

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 3, 2005

8:07 a.m.

MEMBERS PRESENT

Representative Kurt Olson, Co-Chair
Representative Bill Thomas, Co-Chair
Representative Pete Kott
Representative Gabrielle LeDoux
Representative Mark Neuman
Representative Sharon Cissna
Representative Woodie Salmon

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Carl Moses

COMMITTEE CALENDAR

HOUSE BILL NO. 49

"An Act relating to municipal aid grants; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 25

"An Act relating to the sharing of fisheries business tax revenue with municipalities; and providing for an effective date."

- MOVED CSHB 25(CRA) OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 133

"An Act relating to incorporation of boroughs and to regulations of the Local Boundary Commission to provide standards and procedures for municipal incorporation, reclassification, dissolution, and certain municipal boundary changes; and providing for an effective date."

- MOVED CSSSHB 133(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 74

"An Act relating to enhanced 911 surcharges."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 49

SHORT TITLE: MUNICIPAL AID GRANTS

SPONSOR(S): REPRESENTATIVE(S) ROKEBERG

01/10/05	(H)	PREFILE RELEASED 1/7/05
01/10/05	(H)	READ THE FIRST TIME - REFERRALS
01/10/05	(H)	CRA, FIN
03/03/05	(H)	CRA AT 8:00 AM CAPITOL 124

BILL: HB 25

SHORT TITLE: REFUND OF FISH BUSINESS TAX TO MUNIS

SPONSOR(S): REPRESENTATIVE(S) SEATON

01/10/05	(H)	PREFILE RELEASED 12/30/04
01/10/05	(H)	READ THE FIRST TIME - REFERRALS
01/10/05	(H)	CRA, FIN
01/20/05	(H)	CRA AT 8:00 AM CAPITOL 124
01/20/05	(H)	Heard & Held
01/20/05	(H)	MINUTE(CRA)
02/03/05	(H)	CRA AT 8:00 AM CAPITOL 124
02/03/05	(H)	Failed To Move Out Of Committee
02/03/05	(H)	MINUTE(CRA)
02/24/05	(H)	CRA AT 8:00 AM CAPITOL 124
02/24/05	(H)	<Bill Hearing Canceled>
03/03/05	(H)	CRA AT 8:00 AM CAPITOL 124

BILL: HB 133

SHORT TITLE: LOCAL BOUNDARY COMMISSION REGS & POWERS

SPONSOR(S): REPRESENTATIVE(S) COGHILL

02/09/05	(H)	READ THE FIRST TIME - REFERRALS
02/09/05	(H)	CRA, STA
02/16/05	(H)	SPONSOR SUBSTITUTE INTRODUCED
02/16/05	(H)	READ THE FIRST TIME - REFERRALS
02/16/05	(H)	CRA, STA
02/24/05	(H)	CRA AT 8:00 AM CAPITOL 124
02/24/05	(H)	Heard & Held
02/24/05	(H)	MINUTE(CRA)
03/03/05	(H)	CRA AT 8:00 AM CAPITOL 124

WITNESS REGISTER

REPRESENTATIVE NORMAN ROKEBERG

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 49.

KEVIN RITCHIE, Executive Director

Alaska Municipal League (AML)
Juneau, Alaska

POSITION STATEMENT: During discussion of HB 49, related that AML will support any bill helping the [plight of rural communities].

DAVID TRANTHAM, JR., Member

Bethel City Council;
Board of Directors for Alaska Municipal League - Region 9
Bethel, Alaska

POSITION STATEMENT: Testified that HB 49 is a good start, but expressed the need to help the 66 communities that don't fall under HB 49.

WILBUR NAPAYONAK, Mayor

City of Koyuk
Koyuk, Alaska

POSITION STATEMENT: During discussion of HB 49, relayed Koyuk's situation.

SALLY SADDLER, Legislative Liaison

Department of Commerce, Community, & Economic Development
Juneau, Alaska

POSITION STATEMENT: During discussion of HB 49, answered questions.

BILL ROLFZEN, State Revenue Sharing Municipal Assistance

Division of Community Advocacy
Department of Commerce, Community, & Economic Development
Juneau, Alaska

POSITION STATEMENT: During discussion of HB 49 and HB 25, answered questions.

LOUIE FLORA, Staff

to Representative Paul Seaton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Explained Amendment 1 to HB 25 and answered questions.

LINDA FREED, Manager
City of Kodiak
Kodiak, Alaska

POSITION STATEMENT: Testified in support of HB 25.

WANETTA AYERS
Southwest Alaska Municipal Conference (SWAMC)
Anchorage, Alaska

POSITION STATEMENT: Requested more time to review HB 25,
Version L.

JULIE DECKER, Executive Director
Southeast Alaska Regional Dive Fisheries Association (SARDFSA)
Wrangell, Alaska

POSITION STATEMENT: Testified in support of HB 25, and
expressed concerns with some of the amendments.

VALERY MCCANDLESS, Mayor
City of Wrangell
Wrangell, Alaska

POSITION STATEMENT: Testified that HB 25 is a fair solution.

WILLARD DUNHAM, Member
Seward City Council
City of Seward
Seward, Alaska

POSITION STATEMENT: Testified in support of HB 25.

CLARK CORBRIDGE, Interim City Manager
City of Seward
Seward, Alaska

POSITION STATEMENT: Testified in support of HB 25 and Version L
of HB 25.

DEAN BAUGH, Finance Director
City of Homer
Homer, Alaska

POSITION STATEMENT: Testified in support of HB 25.

CHRIS MOSS
Homer, Alaska

POSITION STATEMENT: Expressed concerns with CSHB 25, Version L.

BUCK LAUKITIS, President
North Pacific Fisheries Association
Homer, Alaska

POSITION STATEMENT: Testified in support of HB 25.

JOHN VELSKO
Homer, Alaska

POSITION STATEMENT: Testified in support of HB 25.

ROLLO POOL, Executive Director
Southeast Conference
Juneau, Alaska

POSITION STATEMENT: Testified that the Southeast Conference has no position on HB 25.

CHRIS HLADICK, Manager
City of Unalaska
Unalaska, Alaska

POSITION STATEMENT: Testified in opposition to HB 25.

REPRESENTATIVE JOHN COGHILL
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of SSHB 133.

DAN BOCKHORST, Staff
to the Local Boundary Commission (LBC)
Department of Commerce, Community, & Economic Development
Anchorage, Alaska

POSITION STATEMENT: During discussion of SSHB 133, answered questions.

ACTION NARRATIVE

CO-CHAIR KURT THOMAS called the House Community and Regional Affairs Standing Committee meeting to order at [8:07:41 AM](#). Representatives Olson, Thomas, LeDoux, Neuman, and Salmon were present at the call to order. Representatives Kott and Cissna arrived as the meeting was in progress.

HB 49-MUNICIPAL AID GRANTS

CO-CHAIR THOMAS announced that the first order of business would be HOUSE BILL NO. 49, "An Act relating to municipal aid grants; and providing for an effective date."

REPRESENTATIVE NORMAN ROKEBERG, Alaska State Legislature, sponsor, opined that HB 49 is the first, small step in the re-institution of municipal aid grants in the modest amount of

\$50,000 to the local governmental units around the state. Representative Rokeberg related the plight of local governments due to the end of revenue sharing. This proposed grant would go to all 163 municipalities in the state in order to avoid any allocation problems. Representative Rokeberg acknowledged that even with this relatively modest grant amount, the fiscal note is significant. Representative Rokeberg opined that this committee, of all the committees, should recognize the problems in Alaska's small communities. Representative Rokeberg concluded by recognizing Representative Moses long-time advocacy for municipal dividends.

8:11:22 AM

REPRESENTATIVE NEUMAN asked from where the \$8.1 million would come.

REPRESENTATIVE ROKEBERG specified that the money would come from the general fund (GF). In further response to Representative Neuman, Representative Rokeberg informed the committee that historically there have been two major programs that have provided [funds] for small communities. Although those programs remain in statute, the funding for them has been zeroed out. Representative Rokeberg highlighted that he tried to make the legislation simple and create a simplified grant system.

8:12:27 AM

REPRESENTATIVE SALMON questioned why about 66 villages wouldn't be included in this municipal aid grant.

REPRESENTATIVE ROKEBERG pointed out that the committee packet includes a listing of the 163 municipalities that have incorporated as local governments under state statute. The aforementioned is the method that has been used in the past and in this legislations.

REPRESENTATIVE SALMON emphasized the need to recognize that the 66 villages are "under the state law" and should be entitled to this program as well. He questioned why these 66 villages have to be left out just because the state doesn't recognize them. He stressed the need to cover the entire state rather than just those [entities] recognized by the state.

REPRESENTATIVE ROKEBERG related his understanding that the municipal revenue sharing programs and aid in the past was in place to encourage the maximum amount of local government and

local participation. In fact, Article X of the Alaska State Constitution encourages local government. He pointed out that subsection (c) of HB 49 indicates that under federal law an entity with reservation status would be recognized, such as Metlakatla.

[8:15:22 AM](#)

REPRESENTATIVE NEUMAN inquired as to what these 66 communities would have to do to fall under this legislation.

REPRESENTATIVE ROKEBERG answered that these 66 communities would have to incorporate at some level to be recognized.

[8:16:38 AM](#)

REPRESENTATIVE LEDOUX asked whether this legislation could include areas that function as municipalities and provide a certain level of services that are generally viewed as municipal services.

REPRESENTATIVE ROKEBERG deferred to representatives from the Department of Commerce, Community, & Economic Development (DCCED). However, he characterized this as a statement of policy. Moreover, the large fiscal note illustrates the need to determine the progress that can be made.

REPRESENTATIVE NEUMAN opined that Representative LeDoux's suggestion could be problematic.

[8:19:27 AM](#)

KEVIN RITCHIE, Executive Director, Alaska Municipal League (AML), highlighted that rural Alaska is in crisis and financially rural Alaska has no way out. Furthermore, there are significant state financial impacts beyond the crisis of service in rural Alaska. He noted that [the committee packet should include] a number of letters from municipalities, which highlight the problems in rural Alaska, including high fuel costs, high unemployment, and virtually no tax base. Property tax is not a solution for rural Alaska, he said. However, most communities in rural Alaska tax themselves. Although more than 100 communities have a sales tax, the sales tax generated isn't enough to fill the gap.

MR. RITCHIE informed the committee that 9 of Alaska's 146 cities are no longer functioning. Furthermore, 17 cities are in deep

debt and 39 cities have terminated key local services, such as police and road services. He further informed the committee that the insurance for 10 cities has been canceled over the past year and 33 cities are on month-to-month payment plans. "These communities cannot afford to buy municipal insurance for the things that they're doing," he emphasized. He posed a situation in which a police officer is involved in an accident and a citizen is hurt in a community with no insurance and virtually no assets. If the aforementioned occurred in the unorganized borough, [DCCED] and AML believe that a jury would look for a "deep pocket." Most of these communities are in the legislature's unorganized borough pocket and the legislature is obligated to provide services that it deems necessary in the unorganized borough. Therefore, the impact of one uninsured loss could be equal to the cost of HB 49.

MR. RITCHIE highlighted the growing movement of people from rural Alaska to urban Alaska, which he believes is, in part, attributable to the lack of services [in rural Alaska]. As people move to urban areas, they are probably moving without jobs and the commerce that creates about one out of five jobs in urban Alaska is going to decrease. The aforementioned illustrates that Alaska is a large economic network of which the villages and communities are an important part.

MR. RITCHIE informed the committee that the revenue sharing program has been in existence since 1969, after which 84 cities organized. This is the first year the revenue sharing program hasn't been funded. He mentioned the governor's bill providing for an interim program this year. Mr. Ritchie related that AML will support any bill helping this problem. "A bill like this can provide a life line to buy insurance, to buy fuel, to provide some level of support to a ... public safety officer to provide some road maintenance. So, it's a key ... need for rural Alaska," he emphasized.

[8:27:48 AM](#)

CO-CHAIR OLSON inquired as to how many of the 66 villages are participating in AML and its joint insurance program.

MR. RITCHIE specified that if the area isn't a municipality, then it can't participate in the insurance program. He explained that a goal of AML's Joint Insurance Association is to be able to allow tribal councils or other nonprofits within the unorganized borough to buy insurance. However, state law restricts membership to municipalities and school districts. In

further response to Co-Chair Olson specified that full members of AML are defined as cities or boroughs.

[8:28:55 AM](#)

REPRESENTATIVE NEUMAN commented that HB 49 is a good bill. He acknowledged the need for the legislature to do what it can to support the smaller communities, and suggested working with the areas not included under HB 49. He encouraged the committee to vote [in favor] of HB 49.

[8:29:26 AM](#)

REPRESENTATIVE SALMON highlighted that the federal government recognizes these other 66 villages. He emphasized that those on the tribal councils strive for the same things as those on the city councils. Therefore, he questioned how one can differentiate between tribes and cities because "we're still the people." Representative Salmon said that although he agrees that HB 49 is good for the communities it includes, he disagrees with leaving out the 66 communities. Therefore, Representative Salmon requested that the committee review this matter more closely.

[8:31:48 AM](#)

DAVID TRANTHAM, JR., Member, Bethel City Council; Board of Directors for Alaska Municipal League - Region 9, opined that HB 49 is a good start, although not including all of the communities in Alaska seems to be a weakness. Many of these 66 communities that aren't included look to tribal governments due to the lack of revenue sharing. He highlighted that the cost of living in Western Alaska communities is extremely high. For example, in Bethel, a gallon of gas costs \$3.59 and \$2.99 for heating fuel. Moreover, there is a fuel surcharge on everything shipped into the area. Mr. Trantham echoed earlier testimony regarding the fact that many communities are trying to support themselves with a sales tax. For example, Bethel has a 5 percent sales tax, a 5 percent gaming tax, a 5 percent alcohol user fee, and various other taxes and user fees. Mr. Trantham reiterated that HB 49 is a good start, and said that any financial support to the [66] communities would be appreciated.

[8:35:55 AM](#)

WILBUR NAPAYONAK, Mayor, City of Koyuk, discussed the situation in rural Alaska, specifically in Koyuk. He opined that the

money coming in is not enough to even function as a government. He said that the challenge today, without revenue sharing, is trying to pay the monthly bills. Mr. Napayonak related that whether the government of Koyuk will continue is the question. Although Koyuk is looking to increase its taxes and utility rates, money isn't coming into the community. Furthermore, the lack of jobs in the community contributes to the problem. Mr. Napayonak expressed interest in Koyuk becoming self-supporting, and HB 49 is very important in helping Koyuk move in that direction.

[8:40:57 AM](#)

CO-CHAIR THOMAS questioned whether there would be a problem giving money to unorganized boroughs if HB 49 was amended to do so.

SALLY SADDLER, Legislative Liaison, Department of Commerce, Community, & Economic Development (DCCED), related her understanding that currently the language in HB 49 calls for the funding to go to municipalities. She said that she isn't aware of any problem with giving money to unorganized municipalities. She characterized it as a policy call for the legislature.

[8:42:13 AM](#)

BILL ROLFZEN, State Revenue Sharing Municipal Assistance, Division of Community Advocacy, Department of Commerce, Community, & Economic Development, responding to Co-Chair Thomas, said that there is no problem with providing funding to unorganized communities. Historically, revenue sharing and the capital matching grant programs provided funding to unincorporated communities. He noted that under the revenue sharing program, the amount provided to the unincorporated communities wasn't at the same level provided to [organized] city governments. In further response to Co-Chair Thomas, Mr. Rolfzen recalled that in fiscal year (FY) 2003, [the unincorporated communities] received approximately \$3,500, which was also the amount provided to the unincorporated entities under the temporary fiscal relief program in FY 04.

[8:43:10 AM](#)

REPRESENTATIVE NEUMAN inquired as to why Talkeetna and Trapper Creek aren't included.

MR. ROLFZEN explained that since 1969, unincorporated communities within organized boroughs haven't received funding directly from the state. It was a local decision whether the organized borough chose to pass through some of the money it received to the unincorporated communities within the organized area. Historically, unincorporated communities outside of an organized borough were funded. He surmised that it was a policy decision.

REPRESENTATIVE NEUMAN asked whether communities such as Talkeetna receive any aid from the state at all.

MR. ROLFZEN replied no. In response to Representative Cissna, Mr. Rolfzen specified that unincorporated areas within an organized borough, such as Talkeetna, can't receive revenue sharing.

[8:44:44 AM](#)

REPRESENTATIVE LEDOUX surmised that not providing [revenue sharing funds to an unincorporated area within an organized borough] is a statutory provision under current law that could be changed by the legislature.

MR. ROLFZEN said that's correct.

[8:45:12 AM](#)

REPRESENTATIVE NEUMAN inquired as to how [that change] could happen.

MR. ROLFZEN pointed out that within organized boroughs on the road system, defining [an unincorporated] community and its boundaries is difficult. For example, in Juneau, one could make the argument that Douglas is an unincorporated community within a borough. Therefore, if the definition of unincorporated community is provided, the determination could be made and the community could receive funds.

[8:46:22 AM](#)

CO-CHAIR THOMAS announced that HB 49 would be held over.

[8:46:34 AM](#)

REPRESENTATIVE ROKEBERG said he appreciated the debate. However, he commented that it becomes complex, in terms of

equity, when one discusses federally recognized tribal entities vis-à-vis unincorporated cities within boroughs. Representative Rokeberg cautioned the committee against the perils of the "Christmas tree effect." He related his hope that HB 49 would pass and be on the governor's desk this year.

HB 25-REFUND OF FISH BUSINESS TAX TO MUNIS

8:48:26 AM

CO-CHAIR THOMAS announced that the next order of business would be HOUSE BILL NO. 25, "An Act relating to the sharing of fisheries business tax revenue with municipalities; and providing for an effective date."

8:50:20 AM

CO-CHAIR OLSON moved to adopt CSHB 25, Version 24-LS0169\L, Utermohle, 3/1/05, as the working document. There being no objection, Version L was before the committee.

8:51:03 AM

LOUIE FLORA, Staff to Representative Paul Seaton, Alaska State Legislature, explained that Amendment 1 [labeled 24-LS0169\L.2, Utermohle, 3/2/05, text provided below] corrects an oversight. Initially, the belief was that to place the [tax collection] in line with the state's budget cycle, it would be easiest to have [the tax collected] on a fiscal year basis. However, taxes are reported and collected on a calendar year basis; the change would return the language to refer to calendar year.

8:52:56 AM

REPRESENTATIVE NEUMAN moved that the committee adopt Amendment 1 [labeled 24-LS0169\L.2, Utermohle, 3/2/05], which read:

Page 2, line 19:

Delete "**fiscal** [CALENDAR]"

Insert "calendar"

Page 2, line 21:

Delete "**fiscal** [CALENDAR]" in both places

Insert "calendar" in both places

Page 2, line 24:

Delete "**fiscal** [CALENDAR]" in both places

Insert "calendar" in both places

Page 2, line 27:

Delete "**fiscal** [CALENDAR]" in both places

Insert "calendar" in both places

Page 3, line 2:

Delete "**fiscal** [CALENDAR]"

Insert "calendar"

Page 3, line 4:

Delete "**fiscal** [CALENDAR]" in both places

Insert "calendar" in both places

Page 3, line 7:

Delete "**fiscal** [CALENDAR]" in both places

Insert "calendar" in both places

Page 3, line 10:

Delete "**fiscal** [CALENDAR]" in both places

Insert "calendar" in both places

Page 3, line 14:

Delete "**during a fiscal year**"

Page 3, line 22:

Delete "during a fiscal year"

Page 3, line 31:

Delete "during a fiscal year"

Page 4, line 12:

Delete "**during a fiscal year**"

There being no objection, Amendment 1 was adopted.

[8:53:23 AM](#)

REPRESENTATIVE LEDOUX related, "Amendment 2 is supposed to do what the CS was supposed to do; it's just clearing up some technical language in the CS." She deferred to Mr. Flora or the Department of Commerce, Community, & Economic Development (DCCED) representative for further explanation.

[8:54:11 AM](#)

REPRESENTATIVE LEDOUX moved that the committee adopt Amendment 2, which read as follows [original punctuation provided; with handwritten changes]:

(page 3, line 23) delete "retained" insert "transferred"

(page 3, line 24) delete "until the amount necessary to make the hold harmless payment required"

(page 3, line 25) delete "under AS 29.60.450(g) is calculated and paid by"

(page 3, line 24) after "department"; insert "to"

REPRESENTATIVE CISSNA objected and requested an explanation.

[8:54:44 AM](#)

BILL ROLFZEN, Department of Commerce, Community, & Economic Development, explained that after DCCED computes the hold harmless add-on amounts, Amendment 2 provides that the Department of Revenue withhold the export landing tax payment, until such time DCCED determines the fish tax add-ons are necessary to raise the small communities to the amount they would've received had the export landing tax not been enacted. Amendment 2 withholds the revenue until DCCED makes the calculations and the funds are transferred to DCCED in order to hold harmless those communities. After the hold harmless payments are provided by DCCED under the shared fishery business tax program, the Department of Revenue prorates the export landing tax payments by an amount necessary to fund those hold harmless payments, and sends those payments to the export landing tax communities.

[8:55:58 AM](#)

REPRESENTATIVE CISSNA withdrew her objection.

There being no objection, Amendment 2 was adopted.

[8:56:07 AM](#)

REPRESENTATIVE LEDOUX moved that the committee adopt Amendment 3, as follows:

Page 4, line 18,

Delete "2005"
Insert "2006"

[8:56:39 AM](#)

REPRESENTATIVE CISSNA objected. She noted she had contemplated a sunset amendment. She opined that the purpose of this legislation is to create incentives for communities to develop value-added [products] and move into new markets. She related her understanding that there are no qualifying communities that couldn't find some resource. She asked if communities fishing now would, with an incentive, be able "to figure out something."

MR. FLORA said that's correct.

REPRESENTATIVE CISSNA opined, then, that it's wise for the state to tie resources to incentives to expand what local communities do. She related that although she likes the idea of giving an extended period to work on this and develop resources, she expressed concern with doing so in perpetuity.

[8:59:02 AM](#)

REPRESENTATIVE LEDOUX stated that Amendment 3 merely changes the effective date to 2006 rather than 2005. One of the reasons for Amendment 2 is that even under Version L, there will be communities that lose under the proposed program. Therefore, changing the effective date provides those losing communities more time to prepare for the significant loss of money.

[8:59:57 AM](#)

REPRESENTATIVE CISSNA related her understanding that under Version L a population of 500 or less would be held harmless without sunset.

[9:00:42 AM](#)

CO-CHAIR THOMAS interjected that the fishing season has already started, and therefore implementing [this legislation] at this time "would probably be wrong." Therefore, Amendment 3 moves the effective date back a year in order to allow communities time to adjust their budgets.

[9:01:00 AM](#)

REPRESENTATIVE CISSNA withdrew her objection to Amendment 3.

9:01:12 AM

CO-CHAIR THOMAS asked if the change in the effective date is complicated for DCCED. Upon a signal from DCCED representatives in the room, he related his understanding that it wouldn't be complicated to do so.

9:01:25 AM

CO-CHAIR THOMAS, upon hearing no further objections, announced that Amendment 3 was adopted.

9:01:39 AM

REPRESENTATIVE LEDOUX explained that she wanted to hold harmless the small communities that would lose under the original legislation. Therefore, she suggested that communities with populations of 500 or less or small boroughs with populations of 3,000 or less would be held harmless and given the same amount of money they would've received [before the passage of this legislation].

9:03:19 AM

REPRESENTATIVE NEUMAN inquired as to how many boroughs there are with a population of less than 3,000.

CO-CHAIR THOMAS, upon hearing a department representative in the audience, related that there are four boroughs with populations of less than 3,000.

REPRESENTATIVE LEDOUX specified that Lake & Peninsula, Aleutians East, Bristol Bay, and [Yakutat] are the four boroughs.

9:04:14 AM

REPRESENTATIVE NEUMAN asked if there will be a fiscal note or idea as to [the financial impacts] of this change.

REPRESENTATIVE LEDOUX related her understanding that [Version L] would give communities gaining under this proposal about 60 percent of what they would've gained without the hold harmless clause. In further response to Representative Neuman, Representative LeDoux confirmed that communities such as Homer would receive about 60 percent of what it would have without

[Version L]. However, she didn't believe the fiscal note for the state would change.

[9:05:13 AM](#)

REPRESENTATIVE SALMON commented that this is a complex issue, and therefore he suggested holding HB 25 once more in order to determine the numbers for the smaller villages.

CO-CHAIR THOMAS said that the department can't provide the numbers related to the impact to specific communities. Version L merely tries to hold the smaller communities harmless at 60:40.

[9:06:19 AM](#)

REPRESENTATIVE CISSNA inquired as to the sponsor's reaction to Version L.

CO-CHAIR THOMAS informed the committee that the original agreement was [to hold harmless] those communities with populations of 500 or less. However, Version L now includes boroughs with populations of 3,000 or less.

[9:07:11 AM](#)

MR. FLORA confirmed that the sponsor was made aware of Version L yesterday and isn't particularly fond of the idea, but can live with it. He related that the sponsor had ideas for possible sunset dates. However, the sponsor felt that the legislation is already complex enough and didn't want to burden it further.

[9:08:05 AM](#)

CO-CHAIR THOMAS inquired as to whether the committee wanted to take testimony today or hold over the legislation to allow witnesses time to review Version L and comment at a later hearing. He related his understanding that the sponsor is happy, the maker of the CS is happy, and therefore he opined that the committee could move the legislation. He said he would entertain a motion.

REPRESENTATIVE CISSNA expressed her desire to allow testimony.

[9:09:28 AM](#)

LINDA FREED, Manager, City of Kodiak, announced her support of HB 25. Based on the sponsor statement and other information, the Kodiak City Council believes that the proposal in HB 25 is appropriate because the fisheries business tax was put in place to provide a sharing of the revenue with those communities that have fish crossing their docks. Although she noted that she hasn't had an opportunity to analyze Version L, she wasn't sure that holding harmless those communities that are part of the program now with the redistribution under [Version L] would achieve anything different. Without the hold harmless clause, Kodiak supports HB 25.

[9:11:06 AM](#)

WANETTA AYERS, Southwest Alaska Municipal Conference (SWAMC), informed the committee that SWAMC is the state-recognized Alaska Regional Development Organization (ARDOR) and federally recognized economic development district for 54 communities. Ms. Ayers said that originally she was present to speak against HB 25 because it would've resulted in the loss of hundreds of thousands of dollars in municipal revenues to a number of communities in Southwest Alaska. However, upon reviewing the CS, Ms. Ayers opined that it goes a long way in correcting what would've been a significant revenue loss. She requested additional time to review Version L and obtain comments from the communities in SWAMC. Ms. Ayers informed the committee that 11 communities in Southwest Alaska have already exercised their local taxing authority by implementing a raw fish tax on fish that crosses the dock but is not processed in the community. The aforementioned is an option for communities to generate additional municipal revenues, although it hasn't been utilized by a number of communities that could use it.

[9:13:31 AM](#)

JULIE DECKER, Executive Director, Southeast Alaska Regional Dive Fisheries Association (SARDFA), related SARDFA's support of HB 25. Although she opined that the hold harmless clause seems to be suitable for communities with populations under 500, she questioned holding harmless boroughs with a population of up to 3,000. Ms. Decker suggested the need for a sunset clause on the hold harmless clause, which could be tied to municipal revenue sharing programs starting again. Ms. Decker concluded by relating her general belief that the committee is going in a good direction with this legislation.

[9:14:33 AM](#)

VALERY MCCANDLESS, Mayor, City of Wrangell, paraphrased from the following written testimony [original punctuation provided]:

The main issue of this bill that the City of Wrangell supports is to provide equity when it comes to distributing the fish tax from fresh or unprocessed seafood product. The current method of allocating the fish tax proceeds not only makes no sense, but it unfairly distributes these tax collected monies.

It is our understanding that the current formula takes all of the fish tax from fresh or unprocessed product and divides it equally between the general fund and the DCCED. The portion that goes to DCCED is then put into a pool and is distributed based on the percentage of processed product. In other words, if a community has 10% of the processed fish tax in the state, they would then get 10% of the fresh or unprocessed fish tax, regardless of how much fresh or unprocessed fish they actually handle.

This seems to be an unfair practice to communities that may offer a high quality fresh and live product. Communities landing fresh product or product to be processed both require infrastructure development and provide jobs for the industry. National and international markets are demanding more fresh and live seafood. The State of Alaska is encouraging markets of high quality fresh and live product - yet then penalizes communities on the fish taxes they pay. HB 25 will bring back those dollars to the communities in which the unprocessed or fresh or live seafood is actually landed.

In a time when high-end fresh products are encouraged and demanded, it is self defeating to those communities that are trying to develop those type of fresh markets when it comes to fish taxes. There is more fish tax paid, but it goes to other communities.

The City of Wrangell endorses HB 25 as a fair solution to the current allocation method of fish tax from the so-called unprocessed (or fresh) seafood.

The following example is only used to illustrate the flaw in the current method of allocating the unprocessed fish tax:

Assume you had two communities in the state that processed the state's entire seafood product. One community processed the entire processed product and one that handled and prepared the entire fresh or unprocessed product; each handling/processing equal amounts. Under the current method of allocation, the community that had processed product only would receive 100% of fish tax distributed to communities. The community with just fresh or unprocessed product would receive nothing, yet logic would tell us both should get 50%.

Both communities need an investment in infrastructure, marketing, transportation and other issues to make their particular industry work regardless of whether it was shipped out processed under the state's definition or whether it is shipped out under the unprocessed label. Both deserve an equal portion of the fish tax distributed to the communities.

Although in the real world, there are many communities in Alaska that have both processed and fresh or unprocessed product, this example should hit home how unfair the current system is and the need for it to be fixed.

The City of Wrangell endorses HB 25 as a fair solution to the current allocation method of fish tax from the so-called unprocessed seafood.

Thank you for allowing me this opportunity to speak on behalf of the City of Wrangell.

[9:18:06 AM](#)

REPRESENTATIVE NEUMAN returned to the suggestion that there be a sunset clause tied to municipal funds. He pointed out that all communities would receive municipal revenue sharing. Therefore, he didn't know why a sunset clause would be necessary because it would take away from these [losing communities] even more.

[9:19:06 AM](#)

WILLARD DUNHAM, Member, Seward City Council, City of Seward, related that the City of Seward is in favor of HB 25. He informed the committee that Seward is a high-volume landing port for both halibut and several other species of fish. Mr. Dunham highlighted that hundreds of thousands of pounds of fish are preliminarily processed in the state, but then shipped out of state. He hoped the aforementioned will be taken into consideration for future [legislation].

[9:20:48 AM](#)

CLARK CORBRIDGE, Interim City Manager, City of Seward, reiterated the City of Seward's strong support of HB 25 and Version L, primarily because it's a far more equitable distribution method than the current method.

[9:21:39 AM](#)

DEAN BAUGH, Finance Director, City of Homer, related the City of Homer's support for HB 25. Mr. Baugh highlighted that the City of Homer, like many other port communities, has invested heavily in port infrastructure. However, the current distribution method has resulted in Homer having to subsidize some of its docks through other fees. Mr. Baugh informed the committee that 11 million pounds of halibut came across Homer's dock last year, but Homer received no fish tax for that halibut because the fish is placed on ice and sent to market as a fresh fish. Mr. Baugh related that Homer has discussed instituting a landing tax, but the surrounding markets are so tight that institution of a landing tax may place Homer in a situation in which it loses a large portion of its volume.

[9:23:17 AM](#)

CHRIS MOSS surmised that the committee has to determine whether this proposed change is necessary. He reminded the committee that the original intent of the [fisheries business tax] was to redistribute the funds [collected from the fisheries business tax] to various communities impacted by processing activities. The aforementioned was appropriate at the time because every community had its own processing facility. However, the fishing industry is changing as fresh fish are being shipped out. He indicated the need to realize that fresh fish is the highest value and those communities where fresh product is shipped out for processing still incur port [infrastructure] costs, although the definition of processing isn't met in those communities. Mr. Moss expressed concern with Version L [because] the winners

and losers of it are not very obvious. Mr. Moss opined that it's appropriate to distribute the money based on the landing place rather than where the most fish are landed. He also opined that the hold harmless clause based on population size should be phased out.

[9:25:38 AM](#)

BUCK LAUKITIS, President, North Pacific Fisheries Association, testified in support of HB 25, which corrects a poorly structured tax statute. He related that Homer is participating in a market segment, fresh product, that is absolutely essential to the economic health of Alaska's fisheries. He discussed the growing trend of fresh fish, which is where the value lays. Mr. Laukitis commented that although the hold harmless clause in Version L is well intentioned, it merely results in a 40 percent dilution and doesn't fully correct the problem.

[9:27:29 AM](#)

JOHN VELSKO related his support of HB 25. He informed the committee that Homer is the leading halibut landing port because the city decided to invest in and maintain the necessary harbor infrastructure, such as the ice making plant, modern fish stock, and security patrol of the harbor. Although the Homer general fund has helped pay for the aforementioned for a number of years, the loss of state revenue sharing is making finances tight. [In attempts to address the lack of state funds], the city recently raised property taxes, and is discussing raising the sales tax. Mr. Velsko opined, "HB 25 attempts to right a fundamental wrong in the distribution of the fish tax, I don't see why communities that have not invested in maintaining the necessary fishery infrastructure should receive fish tax revenue that rightfully belongs to responsible communities that have." Although Mr. Velsko said he believes the hold harmless clause is a good idea, he didn't believe it should come from the fish tax revenues. "The State of Alaska does have a commitment to the rural communities, but the rightful place to fund that is through the general fund, not through taking fish tax revenues from legitimate fishing ports," he stated.

[9:29:07 AM](#)

ROLLO POOL, Executive Director, Southeast Conference, related that the Southeast Conference hasn't taken a position on HB 25. However, he opined that the organization believes the legislature needs to review the cost-sharing component of this

statute. He mentioned the different economies throughout the state. Mr. Pool said the Southeast Conference is willing to work with the legislature and other groups to find equitable solutions.

[9:30:29 AM](#)

CHRIS HLADICK, Manager, City of Unalaska, highlighted that it appears that Homer would receive a substantial amount under this proposal in HB 25. Under this legislation, there will be inequity. Homer will have an advantage because it's located on the road system, and therefore can deliver fresh fish. However, other communities, such as Unalaska, would have to pay to have its fresh fish shipped out. "So, I'm not understanding exactly how this would make it fair." Mr. Hladick related [the City of Unalaska's] opposition to HB 25.

[9:31:51 AM](#)

REPRESENTATIVE CISSNA inquired as to Mr. Hladick's view of Version L.

MR. HLADICK said he understands that many of the small communities need money, but he said he hasn't seen how [Version L] impacts the total picture and thus can't comment at this time.

[9:32:34 AM](#)

CO-CHAIR THOMAS closed public testimony.

[9:32:56 AM](#)

REPRESENTATIVE LEDOUX moved to report CSHB 25, Version 24-LS0169\L, Utermohle, 3/1/05, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 25(CRA) was reported from the House Community and Regional Affairs Standing Committee.

The committee took an at-ease from [9:33:29 AM](#) to [9:37:49 AM](#).

HB 133-LOCAL BOUNDARY COMMISSION REGS & POWERS

[9:37:52 AM](#)

CO-CHAIR THOMAS announced that the final order of business would be SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 133, "An Act relating

to incorporation of boroughs and to regulations of the Local Boundary Commission to provide standards and procedures for municipal incorporation, reclassification, dissolution, and certain municipal boundary changes; and providing for an effective date."

[9:38:24 AM](#)

REPRESENTATIVE NEUMAN moved that the committee adopt the following amendment:

Page 2, line 4,
Delete "one"
Insert "three"

REPRESENTATIVE NEUMAN related that often after one of these public hearings, the community notices the issue. He opined that three public hearings would be better, especially in some of the larger areas.

REPRESENTATIVE KOTT objected.

[9:40:01 AM](#)

REPRESENTATIVE JOHN COGHILL, Alaska State Legislature, sponsor, explained that he used the language "at least one public hearing" because some areas are small enough that one hearing would be sufficient. He said he expected that the LBC would have the latitude to have more hearings if they were necessary due to geographical size or economic units in the area. He said that mandating three hearings in the smaller areas could be less useful. However, he indicated that he is open to providing direction for more hearings if the geography of the area dictated such.

[9:41:29 AM](#)

REPRESENTATIVE NEUMAN commented that "two" public hearings could be okay. He reiterated that often the first meeting in a community is the "wake up call" and people then become interested in being involved.

REPRESENTATIVE COGHILL said that he is more amendable to changing the language to "two".

[9:41:59 AM](#)

CO-CHAIR THOMAS asked if there was objection to the amendment, as amended. There being no objection, the amended amendment was adopted.

[9:42:48 AM](#)

DAN BOCKHORST, Staff to the Local Boundary Commission (LBC), Department of Commerce, Community, & Economic Development (DCCED), said that Representative Coghill's belief that the LBC would take into consideration the geographic area in terms of [the number of public hearings] is already the practice of the LBC. He informed the committee that in virtually every [case that comes before the LBC] a public hearing [is held] in or near the area of the proposed [annexation]. Where the area includes multiple communities in a large region, the LBC typically holds multiple hearings. Mr. Bockhorst said that he didn't believe the LBC would oppose requiring an additional meeting.

[9:44:21 AM](#)

CO-CHAIR OLSON moved to report SSHB 133, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSSHB 133(CRA) was reported from the House Community and Regional Affairs Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at [9:44:39 AM](#).