB 209-MUNI.TAX: PROPERTY AFFECTED BY DISASTER

SENATOR ROBIN TAYLOR announced he reviewed the bill with Representative Mike Chenault and he thought it was worthwhile legislation. He made a motion to move HB 209 from committee with individual recommendations.

CHAIR THOMAS WAGONER asked if there was any discussion or whether anyone would like to testify.

There being no objection, CSHB 209 (RLS) moved from committee with individual recommendations.

#

#SCR 12

SCR 12-BOROUGH INCORPORATION: UNORG AREAS

SENATOR GARY WILKEN, bill sponsor, supplied the committee members with the information that was requested during the 5/7/03 hearing. Mary Jackson distributed REAA wage and employment information and a chart outlining PL874 Federal Impact Aid Dollars. He noted the letter from the Impact Aid

Program Director that agreed with his assertion that PL874 money in the unorganized area is not local contribution.

CHAIR WAGONER opened public testimony.

JONEAL HICKS from Gakona testified on behalf of the Christochina Tribal Council and its membership in opposition to SCR 12. He noted 98 percent of those who testified during the previous hearing were opposed to formation of a borough in the four proposed areas. They took exception to the data in the LBC report. They realize they will eventually become part of a borough, but they would like to choose their government when the time comes.

SENATOR GEORGIANNA LINCOLN asked him to send a copy of his testimony to the committee. She asked how he responds to people that said they would never make the decision to form a borough.

MR. HICKS replied they have been discussing borough formation for at least two years and have been working with the economic development council in the Copper River area. They aren't avoiding borough formation, they're simply moving deliberately.

SENATOR GARY STEVENS asked if he believes they have an obligation to support the local school district and how they might do that.

MR. HICKS said at some point there would be a borough government in the area and it would fund the school.

WAYNE MacMURRAY testified Slana residents were opposed to the bill.

ALAN LeMASTER from Gakona thought the report data was inaccurate and asked how the LBC determines an area could afford to become a borough.

SENATOR LINCOLN asked him how this bill would affect tourism in his area.

MR. LeMASTER said it would depend on what happened as a result of being a borough. He noted tourism, in general, is against targeted taxes.

CHARLIE BROKER from Tok said he agreed with the previous testimony. Boroughs would come in due time; the residents would

figure it out. He expressed a preference for Valdez as a borough headquarters for Tok.

CHRIS MARSHAL from Tok testified there isn't steady employment in the area and therefore, there is no ability to support a borough government at this time. Senator Lincoln and Representative Morgan represent the area well and a different organization isn't desired. There is no need for another level of bureaucracy.

SENATOR GARY STEVENS asked if he felt he didn't need to support the local school system.

MR. MARSHAL replied he does support the school system by living in the community and running a small business that caters to the tourist trade. Area residents are resource developers and they support the state to a greater degree than urban residents. He said it's true the residents don't have dollars to support the school, but they support the state and take exception to anyone that says they don't.

SENATOR GARY STEVENS clarified his question was how do residents support the school system.

MR. MARSHAL said residents support tourism and mineral extraction, but they don't have dollars to contribute.

SENATOR LINCOLN explained support to tourism and resource development all helps to support the general fund. In addition, they pay through the federal dollars that are allocated to assist the areas that have federal land and that money supports education.

Naidine Johnson said she owns a business on the Denali Highway. Residents receive no help in maintaining services or even the road, the economy has suffered since September 11 and it's a bad time to impose a borough on area residents.

KAREN ELDRIDGE from Paxson said they don't have a school so there isn't one to support. Few people live in the area and she can't understand why anyone would consider organizing them into a borough. More money would be generated if the state sold land in the area than if a borough was formed and taxes collected.

MARVIN RASSMUSSEN from Delta Junction expressed opposition to SJR 12. The decision to form a borough should be left to the people. They contribute to area schools with PL874 money and

PILT funds. He said the state is responsible for education anyway. The pipeline is already taxed and adding another layer of bureaucracy wouldn't help anyone. If he wanted to pay taxes and live with an enormous bureaucracy, he could move to North Pole or Fairbanks.

DENNY KAY WEATHERS from Prince William Sound testified against the legislation at the previous hearing. She pointed out Alaska is a diverse state and nothing is equal other than what is specified in the constitution. She made the point that the data used in the LBC report is inaccurate and misleading.

FRED HEINZ from Gakona spoke in opposition to SJR 12. He noted the LBC report excluded the oil and gas receipts and if they were to form a borough that data would be important. For the proposed borough in the Copper River Basin he heard they get \$6.1 million from the pipeline and the school district costs just \$5.1 million to run so there's plenty of money to run the school system. The constitution framers knew it would take a lot of people to support a borough and they simply don't have that population in the Copper River Basin.

JANE BROWN from Gakona said borough incorporation would be adopted unless the Legislature disapproved the recommendation within 45 days. The issue of boroughs, both organized and unorganized, is a state constitutional right. If the sponsor wants to force the issue, then he should do it through the legal process of a bill. She took issue with the accuracy of the data the LBC used.

BETTY BOZNAK from Gakona said it's not economically feasible to the affected communities. Concerned residents address education needs by volunteering their time and expertise. Organization will come, but forcing the issue deprives residents of the stepping stone process of developing government.

MARK HEINZ from Gakona spoke in opposition to SJR 12 pointing out that the state or federal government typically supports most of the educational needs in any area. The Copper River Basin has just 3,100 residents and they couldn't possibly support a local government. There is need for additional industry not more government.

There was no further public testimony.

SENATOR LINCOLN remarked she was trying to understand how the sponsor selected the four areas for closer scrutiny. She

reviewed the data used in the report and noted those four areas have high poverty rates, high unemployment, and large numbers of adults that are not working. Her constituents always tell her they want quality education, an improved economy and the opportunity to work.

With regard to taxing the pipeline more to fund education, she asked how long it would be before that burden would become problematic. Federal money does come into those areas to pay for education, but there will never be the equality of payment that the sponsor is trying to achieve until the residents feel they can form and support a borough.

SENATOR WILKEN suggested the state is better off because 83 percent of the state was placed into mandatory boroughs in 1961. He pointed to the 11 standards that a borough must meet and said the LBC would go to those four areas and do an analysis to determine whether or not they could support local government. One size certainly doesn't fill all. For instance, the Delta/Greeley area has a mine, a missile defense system, a pipeline, and tourism. That is four tax bases and that wealth should be spread to the Canadian border. Without a borough the people of Delta would hoard that wealth to their benefit. This effort isn't about imposing government on anybody; it's about figuring out how to help people develop their area so that a generation from now, they could support government and pay their fair share. People will pay attention to what is happening in local schools when they support them with their checkbooks.

SIDE B

2:45 pm

SENATOR LINCOLN remarked Skagway wants to form a borough, but their application was denied. She pointed to Denali and North Slope as examples of areas that successfully formed borough government when they were ready. The mine at Delta is still in the development stage and this resolution discourages that type of new economic development rather than encouraging it. She asked again why the four areas were selected.

SENATOR WILKEN replied the common thread is they don't support their local schools. The other three in the Unorganized Borough have first class cities that are supporting local education. Eighty four percent of the people in Alaska were put into boroughs in 1961 and three percent organized voluntarily. He suggested the mine at Delta will bring the same benefits to the area as Fort Knox has to Fairbanks and Greens Creek has to

Juneau. Certainly, the mine in Delta couldn't expect to develop those resources and not pay for the services they use and share that wealth with the people of Delta. If that project hangs by the thread that they can't pay their fair share, then it shouldn't go forward.

SENATOR ELTON asked if the LBC needed a request from the Legislature or the communities to go forward with this kind of study.

SENATOR WILKEN said they don't need a request. The LBC is established in the constitution and stands at arms length from the Legislature. No one, including the Legislature, can tell the LBC to do anything and that's why this is in the form of a resolution rather than statute.

SENATOR ELTON asked and received confirmation that this is only a suggestion rather than a mandate and the LBC doesn't have to do anything as a result of SJR 12.

He asked if he remembered correctly that the sponsor brought this issue before the Senate previously, but it didn't pass the House.

SENATOR WILKEN said that was correct, previously the issue was held up in a House committee.

SENATOR ELTON asked if there were things the Legislature could do to get to the issues identified by the LBC to talk about incentives, which would be the carrot approach rather than the stick.

SENATOR WILKEN replied the LBC addresses the disincentives to borough formation in their annual report to the Legislature and they have asked the Legislature to help.

SENATOR ELTON asked if anyone had looked to see what the pipeline offset might be for the state as those communities begin to tax pipeline property.

SENATOR WILKEN said there were rough estimates and it's currently taxed at \$240 million a year. The North Slope Borough takes about \$190 million and Anchorage, Valdez and Fairbanks pick up the rest. The \$30 million and \$35 million that is left over goes into the general fund. These aren't huge amounts of money and it may be that other areas of the tax base could be

used so as to not touch the pipeline. If they touch the pipeline, they must tax themselves at the same rate.

In 1996 the LBC conducted a Delta/Greeley analysis and he thought it was 3 or \$4 million. Standard number three asks whether it is in the best interest of the state to organize so it would be a Legislative decision as to whether that \$3 million should be forfeited from the general fund to provide benefit to that area under the LBC plan.

CHAIR WAGONER remarked the overwhelming testimony has been against paying any taxes. Although he hesitates to say everyone should pay equal taxes, fair is fair, and the question is whether residents can, in some way, support the schools. Currently, schools in those areas are receiving 100 percent support and contributing nothing.

SENATOR WILKEN replied everyone in the room pays plenty of taxes, but they receive services in return. The common thread is that all the areas have school systems and everyone wants those school systems to be funded equally. That's the goal. The state requires a 4 mil payment before they pay anything toward education and those with the ability to pay the 4-mils to support the schools should do so.

CHAIR WAGONER said that's based on property value.

SENATOR WILKEN agreed.

SENATOR ELTON referred to the wages spreadsheet and asked if the data was available to determine how many of the jobs are held by residents. That data would be necessary to assess how much stays in a particular region. For example, Juneau benefits from nearby unorganized areas and certainly takes some of the jobs.

SENATOR WILKEN was sure the information was available, but he didn't break it down that way. He used the information to show there was some wealth creation opportunity in some of the areas. Each person in organized areas paid, on average, \$1,090 for education last year. If everyone in the Unorganized Borough was assessed a 4.5 percent income tax, that would amount to about the same, but that ignores the question and isn't really equitable.

SENATOR GARY STEVENS asked whether a borough could be established with only education powers if that was desired.

SENATOR WILKEN replied the lowest class borough requires education, planning, and zoning powers.

SENATOR GARY STEVENS asked him to go through the procedure that's expected with regard to the study.

SENATOR WILKEN said the LBC would identify an area, go to the area and refine the data that was begun in the February 2003 report. An area would have to qualify in each one of the eleven standards and if an area failed, it wouldn't become a borough at that time. The state might then look to see how it could help an area address the areas of failure so government would be possible at some time in the future.

SENATOR ELTON thought the easiest way to do this would be to call the LBC and ask them to do it rather than going through the Legislature. He asked if the LBC was reluctant to act without instruction from the Legislature.

SENATOR WILKEN said if he were a member of the LBC, he would want to know, beforehand, whether or not the final arbiter was going to reject the work.

SENATOR GARY STEVENS asked if the Mandatory Borough Act of 1961 didn't specified which areas would become boroughs and that there isn't a current mandate.

SENATOR WILKEN outlined borough history.

SENATOR GARY STEVENS restated his question: Is there a borough act in effect now?

SENATOR WILKEN said there was not; the Mandatory Borough Act was a single piece of legislation.

There were no further questions.

CHAIR WAGONER asked for the pleasure of the committee.

SENATOR GARY STEVENS made a motion to move SCR 12 from committee with individual recommendations.

SENATOR LINCOLN objected.

CHAIR WAGONER asked for a roll call. Senator Gary Stevens and Chair Wagoner voted yea and Senators Lincoln and Elton voted nay. The bill failed to move from committee.

#

CHAIR WAGONER adjourned the meeting at 3:15 pm.