

**ALASKA STATE LEGISLATURE
JOINT MEETING
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

January 24, 2005

1:35 p.m.

SENATE COMMUNITY AND REGIONAL AFFAIRS

Senator Gary Stevens, Chair
Senator Bert Stedman
Senator Thomas Wagoner
Senator Johnny Ellis
Senator Albert Kookesh

HOUSE COMMUNITY AND REGIONAL AFFAIRS

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

HOUSE MEMBERS ABSENT

Representative Pete Kott

OTHER LEGISLATORS PRESENT

Senator Fred Dyson
Senator Donny Olson
Senator Lyman Hoffman

Representative Hawker

COMMITTEE CALENDAR

Local Boundary Commission - Overview of Annual Report

PREVIOUS COMMITTEE ACTION

No previous action to record.

WITNESS REGISTER

Commissioner Edgar Blatchford

Department of Community & Economic Development
PO Box 110800
Juneau, AK 99811-0800

POSITION STATEMENT: Gave borough background and introduced Arliss Sturgulewski

Arliss Sturgulewski, former Alaska State Senator
No address provided

POSITION STATEMENT: Discussed advantages of boroughs

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

POSITION STATEMENT: Presented LBC annual report and responded to questions

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

POSITION STATEMENT: Responded to questions related to the LBC annual report

ACTION NARRATIVE

Local Boundary Commission - Overview of Annual Report

CHAIR GARY STEVENS called the joint meeting of the Senate and House Community and Regional Affairs Standing Committees to order at [1:35:15 PM](#). Present were Senators Bert Stedman, Thomas Wagoner, Johnny Ellis, Albert Kookesh, and Chair Gary Stevens

CO-CHAIR BILL THOMAS recognized that House CRA committee members Representative Kurt Olson, Co-Chair, Gabrielle LeDoux, Mark Neuman, and Woodie Salmon were present. Representative Sharon Cissna arrived during the course of the meeting.

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COMMISSIONER EDGAR BLATCHFORD introduced Arliss Sturgulewski and Darroll Hargraves.

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He gave a short biography and outlined the local government principles in the Alaska State Constitution

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COMMISSIONER BLATCHFORD reported that Vic Fischer thought that organized boroughs would exist throughout Alaska within 10 years of statehood. However, less than 43 percent of Alaska is within an organized borough. The perception that boroughs aren't suitable for parts of Alaska is not correct. More than two thirds of Alaska's organized boroughs encompass areas that are totally or largely rural.

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Those rural boroughs include the Bristol Bay, the North Slope, Northwest Arctic, Aleutians East, Lake and Peninsula, Yakutat, Kodiak Island and Haines. Some of those large areas are predominantly rural and Alaska Native.

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The Native population of the Northwest Arctic Borough is greater than 85 percent. Native leader, legislator and mayor, Eben Hopson viewed borough government as the means to advance the social and economic well being of rural residents.

He asked the committees to give careful consideration to the LBC recommendations.

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CHAIR GARY STEVENS noted that Senators Fred Dyson, Donny Olson, Lyman Hoffman and Representatives Mike Hawker and Peggy Wilson were present.

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ARLYSS STURGULEWSKI, former Alaska State Senator, stated that developments are underway that should be seen as a call to the Legislature and Administration to create model borough boundaries in the unorganized borough. She said it's a good time to explore the constitutional intent of local government.

Article X calls for maximum local government, which is the opposite of what we're doing, she said. The state should be

organized into organized and unorganized boroughs so each region has social, cultural, economic, and geographic considerations.

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Unorganized areas grew after statehood and the Legislature needs to address this issue. There are 16 organized boroughs covering about 40 percent of the state. Half of the boroughs were formed voluntarily and half by legislative mandate.

Seven of eight Alaskans live in organized boroughs as do two-thirds of Alaska Natives.

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Why is it important to establish model boundaries to address the boundaries of the unorganized borough? Major economic developments are taking place or are proposed and most of this activity is in the unorganized borough. This includes: Donlin Creek, the Pogo Mine, and Pebble Beach. There's also talk about oil and gas in the Doyon area, which is northwest of Fairbanks as well as the large port authority in the Donlin Creek area.

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MS. STURGULEWSKI urged members to look at the Alaska Native Policy Center and review the work done by the Institute of Social and Economic Research and the First Alaskan Institute [First Alaskan's Report]. They concluded that there isn't sufficient economic, social, school and other data from the regions.

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MS. STURGULEWSKI said this is a wise first step to meet the call of the Constitutional Convention and begin to divide the unorganized area into rational unorganized borough units based on the LBC work.

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She stressed offering incentives and working with the communities.

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She suggested working with the Administration to see that data collection and service delivery could be coordinated with the model boundaries.

CHAIR GARY STEVENS asked Ms. Sturgulewski to comment on the incentives she referred to and what they might be.

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MS. STURGULEWSKI stated that a positive first step is to help people understand how to move ahead.

Boroughs are to receive 10 percent of the land in the organized area when new boroughs are formed. That hasn't happened in all cases and she suggested looking at the idea of money in lieu of land to provide needed capital.

REPRESENTATIVE WOODY SALMON asked why Native organizations go to Washington D.C. to communicate rather than to Juneau.

MS. STURGULEWSKI replied she asked the same question when she was on the Rural Governments Commission. Unfortunately the perception is that, "They don't like us down here and they don't listen." It points to an urban rural split and the fact that some people simply don't want any more government.

CO-CHAIR THOMAS commented that he fears that forming boroughs without financial incentives is a recipe for failure.

CHAIR GARY STEVENS asked Mr. Hargraves to begin his presentation.

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DARROLL HARGRAVES, Chair of the Local Boundary Commission, introduced himself and said the PowerPoint presentation would be a little different and a bit longer this year. He recognized the pro bono work Ms. Sturgulewski and Mr. Fischer had done for the LBC and said that their institutional knowledge was invaluable.

He suggested using the report as a resource whether the proposals were accepted or not.

MR. HARGRAVES stated that the LBC is one of five boards established by the constitution. In addition to the LBC, there is the Judicial Council, the Commission on Judicial Conduct, the

University Board of Regents, and the Legislative Redistricting Board.

MR. HARGRAVES emphasized that the constitution framers clearly wanted boundaries of cities and boroughs and political subdivisions to be determined at the state level.

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The LBC is comprised of five members. The Governor appoints a member from each of the judicial districts to a five year term for which they receive no compensation.

The LBC is to review petitions for incorporations, reclassifications, annexations, dissolutions, attachments, mergers, or consolidations of cities and boroughs. In addition they adopt standards and procedures for making determinations and then they give recommendations to the Legislature.

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The commission serves in a quasi judicial role on boundary matters.

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MR. HARGRAVES outlined the three chapters in the report:

- Chapter 1 - Gives background on the LBC and the procedures they follow
- Chapter 2 - Details LBC activities and developments during 2004
- Chapter 3 - The LBC brings public policy issues before the Legislature - borough government in particular

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Article X, Section 3 of the constitution calls for all of Alaska to be organized into organized and unorganized boroughs.

Delegate Barrie White asked, "Haven't we here inducement to an area to remain an unorganized borough and to get the state to provide all the necessary functions?"

Local Government Committee member, Victor Fischer stated, "...we don't actually visualize that the state will force boroughs to organize, since we feel that they should be set up on such a

basis that there will be enough inducement for each one to organize."

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John Rader, Alaska's first Attorney General and House of Representatives member in 1963 led an effort to institute borough government.

The 1963 Legislature mandated boroughs in eight regions, encompassing 84 percent of the population. They were:

- Fairbanks
- Matanuska-Susitna Valleys
- Greater Anchorage area
- Kenai Peninsula
- Kodiak Island
- Juneau
- Sitka
- Ketchikan

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Organizing into boroughs provides greater control over education and ability to supplement state school funding.

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Many ask why they have to pay for schools while others have their schools paid for by the state.

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Statistics show that Alaska has failed to provide adequate incentives to form boroughs.

- Less than four percent of Alaskans live in voluntarily formed boroughs
- Nearly 84 percent of Alaskans live in mandatory boroughs
- More than 57 percent of the geographic area of Alaska is unorganized
- It's been more than 12 years since a new borough has formed

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The LBC suggests six incentives for borough formation:

- Tax the unorganized borough
- Provide financial aid to existing boroughs
- Increase grants for borough incorporation
- Eliminate requirement for property taxes in "pipeline boroughs"
- Speed transfers
- Restrict national forest receipts and shared fisheries fees and taxes to boroughs and cities within boroughs.

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MR. HARGRAVES discussed national forest receipts and fisheries taxes from the 1991 task force.

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The key conclusion of the 1979 study was to divide the unorganized borough in accordance with the state constitution.

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Unorganized borough encompasses 368,187 square miles and the area has few similarities.

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The LBC recommends:

- Create incentives to form boroughs
- Establish standards for
- Fund feasibility studies for new boroughs
- Refine 2001 amendment for local contributions for schools
- Consider 2004 school consolidation study
- Increase LBC staff by one.

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MR. HARGRAVES concluded his remarks.

CHAIR GARY STEVENS thanked Mr. Hargraves and asked for questions. He noted that Representative Cissna had joined the committee.

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CO-CHAIR THOMAS asked how restricting national forest and fisheries receipts might be viewed as an incentive because he's always viewed them as impact fees. He then asked what would happen to communities that don't want to organize. Some are bound to fail because there are no incentives, no land and no money for the process. Finally he remarked that it seems as though areas that do become economically successful are penalized for that success.

He reported that his district has unemployment that ranges from a low of 30 percent to a high of 86 percent. How can you make these people pay more, he questioned. "Ten percent of nothing is truly nothing. I live in one of those 10 percent of nothing boroughs."

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CO-CHAIR THOMAS questioned who has the authority to get land back to the borough. It wouldn't make much sense to work to form a borough if the area didn't receive title to the land they were promised. "I have to protect the people who will be impacted in my district," he emphasized.

CHAIR GARY STEVENS stated that the issue is large and complex to consider all at once when nothing has happened for 12 years. He asked whether the LBC had incremental steps toward organization to recommend.

MR. HARGRAVES said the model borough boundaries are in place and the next step would be to form unorganized boroughs for those areas. Forming unorganized boroughs in these model areas would keep predatory boroughs from annexing the wealth base in the area.

He assured members the LBC isn't suggesting that all the areas be mandated to organized into boroughs immediately. But, "With enough carrots in place, enough incentives, there could be a few step forward and become boroughs on their own."

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SENATOR DONNY OLSON asked which commission member represents the people in the unorganized borough.

MR HARGRAVES replied the point is well taken. No commission member lives inside the unorganized area.

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SENATOR ALBERT KOOKESH commented, "As a legislator, I really want to see the whole picture and I would really appreciate next time you come before this committee... to give us the rationale why we shouldn't" organize into boroughs.

MR. HARGRAVES replied it's hard to see the reasons for not organizing.

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REPRESENTATIVE SALMON said he agrees with the need for the whole picture. He suggested looking at the economic factor that some people in his district aren't able to pay their electric bill.

CHAIR GARY STEVENS asked whether he wouldn't agree that some areas in the unorganized borough have a tax base and could contribute to their schools.

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REPRESENTATIVE SALMON agreed that's the case in some areas.

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SENATOR BERT STEDMAN commented that some areas in the unorganized borough have a tax base and they do pay for schools, but for the areas at the other extreme, it might be years before they could afford to organize. "I've got several areas in my district that do pay their 4-mil share," he said.

MR. HARGRAVES added that's because they're first class cities and that the LBC has concerns about them because of the inequity. First class cities are paying the required 4-mils for education while the community next door has a fully funded school district and they don't pay anything. "Sooner or later, you may have that as a major thing to deal with," he warned.

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SENATOR THOMAS WAGONER observed that there's been lots of talk and not much has happened. He suggested reviewing previous testimony both for and against organizing into boroughs.

SENATOR LYMAN HOFFMAN reported that he has both organized and unorganized areas in his district and adding another layer of government is the wrong way to go. He suggested reviewing existing governments before adding more.

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SENATOR HOFFMAN pointed out that the Yukon Kuskokwim Delta is 95 percent federal land so there's no tax base. The state receives PILT [Payment in Lieu of Taxes] monies and most of those funds are siphoned off and the local governments that exist receive just an allocation of the formula.

The state saves millions of dollars in health care because the federal government is picking up the tab and that's why Alaskans go to Washington D.C. to ask for help rather than going to Juneau. Housing and the VPSO program are other areas in which the State of Alaska isn't providing much help.

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REPRESENTATIVE SALMON said in some areas in his district the federal government provides more services than the state provides.

REPRESENTATIVE PEGGY WILSON pointed out that the LBC is doing what they are constitutionally mandated to do.

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She said it's a fairness issue for legislators. Why should communities continue to pay their fair share when others are able to pay for schools but don't? The state will end up paying more if there is no resolution.

CO-CHAIR THOMAS questioned the activity in the Tok area and how it might affect the model boundaries for the area.

MR. HARGRAVE said existing boroughs typically annex lucrative areas.

SENATOR WAGONER reported that the Kenai Peninsula Borough is about 85 percent federal land, but that doesn't stop them from funding their schools. He agreed with Senator Hoffman that adding another layer of government isn't desirable, but areas that can pay their own way should do so.

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MR. HARGRAVES emphasized that the LBC doesn't intend that every area be organized immediately.

REPRESENTATIVE MARC NEUMAN asked which areas might be organized first.

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MR. HARGRAVES replied the commission wouldn't enter into that discussion because they respond to petitions.

REPRESENTATIVE GABRIELLE LeDOUX asked if a first class municipality might pay higher property taxes if they were incorporated into a lower income area.

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DAN BOCKHORST, LBC staff member, said the state funding formula for local education requirements reflects the capacity of a region to support its schools.

He suggested a comparison of home-rule and first class cities in unorganized areas. St. Mary's is a first class city in the unorganized borough and they contribute \$125 per student per year. Comparatively, the North Slope Borough is required to contribute nearly \$5,000 per student.

"If you had a relatively prosperous first class city surrounded by very poor, unincorporated communities, the burden placed on the regional government would not be disproportionately higher as a result of that. It would reflect the tax base in that entire region."

REPRESENTATIVE LeDOUX questioned whether the people of St Mary's would be required to pay \$125 per student for the entire area if they were incorporated into an organized borough.

MR. BOCKHORST said they wouldn't and used Metlakatla, which has taxable land value of next to nothing, as an example. "The burden that is placed on a municipal school district reflects the tax base within the borough. If there is theoretically zero tax base in that region, the local contribution is 4-mils of zero."

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CO-CHAIR THOMAS asked if the LBC has the authority to look into school consolidation.

MR. BOCKHORST said the Legislature in 2003 directed the LBC to look into that issue with the Department of Education. They filed a report with the Legislature in 2004.

CHAIR GARY STEVENS asked about the supposition that school consolidation is an incentive to become a borough.

MR. BOCKHORST replied it's viewed both ways.

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CO-CHAIR THOMAS asked for a copy of the report on school consolidation.

CHAIR GARY STEVENS thanked the commission and asked for closing comments.

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MR. HARGRAVES said the staff is capable and readily available and they hope the report is useful.

CHAIR GARY STEVENS adjourned the meeting at [3:12:42 PM](#)