

SENATE BILL NO. 248

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE BY REQUEST OF THE
ADVISORY COMMISSION ON LOCAL GOVERNMENT

Introduced: 1/23/06

Referred: Community and Regional Affairs, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to administrative boroughs; relating to municipal school districts;
2 relating to standards for incorporation of boroughs and unified municipalities;
3 eliminating obsolete provisions relating to a third class borough and making technical
4 changes to statutes relating to regional educational attendance areas; and relating to
5 new borough grants for certain newly incorporated boroughs and unified
6 municipalities."

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 * **Section 1.** AS 14.08.011(a) is amended to read:

9 (a) It is the purpose of this chapter to provide for public education in the
10 administrative boroughs, unorganized borough, and the military reservations in the
11 state.

12 * **Sec. 2.** AS 14.08.031(a) is amended to read:

13 (a) The Department of Commerce, Community, and Economic Development

1 in consultation with the Department of Education and Early Development and local
2 communities shall divide the administrative boroughs and the unorganized borough
3 into educational service areas using the boundaries or sub-boundaries of the regional
4 corporations established under the Alaska Native Claims Settlement Act, unless by
5 referendum a community votes to merge with another community contiguous to it but
6 within the boundaries or sub-boundaries of another regional corporation.

7 * **Sec. 3.** AS 14.08.031(b) is amended to read:

8 (b) An educational service area established in the administrative boroughs
9 and the unorganized borough under (a) of this section constitutes a regional
10 educational attendance area. As far as practicable, each regional educational
11 attendance area shall contain an integrated socio-economic, linguistically and
12 culturally homogeneous area. In the formation of the regional educational attendance
13 areas, consideration shall be given to the transportation and communication network to
14 facilitate the administration of education and communication between communities
15 that comprise the area. Whenever possible, municipalities, other governmental or
16 regional corporate entities, drainage basins, and other identifiable geographic features
17 shall be used in describing the boundaries of the regional school attendance areas.

18 * **Sec. 4.** AS 14.08.071(a) is amended to read:

19 (a) In each regional educational attendance area [IN THE UNORGANIZED
20 BOROUGH], the lieutenant governor, within not less than 60, nor more than 90 days
21 after the establishment of the regional educational attendance area, shall provide for
22 the election of a regional school board.

23 * **Sec. 5.** AS 14.08.071(b) is amended to read:

24 (b) Except for the first election of regional school board members under (a) of
25 this section, elections shall be held annually on the first Tuesday in October. Elections
26 shall be supervised by the director of elections in the office of the lieutenant governor,
27 but shall be administered within administrative boroughs and second class cities as
28 part of the regular municipal election. The lieutenant governor shall adopt regulations
29 for the conduct of the election of regional school board members comparable, as far as
30 practicable, to those prescribed for election of school board members under AS 14.12
31 and AS 29.20.300 except that the majority election requirements of AS 29.26.060 do

1 not apply to, nor may the regulations require runoff elections for, the first election of
 2 regional school board members under (a) of this section or, if a school board by
 3 resolution so requests, to subsequent elections in the regional educational attendance
 4 area served by that school board.

5 * **Sec. 6.** AS 14.12.010 is amended to read:

6 **Sec. 14.12.010. Districts of state public school system.** Except as provided
 7 in AS 14.12.025 and subject to AS 14.14.120, the [THE] districts of the state public
 8 school system are as follows:

9 (1) each home rule and first class city in an administrative borough
 10 or in the unorganized borough is a city school district;

11 (2) except for an administrative borough, each organized borough is
 12 a borough school district;

13 (3) each [THE AREA OUTSIDE ORGANIZED BOROUGH AND
 14 OUTSIDE HOME RULE AND FIRST CLASS CITIES IS DIVIDED INTO] regional
 15 educational attendance area established under AS 14.08.031 is a school district that
 16 has jurisdiction outside city school districts within its boundaries [AREAS].

17 * **Sec. 7.** AS 14.12.110 is amended to read:

18 **Sec. 14.12.110. Single body as assembly and school board.** Notwithstanding
 19 the provisions of this chapter or other law, a single body may serve as both the
 20 assembly and school board [IN THE MANNER PROVIDED FOR THIRD CLASS
 21 BOROUGH UNDER AS 29.20.300(b),] if

22 (1) an ordinance for that purpose is approved by the assembly and
 23 ratified by a referendum of a majority of the qualified borough voters voting on the
 24 question at a regular or special election; and

25 (2) the public school population within the borough is 500 pupils or
 26 less.

27 * **Sec. 8.** AS 14.60.010(7) is amended to read:

28 (7) "regional educational attendance area" means an educational
 29 service area in an administrative borough or the unorganized borough that
 30 [WHICH] may or may not include a military reservation, and that contains one or
 31 more public schools of grade levels K-12 or any portion of those grade levels that are

1 to be operated under the management and control of a single regional school board;

2 * **Sec. 9.** AS 23.40.250(8) is amended to read:

3 (8) "regional educational attendance area" means an educational
4 service area in **an administrative borough or** the unorganized borough that may or
5 may not include a military reservation, and that contains one or more public schools of
6 grade levels K - 12 or any portion of those grade levels that are to be operated under
7 the management and control of a single regional school board;

8 * **Sec. 10.** AS 29.04.030 is amended to read:

9 **Sec. 29.04.030. Classes of general law.** General law municipalities are of five
10 classes:

- 11 (1) first class boroughs;
12 (2) second class boroughs;
13 (3) **administrative** [THIRD CLASS] boroughs;
14 (4) first class cities;
15 (5) second class cities.

16 * **Sec. 11.** AS 29.04.060(a) is amended to read:

17 (a) **An administrative** [A THIRD CLASS] borough may reclassify as a first
18 or second class borough in the manner provided by **AS 29.04.040** [AS 29.35.320 -
19 29.35.330] for the **reclassification of cities** [ADDITION OF AN AREAWIDE
20 POWER BY A FIRST OR SECOND CLASS BOROUGH], except the petition or
21 proposal requests reclassification **of an administrative borough** instead of requesting
22 **reclassification of a city.** [ADDITION OF A POWER. AT THE TIME OF VOTING
23 ON RECLASSIFICATION OF A THIRD CLASS BOROUGH TO FIRST OR
24 SECOND CLASS STATUS, VOTERS SHALL VOTE ALSO ON WHETHER THE
25 BOROUGH SHALL, ON RECLASSIFICATION, RETAIN A COMBINED
26 ASSEMBLY AND SCHOOL BOARD OR ELECT A SEPARATE ASSEMBLY
27 AND BOARD AS OTHERWISE PROVIDED FOR FIRST AND SECOND CLASS
28 BOROUGHs.]

29 * **Sec. 12.** AS 29.04.060(c) is amended to read:

30 (c) If [A SEPARATE ASSEMBLY AND SCHOOL BOARD ARE
31 APPROVED AT] the reclassification **is approved** [ELECTION], a school board shall

1 be elected in conformity with AS 14.12.030 - 14.12.100 at the next regular election, if
 2 it occurs within 90 days **after** [OF] the date of the reclassification election, or
 3 [OTHERWISE] at a special election within 90 days **after** [OF] the date of the
 4 reclassification election. Expiration dates of terms of school board members elected at
 5 a special election must coincide with the date of the regular election. [UNTIL A
 6 BOARD IS ELECTED AND QUALIFIED, THE ASSEMBLY CONTINUES TO
 7 SERVE AS THE BOARD.]

8 * **Sec. 13.** AS 29.05.031(a) is amended to read:

9 (a) An area that meets the following standards may incorporate as a home rule,
 10 first class, [OR] second class, **or administrative** borough, or as a unified
 11 municipality:

12 (1) the population of the area is interrelated and integrated as to its
 13 social, cultural, and economic activities, and is large and stable enough to support
 14 borough government;

15 (2) the boundaries of the proposed borough or unified municipality
 16 **encompass a natural region that promotes service delivery on an efficient and**
 17 **cost-effective basis,** conform generally to natural geography, and include all areas
 18 necessary for full development of municipal services;

19 (3) the economy of the area includes the human and financial resources
 20 capable of providing municipal services; evaluation of an area's economy includes
 21 land use, property values, total economic base, total personal income, resource and
 22 commercial development, anticipated functions, expenses, and income of the proposed
 23 borough or unified municipality;

24 (4) land, water, and air transportation facilities allow the
 25 communication and exchange necessary for the development of integrated borough
 26 government.

27 * **Sec. 14.** AS 29.05.031 is amended by adding a new subsection to read:

28 (c) In setting boundaries of a proposed borough or unified municipality,
 29 consideration shall be given to existing administrative or corporate boundaries and to
 30 drainage basins or other regional geographic features.

31 * **Sec. 15.** AS 29.05.060 is amended to read:

1 **Sec. 29.05.060. Petition.** Municipal incorporation is proposed by filing a
 2 petition with the department. The petition must include the following information
 3 about the proposed municipality:

4 (1) class;
 5 (2) name;
 6 (3) boundaries;
 7 (4) maps, documents, and other information required by the
 8 department;

9 (5) composition and apportionment of the governing body;
 10 (6) a proposed operating budget for the municipality projecting sources
 11 of income and items of expenditure through the first full fiscal year of operation;

12 (7) for a borough or unified municipality, based on the number who
 13 voted in the respective areas in the last general election, the signature and resident
 14 address of 15 percent of the voters in

15 (A) home rule and first class cities in the area of the proposed
 16 borough or unified municipality; and

17 (B) the area of the proposed borough or unified municipality
 18 outside home rule and first class cities;

19 (8) for a first class borough or unified municipality, a designation of
 20 areawide powers to be exercised;

21 (9) for a second class or administrative borough, a designation of
 22 areawide and nonareawide powers to be exercised;

23 (10) for a first class, second class, or home rule city, a designation of
 24 the powers to be exercised;

25 (11) for a first class or home rule city, based on the number who voted
 26 in the area in the last general election, the signatures and resident addresses of 50
 27 voters in the proposed city or of 15 percent of the voters in the proposed city,
 28 whichever is greater;

29 (12) for a second class city, based on the number who voted in the area
 30 in the last general election, the signatures and resident addresses of 25 voters in the
 31 proposed city or of 15 percent of the voters in the proposed city, whichever is greater;

1 (13) for a home rule city, home rule borough, or unified municipality a
2 proposed home rule charter.

3 * **Sec. 16.** AS 29.05.110(c) is amended to read:

4 (c) Areawide borough powers included in an incorporation petition are
5 considered to be part of the incorporation question. In an election for the incorporation
6 of a second class borough **or an administrative borough**, each nonareawide power to
7 be exercised is placed separately on the ballot. Adoption of a nonareawide power
8 requires a majority of the votes cast on the question, and the vote is limited to the
9 qualified voters who are registered to vote in the proposed borough but outside all
10 cities in the proposed borough.

11 * **Sec. 17.** AS 29.05.130 is amended by adding a new subsection to read:

12 (c) This section does not apply to a regional educational attendance area in a
13 newly incorporated administrative borough.

14 * **Sec. 18.** AS 29.05.140(f) is amended to read:

15 (f) This **section does not apply to a regional educational attendance area**
16 **in an administrative borough. Otherwise, this** section applies to home rule and
17 general law municipalities.

18 * **Sec. 19.** AS 29.05.190(a) is amended to read:

19 (a) For the purpose of defraying the cost of transition to borough government
20 and to provide for interim governmental operations, each borough or unified
21 municipality incorporated after December 31, 1985, is entitled to organization grants
22 as follows:

23 (1) [~~\$300,000~~] for the municipality's first full or partial fiscal year -
24 **\$250,000 for an administrative borough or \$300,000 for a borough of another**
25 **class or for a unified municipality;**

26 (2) [~~\$200,000~~] for the municipality's second fiscal year - **\$250,000 for**
27 **an administrative borough or \$200,000 for a borough of another class or for a**
28 **unified municipality;** and

29 (3) [~~\$100,000~~] for the municipality's third fiscal year - **\$250,000 for an**
30 **administrative borough or \$100,000 for a borough of another class or for a**
31 **unified municipality.**

1 * **Sec. 20.** AS 29.05.190(c) is amended to read:

2 (c) **This** [EXCEPT AS PROVIDED IN (d) OF THIS SECTION, THIS]
 3 section does not apply to a borough incorporated by consolidation or to a unified
 4 municipality that occupies the area formerly occupied by a borough.

5 * **Sec. 21.** AS 29.05 is amended by adding a new section to read:

6 **Sec. 29.05.205. New borough grants.** (a) For the purpose of providing for
 7 financial stability, each borough or unified municipality incorporated during the period
 8 that begins on the effective date of this Act and ends four years after the effective date
 9 of this Act is entitled to a new borough grant in addition to organization grants under
 10 AS 29.05.190. The amount of the new borough grant for a borough or unified
 11 municipality that is entitled to at least 15,000 acres of general grant land under
 12 AS 29.65.030 is \$12,500,000. Otherwise, the amount of the new borough grant is
 13 \$15,000,000.

14 (b) New borough grant money may only be used for investments by the
 15 municipality that receives it. The municipality may use realized income from the
 16 investments for any of its municipal purposes.

17 (c) This section does not apply to a borough incorporated by consolidation or
 18 to a unified municipality that occupies the area formerly occupied by a borough.

19 (d) The department may adopt regulations to implement this section. The
 20 department shall disburse new borough grant money within 30 days after it is
 21 appropriated and available for the purpose. Before August 31 of each fiscal year, the
 22 department shall submit a report to the office of management and budget identifying

23 (1) each borough or unified municipality expected to qualify to receive
 24 a new borough grant during the next fiscal year;

25 (2) the amount of money needed to fund expected new borough grants;
 26 and

27 (3) the amount of money needed to fund any remaining unpaid new
 28 borough grant amounts from prior fiscal year entitlements.

29 * **Sec. 22.** AS 29.06.090(a) is amended to read:

30 (a) Two or more municipalities may merge or consolidate to form a single
 31 general law or home rule municipality, except **an administrative** [A THIRD CLASS]

1 borough may not be formed through merger or consolidation.

2 * **Sec. 23.** AS 29.06.190(a) is amended to read:

3 (a) A borough and all cities in the borough may unite to form a single unit of
4 home rule government by complying with AS 29.06.190 - 29.06.410. **However, an**
5 **administrative borough may unite with cities only on approval of the local**
6 **boundary commission under the procedure provided by AS 29.04.040(a) and (b)**
7 **for the reclassification of cities, except the petition or proposal requests**
8 **unification rather than requesting reclassification.**

9 * **Sec. 24.** AS 29.06.470(a) is amended to read:

10 (a) Except as provided in (b) of this section, voters of a municipality may
11 petition for dissolution when the municipality is free of debt, or, if in debt, each of its
12 creditors is satisfied with a method of repayment and

13 (1) the municipality no longer meets the minimum standards
14 prescribed for incorporation by AS 29.05 [, OR FORMER AS 29.18.030 IF IT IS A
15 THIRD CLASS BOROUGH];

16 (2) the municipality ceases to use each of its mandatory powers; or

17 (3) the dissolution petition filed under AS 29.06.460 is signed by a
18 number of voters of the municipality proposed to be dissolved greater than 50 percent
19 of the number of votes cast in the last regular election in that municipality.

20 * **Sec. 25.** AS 29.10.010(a) is amended to read:

21 (a) A general law borough or first class city may adopt a charter for its own
22 government. **However, an administrative borough may adopt a charter only on**
23 **approval of the local boundary commission under the procedure provided by**
24 **AS 29.04.040(a) and (b) for the reclassification of cities, except the petition or**
25 **proposal requests unification rather than requesting reclassification.**

26 * **Sec. 26.** AS 29.10.080(b) is amended to read:

27 (b) [AT THE TIME OF VOTING ON THE PROPOSED CHARTER IN A
28 THIRD CLASS BOROUGH, VOTERS SHALL VOTE ALSO ON WHETHER THE
29 BOROUGH SHALL, ON ADOPTION OF THE CHARTER, RETAIN A
30 COMBINED ASSEMBLY AND SCHOOL BOARD OR ELECT A SEPARATE
31 ASSEMBLY AND BOARD AS OTHERWISE PROVIDED FOR HOME RULE

1 BOROUGH. IF A COMBINED ASSEMBLY AND SCHOOL BOARD ARE
 2 APPROVED AT THE CHARTER ELECTION, THE ASSEMBLY SERVING AT
 3 THE TIME OF THE ELECTION CONTINUES TO SERVE AS THE ASSEMBLY
 4 AND BOARD ON VOTER APPROVAL OF THE CHARTER AND UNTIL TERMS
 5 OF ASSEMBLY MEMBERS EXPIRE AS PROVIDED BEFORE ADOPTION OF
 6 THE CHARTER.] If a charter is [SEPARATE BOARD AND ASSEMBLY ARE]
 7 approved at the charter election in an administrative borough, a school board shall
 8 be elected in conformity with AS 14.12.030 - 14.12.100 at the next regular election, if
 9 it occurs within 90 days after [OF] the date of the charter election, or [OTHERWISE]
 10 at a special election within 90 days after [OF] the date of the charter election.
 11 Expiration dates of terms of school board members elected at a special election shall
 12 coincide with the date of the regular election. [UNTIL A BOARD IS ELECTED AND
 13 QUALIFIED, THE ASSEMBLY CONTINUES TO SERVE AS THE BOARD.]

14 * **Sec. 27.** AS 29.20.300(a) is amended to read:

15 (a) Each municipal school district has a school board. Members [EXCEPT
 16 AS PROVIDED IN (b) OF THIS SECTION, MEMBERS] of a school board are
 17 elected at the regular election for three-year terms and until their successors take
 18 office. Members are elected at large unless a different method of election has been
 19 approved by the voters in a regular election.

20 * **Sec. 28.** AS 29.25.010(a) is amended to read:

21 (a) In addition to other actions that this title requires to be by ordinance, the
 22 governing body of a municipality shall use ordinances to

- 23 (1) establish, alter, or abolish municipal departments;
- 24 (2) provide for a fine or other penalty, or establish rules or regulations
 25 for violation of which a fine or other penalty is imposed;
- 26 (3) provide for the levying of taxes;
- 27 (4) make appropriations, including supplemental appropriations or
 28 transfer of appropriations.
- 29 (5) grant, renew, or extend a franchise;
- 30 (6) adopt, modify, or repeal the comprehensive plan, land use and
 31 subdivision regulations, building and housing codes, and the official map;

1 (7) approve the transfer of a power **from a city** to **an administrative**
 2 **borough or** a first or second class borough [FROM A CITY];

3 (8) designate the borough seat;

4 (9) provide for the retention or sale of tax-foreclosed property;

5 (10) exempt contractors from compliance with general requirements
 6 relating to payment and performance bonds in the construction or repair of municipal
 7 public works projects within the limitations set out in AS 36.25.025; this paragraph
 8 applies to home rule and general law municipalities.

9 * **Sec. 29.** AS 29.35.150 is amended to read:

10 **Sec. 29.35.150. Scope of areawide powers. Except as otherwise provided, a**

11 [A] borough shall exercise the powers as specified and in the manner specified in
 12 AS 29.35.150 - 29.35.180 on an areawide basis.

13 * **Sec. 30.** AS 29.35.160(a) is amended to read:

14 (a) **An administrative borough is not a school district and may not**
 15 **exercise education powers.** Each **home rule, first class, and second class** borough
 16 **and unified municipality** constitutes a borough school district and establishes,
 17 maintains, and operates a system of public schools on an areawide basis as provided in
 18 AS 14.14.060. A military reservation in a borough is not part of the borough school
 19 district until the military mission is terminated or until inclusion in the borough school
 20 district is approved by the Department of Education and Early Development.
 21 However, operation of the military reservation schools by the borough school district
 22 may be required by the Department of Education and Early Development under
 23 AS 14.14.110. If the military mission of a military reservation terminates or continued
 24 management and control by a regional educational attendance area is disapproved by
 25 the Department of Education and Early Development, operation, management, and
 26 control of schools on the military reservation transfers to the borough school district in
 27 which the military reservation is located.

28 * **Sec. 31.** AS 29.35.170 is amended to read:

29 **Sec. 29.35.170. Assessment and collection of taxes.** (a) A **first class or**
 30 **second class** borough shall assess and collect property, sales, and use taxes that are
 31 levied in its boundaries, subject to AS 29.45. **An administrative borough may assess**

1 and collect sales and use taxes that are levied in its boundaries, subject to
 2 AS 29.45, but may not levy other types of taxes.

3 (b) Taxes levied by a city in a home rule, first class, or second class
 4 borough shall be collected by the [A] borough and returned in full to the levying city.
 5 Sales and use taxes levied by a city in an administrative borough THAT LEVIES
 6 A SALES AND USE TAX shall be collected by the borough and returned in full
 7 to the levying city. This subsection applies to home rule and general law
 8 municipalities.

9 * **Sec. 32.** AS 29.35.180(a) is amended to read:

10 (a) A first or second class borough shall provide for planning, platting, and
 11 land use regulation in accordance with AS 29.40. An administrative borough shall
 12 provide for planning, platting, and land use regulation in accordance with
 13 AS 29.40 outside of cities within its boundaries that, on the day before the date of
 14 incorporation of the administrative borough, were providing for planning,
 15 platting, and land use regulation under AS 29.35.260(c).

16 * **Sec. 33.** AS 29.35.220(a) is amended to read:

17 (a) An administrative [A THIRD CLASS] borough may borrow money and
 18 issue negotiable or nonnegotiable bonds or other evidences of indebtedness as
 19 provided by AS 29.47.

20 * **Sec. 34.** AS 29.35.220(b) is amended to read:

21 (b) Areawide exercise of a power not otherwise prohibited by law by an
 22 administrative borough [A THIRD CLASS BOROUGH OTHER THAN
 23 EDUCATION AND TAX ASSESSMENT AND COLLECTION] is [NOT]
 24 authorized if the power was acquired upon incorporation under AS 29.05.110(c)
 25 or is acquired in accordance with AS 29.35.300.

26 * **Sec. 35.** AS 29.35.220(d) is amended to read:

27 (d) An administrative [A THIRD CLASS] borough may acquire any
 28 nonareawide power not otherwise prohibited by law if [, EXCEPT] the power was
 29 acquired upon incorporation under AS 29.05.110(c) or is acquired under
 30 AS 29.35.300 [MAY ONLY BE EXERCISED WITHIN A SERVICE AREA].

31 * **Sec. 36.** AS 29.35.220(e) is amended to read:

1 (e) **An administrative** [A THIRD CLASS] borough may by ordinance
 2 exercise **the** power necessary to contain, clean up, or prevent a release or threatened
 3 release of oil or a hazardous substance, and exercise a power granted to a municipality
 4 under AS 46.04, AS 46.08, or AS 46.09, but the power authorized by this subsection
 5 may be exercised only on a nonareawide basis. The borough shall exercise its
 6 authority under this subsection in a manner that is consistent with a regional master
 7 plan prepared by the Department of Environmental Conservation under AS 46.04.210.

8 * **Sec. 37.** AS 29.35.220 is amended by adding a new subsection to read:

9 (f) An administrative borough may by ordinance provide for economic
 10 development outside of cities within its boundaries that, on the day before the
 11 effective date of the incorporation of the administrative borough, were providing for
 12 economic development. A city may transfer its power to provide for economic
 13 development or the borough may acquire the power to provide for economic
 14 development on an areawide basis under AS 29.35.300.

15 * **Sec. 38.** AS 29.35.250(c) is amended to read:

16 (c) **Unless the city was not exercising the power on the day before the date**
 17 **the borough was incorporated or the borough acquires the power under**
 18 **AS 29.35.300,**

19 **(1) a** [A] home rule city in **an administrative** [A THIRD CLASS]
 20 borough shall provide for planning, platting, and land use regulation as provided by
 21 AS 29.35.180(b) for home rule boroughs;

22 **(2) a** [A] first class city in **an administrative** [A THIRD CLASS]
 23 borough shall provide for planning, platting, and land use regulation as provided by
 24 AS 29.35.180(a) for first and second class boroughs; **and**

25 **(3) a** [A] second class city in **an administrative** [A THIRD CLASS]
 26 borough may provide for planning, platting, and land use regulation as provided by
 27 AS 29.35.180(a) for first and second class boroughs.

28 * **Sec. 39.** AS 29.35.250 is amended by adding a new subsection to read:

29 (e) Except as provided in AS 14.12.025 and subject to AS 14.14.120, a home
 30 rule or first class city in an administrative borough is a city school district and shall
 31 establish, operate, and maintain a system of public schools as provided by

1 AS 29.35.160 for unified municipalities and home rule, first class, and second class
 2 boroughs. A second class city in an administrative borough is not a school district and
 3 may not establish a system of public schools.

4 * **Sec. 40.** AS 29.35.260(b) is amended to read:

5 (b) **Except as provided in AS 14.12.025 and subject to AS 14.14.120, a** [A]
 6 home rule or first class city outside a borough is a city school district and shall
 7 establish, operate, and maintain a system of public schools as provided by
 8 AS 29.35.160 for boroughs. A second class city outside a borough is not a school
 9 district and may not establish a system of public schools.

10 * **Sec. 41.** AS 29.35.300(b) is amended to read:

11 (b) A second class **or administrative** borough acquires an additional power
 12 by transfer of the power by a city or by holding an election on the question. For
 13 acquisition of an areawide power, the election shall be held areawide. For acquisition
 14 of a nonareawide power, the election shall be held nonareawide. **An administrative**
 15 **borough may not acquire the power to provide for education.**

16 * **Sec. 42.** AS 29.35.310 is amended to read:

17 **Sec. 29.35.310. Transfer by city.** (a) A city in a first or second class borough
 18 may transfer to the borough in which it is located any of its powers or functions,
 19 subject to the approval of the assembly. **A city in an administrative borough may**
 20 **transfer to the borough in which it is located any of its powers or functions, other**
 21 **than education, subject to the approval of the assembly.**

22 (b) A [FIRST OR SECOND CLASS] borough shall exercise all powers
 23 transferred to it by a city.

24 * **Sec. 43.** AS 29.35.320(a) is amended to read:

25 (a) An election on the question of adding an areawide power in a first class
 26 borough or of adding an areawide or nonareawide power in a second class borough **or**
 27 **an administrative borough** may be initiated in two ways:

28 (1) a number of voters equal to 15 percent of the number of votes cast
 29 at the preceding regular election in the area, either areawide or nonareawide, in which
 30 the election is to be held may file a petition with the borough clerk; or

31 (2) the assembly may propose the acquisition of the power.

1 * **Sec. 44.** AS 29.35.320(c) is amended to read:

2 (c) The borough clerk shall certify whether a petition filed under (a) [OR (b)]
3 of this section contains the required number of signatures.

4 * **Sec. 45.** AS 29.35.330(c) is amended to read:

5 (c) A vote on the question of adding an areawide power in a first or second
6 class borough **or in an administrative borough** shall be tabulated in two separate
7 classifications. One shall consist of all votes cast in all cities located in the borough.
8 The other shall consist of all votes cast in the borough area outside all cities. If the
9 majority of the votes cast in each classification is favorable, the borough shall assume
10 the added power within 30 days after certification of the election results.

11 * **Sec. 46.** AS 29.35.330(d) is amended to read:

12 (d) If a majority of the votes cast on the question of adding a nonareawide
13 power in a second class borough or **an administrative borough** [A POWER TO BE
14 EXERCISED IN A SERVICE AREA IN A THIRD CLASS BOROUGH] is
15 favorable, the borough shall assume the added power within 30 days after certification
16 of the election results.

17 * **Sec. 47.** AS 29.35.340(a) is amended to read:

18 (a) On acquisition of an areawide power, the first or second class borough **or**
19 **administrative borough** succeeds to all of the rights, powers, and duties of any city
20 or service area with respect to that power. The borough succeeds to claims, franchises,
21 and other contractual obligations, liability for bonded and all other indebtedness, and
22 to all of the right, title, and interest in the real and personal property held by a city or
23 service area for the exercise of the power.

24 * **Sec. 48.** AS 29.35.340(c) is amended to read:

25 (c) On acquisition of an additional areawide power, the first or second class
26 borough **or administrative borough**, in consultation with the city or service area
27 personnel, shall arrange for an orderly and equitable transfer of rights, assets,
28 liabilities, powers, duties, and other matters related to acquisition of the areawide
29 powers.

30 * **Sec. 49.** AS 29.35.470(b) is amended to read:

31 (b) **Except in an administrative borough, the** [THE] assembly may by

1 ordinance establish, alter, and abolish differential tax zones within a service area to
 2 provide and levy property taxes for a different level of services than that provided
 3 generally in the service area. Taxes levied within a differential tax zone that exceed
 4 the amount that would have otherwise been levied may only be used for the services
 5 provided in that zone.

6 * **Sec. 50.** AS 29.35.490(a) is amended to read:

7 (a) A second class borough **or an administrative borough** may exercise in a
 8 service area any power granted a first class city by law or a nonareawide power that
 9 may be exercised by a first class borough if

10 (1) the exercise of the power is approved by a majority of the voters
 11 residing in the service area; or

12 (2) all owners of real property in the service area consent in writing to
 13 the exercise of the power if no voters reside in the service area.

14 * **Sec. 51.** AS 29.35.490(c) is amended to read:

15 (c) A second [OR THIRD] class borough **or an administrative borough** may
 16 establish a service area that includes only vacant, unappropriated, and unreserved land
 17 owned by the borough. A second [OR THIRD] class borough **or an administrative**
 18 **borough** may establish a service area, with the concurrence of the commissioner of
 19 natural resources, that includes only vacant, unappropriated, and unreserved land
 20 owned by the state and classified for disposal to individuals. By ordinance a second
 21 [OR THIRD] class borough **or an administrative borough** may provide the services
 22 in a service area established under this subsection necessary to develop state or
 23 municipal land as required by the planning, platting, and land use regulations of the
 24 borough.

25 * **Sec. 52.** AS 29.40.010(a) is amended to read:

26 (a) A first or second class borough shall provide for planning, platting, and
 27 land use regulation on an areawide basis. **An administrative borough shall provide**
 28 **for planning, platting, and land use regulation outside of cities within its**
 29 **boundaries that, on the day before the date of incorporation of the administrative**
 30 **borough, were providing for planning, platting, and land use regulation under**
 31 **AS 29.35.260(c).**

1 * **Sec. 53.** AS 29.40.020(a) is amended to read:

2 (a) Each [FIRST AND SECOND CLASS] borough shall establish a planning
 3 commission consisting of five residents unless a greater number is required by
 4 ordinance. **In each first and second class borough,** [COMMISSION] membership
 5 shall be apportioned so that the number of members from home rule and first class
 6 cities reflects the proportion of borough population residing in home rule and first
 7 class cities located in the borough. **In each administrative borough, commission**
 8 **membership shall be apportioned so that the number of members from cities that**
 9 **do not exercise the power of land use regulation reflects the proportion of**
 10 **borough population residing in those cities.** A member shall be appointed by the
 11 borough mayor for a term of three years subject to confirmation by the assembly,
 12 except that a member from a [HOME RULE OR FIRST CLASS] city shall be selected
 13 from a list of recommendations submitted by the council. Members first appointed
 14 shall draw lots for one, two, and three year terms. Appointments to fill vacancies are
 15 for the unexpired term. The compensation and expenses of the planning commission
 16 and its staff are paid as directed by the assembly.

17 * **Sec. 54.** AS 29.40.030(a) is amended to read:

18 (a) The comprehensive plan is a compilation of policy statements, goals,
 19 standards, and maps for guiding the physical, social, and economic development, both
 20 private and public, of the [FIRST OR SECOND CLASS] borough, and may include,
 21 but is not limited to, the following:

- 22 (1) statements of policies, goals, and standards;
- 23 (2) a land use plan;
- 24 (3) a community facilities plan;
- 25 (4) a transportation plan; and
- 26 (5) recommendations for implementation of the comprehensive plan.

27 * **Sec. 55.** AS 29.45.010(a) is amended to read:

28 (a) A unified municipality may levy a property tax. A **home rule, first class,**
 29 **or second class** borough may levy

- 30 (1) an areawide property tax for areawide functions;
- 31 (2) a nonareawide property tax for functions limited to the area outside

1 cities;

2 (3) a property tax in a service area for functions limited to the service
3 area.

4 * **Sec. 56.** AS 30.13.150 is amended to read:

5 **Sec. 30.13.150. Succession.** Whenever a borough [OF THE FIRST OR
6 SECOND CLASS] or a home rule municipality is created with an area coterminous
7 with or inclusive of the area of an authority, the authority shall be integrated into the
8 borough or home rule municipality within one year **after** [OF] incorporation. On
9 integration, the borough or home rule municipality succeeds to all the rights, powers,
10 duties, assets, and liabilities of the authority, except that any indebtedness of an
11 authority does not constitute a general obligation of the borough or home rule
12 municipality payable from taxes levied by the borough or home rule municipality. The
13 borough or home rule municipality may not levy any taxes to pay the indebtedness.

14 * **Sec. 57.** AS 38.05.037(a) is amended to read:

15 (a) In areas of the state outside [FIRST, SECOND, OR THIRD CLASS]
16 boroughs where there is **not a city** [NO MUNICIPALITY] with [A] zoning power, the
17 division of lands shall exercise the zoning power by adopting zoning regulations.

18 * **Sec. 58.** AS 41.15.180(a) is amended to read:

19 (a) When the commissioner of commerce, community, and economic
20 development receives national forest income under 16 U.S.C. 500, the commissioner
21 shall immediately pay to each organized borough in which national forest land is
22 located a share of the income from that forest; an organized borough's share of income
23 from a national forest shall be proportional to the area of the national forest located
24 within its boundaries. **This subsection does not apply to administrative boroughs.**

25 * **Sec. 59.** AS 41.15.180(b) is amended to read:

26 (b) There is created as a separate account in the general fund the unorganized
27 borough national forest receipts fund. The fund consists of national forest income
28 received by the Department of Commerce, Community, and Economic Development
29 under 16 U.S.C. 500 for the percentage of a national forest located within the
30 unorganized borough **or within an administrative borough**. Seventy-five percent of
31 the fund shall be allocated for public schools and 25 percent for public roads.

1 * **Sec. 60.** AS 41.15.180(c) is amended to read:

2 (c) From the percentage of the unorganized borough national forest receipts
 3 fund allocated to the public schools under (b) of this section, the commissioner shall
 4 pay **a share of the income from the public schools allocation of the fund** to **(1)** each
 5 home rule or first class city **that is a school district and is** located within the
 6 unorganized borough **or within an administrative borough** and within a national
 7 forest or within 20 miles of a national forest; **and (2) each** [, OR] regional educational
 8 attendance area that has a school located within the unorganized borough **or within an**
 9 **administrative borough** and within a national forest or within 20 miles of a national
 10 forest [, A SHARE OF THE INCOME FROM THE PUBLIC SCHOOLS
 11 ALLOCATION OF THE FUND]. A home rule city, first class city, or regional
 12 educational attendance area's share shall be calculated as the proportion of the number
 13 of children in average daily membership of the city school district or regional
 14 educational attendance area compared to the total number of children in average daily
 15 membership in city school districts located within the unorganized borough **or within**
 16 **an administrative borough** and within the national forest or within 20 miles of the
 17 national forest and in regional educational attendance areas that have a school located
 18 within the unorganized borough **or within an administrative borough** and within the
 19 national forest or within 20 miles of the national forest.

20 * **Sec. 61.** AS 41.15.180(d) is amended to read:

21 (d) From the percentage of the unorganized borough national forest receipts
 22 fund allocated to public roads under (b) of this section, the commissioner shall pay
 23 [TO EACH]

24 (1) **to each administrative borough that exercises road powers and**
 25 **is within a national forest or within 20 miles of a national forest, and to each**
 26 home rule city, first class city, or second class city that exercises road powers, that is
 27 located within the unorganized borough **or within an administrative borough** and **is**
 28 within a national forest or within 20 miles of a national forest, a share of the income
 29 from the roads allocation of the fund; a **municipality's** [HOME RULE CITY, FIRST
 30 CLASS CITY, OR SECOND CLASS CITY'S] share shall be calculated as the
 31 proportion of the number of road miles within municipal boundaries over which the

1 **municipality** [COMMUNITY] exercises road powers plus the number of state road
 2 miles maintained by the municipality under agreement with the state compared to the
 3 total number of road miles maintained by state or local governments in the
 4 unorganized borough **or in an administrative borough** and within the national forest
 5 or within 20 miles of the national forest;

6 (2) **to each** municipality organized under federal law as an Indian
 7 reserve that existed before the enactment of 43 U.S.C. 1618(a) and is continued in
 8 existence under that subsection and that has formed a community development
 9 corporation under AS 29.60.365, that exercises road powers and that is located within
 10 the unorganized borough **or in an administrative borough** and within the national
 11 forest or within 20 miles of the national forest a share of the income from the roads
 12 allocation of the fund; the share due a municipality organized under federal law that
 13 exercises road powers shall be calculated as the proportion of the number of road
 14 miles within municipal boundaries over which the community exercises road powers
 15 plus the number of state road miles maintained by the municipality under agreement
 16 with the state compared to the total number of road miles maintained by state or local
 17 governments in the unorganized borough **or in an administrative borough** and
 18 within the national forest or within 20 miles of the national forest; however, the
 19 commissioner may pay income from national forest receipts under this paragraph only
 20 after the corporation has delivered a written waiver of sovereign immunity from legal
 21 action by the state to recover all or a portion of the money distributed under this
 22 section.

23 * **Sec. 62.** AS 41.15.180(f) is amended to read:

24 (f) For the purpose of making distributions from the fund, the commissioner of
 25 commerce, community, and economic development shall consult with the
 26 commissioner of education and early development, for purposes of determining the
 27 number of children in average daily membership in the public schools affected by this
 28 section, and the commissioner of transportation and public facilities, to determine the
 29 total number of road miles in the unorganized borough **or in an administrative**
 30 **borough** affected by this section.

31 * **Sec. 63.** AS 41.15.180(h) is amended to read:

1 (h) For purposes of this section, if a portion of **an administrative borough or**
 2 **of** a home rule city, first class city, or second class city, or municipality organized
 3 under federal law in the unorganized borough is located within the national forest or
 4 within 20 miles of a national forest or if a regional educational attendance area has a
 5 school located within the national forest or within 20 miles of the national forest, the
 6 entire **administrative borough,** home rule city, first class city, or second class city,
 7 regional educational attendance area, or municipality organized under federal law is
 8 considered to be within the national forest.

9 * **Sec. 64.** AS 41.15.180(j) is amended to read:

10 (j) That portion of the unorganized borough national forest receipts fund
 11 remaining in the account unobligated and unexpended on June 30 of a fiscal year shall
 12 be deposited into the unrestricted portion of the general fund and shall be used to
 13 offset expenses of the general fund for school and road maintenance in the affected
 14 areas of the unorganized borough **or of an administrative borough** for which direct
 15 distribution of funds has not been made.

16 * **Sec. 65.** AS 43.75.130(a) is amended to read:

17 (a) Except as provided in (d) of this section, the commissioner shall pay

18 (1) to each unified municipality, **to each administrative borough,** and
 19 to each city located in the unorganized borough, 50 percent of the amount of tax
 20 revenue collected in the municipality from taxes levied under this chapter;

21 (2) to each city located within a borough, 25 percent of the amount of
 22 tax revenue collected in the city from taxes levied under this chapter; and

23 (3) to each **home rule, first class, or second class** borough

24 (A) 50 percent of the amount of tax revenue collected in the
 25 area of the borough outside cities from taxes levied under this chapter; and

26 (B) 25 percent of the amount of tax revenue collected in cities
 27 located within the borough from taxes levied under this chapter.

28 * **Sec. 66.** AS 43.75.130(d) is amended to read:

29 (d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, the
 30 commissioner shall pay

31 (1) to each city that is located in a borough incorporated after June 16,

1 1987, the following percentages of the tax revenue collected in the city from taxes
2 levied under this chapter:

3 (A) 45 percent of the taxes collected during the calendar year in
4 which the borough is incorporated;

5 (B) 40 percent of the taxes collected during the first calendar
6 year after the calendar year in which the borough is incorporated;

7 (C) 35 percent of the taxes collected during the second calendar
8 year after the calendar year in which the borough is incorporated; and

9 (D) 30 percent of the taxes collected during the third calendar
10 year after the calendar year in which the borough is incorporated; and

11 (2) to each **home rule, first class, or second class** borough that is
12 incorporated after June 16, 1987, the following percentages of the tax revenue
13 collected in the cities located within the borough from taxes levied under this chapter:

14 (A) 5 percent of the taxes collected during the calendar year in
15 which the borough is incorporated;

16 (B) 10 percent of the taxes collected during the first calendar
17 year after the calendar year in which the borough is incorporated;

18 (C) 15 percent of the taxes collected during the second calendar
19 year after the calendar year in which the borough is incorporated; and

20 (D) 20 percent of the taxes collected during the third calendar
21 year after the calendar year in which the borough is incorporated.

22 * **Sec. 67.** AS 46.14.400(a) is amended to read:

23 (a) With the approval of the department, a municipality may establish and
24 administer within its jurisdiction a local air quality control program that operates in
25 lieu of and is consistent with all or part of the department's air quality program as
26 established under this chapter. A first or second class borough **or an administrative**
27 **borough** may administer an air quality control program approved by the department
28 under this subsection on an areawide basis and is not subject to the restrictions for
29 acquiring additional areawide powers specified in AS 29.35.300 - 29.35.350. [A
30 THIRD CLASS BOROUGH MAY ADMINISTER A LOCAL AIR QUALITY
31 CONTROL PROGRAM APPROVED BY THE DEPARTMENT UNDER THIS

1 SUBSECTION ONLY IN A SERVICE AREA FORMED UNDER AS 29.35.490(b)
2 OR (c).]

3 * **Sec. 68.** AS 29.04.060(b); AS 29.05.031(b), 29.05.190(d); AS 29.20.300(b);
4 AS 29.35.220(c), 29.35.300(c), 29.35.320(b), 29.35.330(b), and 29.35.490(b) are repealed.