

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

March 6, 2006

1:32 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 193

"An Act relating to an optional deferral of municipal property taxes on certain primary residences owned and occupied by individuals with incomes at or below federal poverty guidelines for the state."

HEARD AND HELD

SENATE BILL NO. 291

"An Act relating to the municipal harbor facility grant program; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 247

"An Act relating to the revenue sharing program; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 246

"An Act making a special appropriation from the Alaska capital income fund to the revenue sharing fund; and providing for an effective date."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 193

SHORT TITLE: DEFERRAL OF MUNICIPAL PROPERTY TAXES

SPONSOR(s): SENATOR(s) BUNDE

05/04/05 (S) READ THE FIRST TIME - REFERRALS
05/04/05 (S) CRA, FIN
01/30/06 (S) CRA AT 1:30 PM BELTZ 211
01/30/06 (S) -- Rescheduled to 02/08/06 --
02/08/06 (S) CRA AT 1:30 PM BELTZ 211
02/08/06 (S) Heard & Held
02/08/06 (S) MINUTE(CRA)
02/15/06 (S) CRA AT 1:30 PM BELTZ 211
02/15/06 (S) Scheduled But Not Heard
02/22/06 (S) CRA AT 1:30 PM BELTZ 211
02/22/06 (S) Heard & Held
02/22/06 (S) MINUTE(CRA)
03/06/06 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 291

SHORT TITLE: MUNICIPAL HARBOR FACILITY GRANTS

SPONSOR(s): SENATOR(s) STEDMAN

02/14/06 (S) READ THE FIRST TIME - REFERRALS
02/14/06 (S) CRA, FIN
03/06/06 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 247

SHORT TITLE: REVENUE SHARING PROGRAM

SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS BY REQUEST

01/23/06 (S) READ THE FIRST TIME - REFERRALS
01/23/06 (S) CRA, FIN
02/22/06 (S) CRA AT 1:30 PM BELTZ 211
02/22/06 (S) <Bill Hearing Postponed>
03/06/06 (S) CRA AT 1:30 PM BELTZ 211

BILL: SB 246

SHORT TITLE: APPROP TO REVENUE SHARING FUND

SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS BY REQUEST

01/23/06 (S) READ THE FIRST TIME - REFERRALS
01/23/06 (S) CRA, FIN
02/22/06 (S) CRA AT 1:30 PM BELTZ 211
02/22/06 (S) <Bill Hearing Postponed>
03/06/06 (S) CRA AT 1:30 PM BELTZ 211

WITNESS REGISTER

SENATOR CON BUNDE
Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Sponsor of SB 193 registered opposition to
\F Version CS

Marty McGee, Assessor
Municipality of Anchorage
4501 South Bragaw
Anchorage, Alaska 99508

POSITION STATEMENT: Testified on SB 193

Scott Brandt-Erichsen, Attorney
Ketchikan Gateway Borough
344 Front Street
Ketchikan, Alaska 99901

POSITION STATEMENT: Testified on SB 193

Karl Short, Finance Director
Kodiak Island Borough
710 Mill Bay Road
Kodiak, AK 99615

POSITION STATEMENT: Commented on SB 193 and supported SB 246
and SB 247

John MacKinnon, Deputy Commissioner
Highways and Public Facilities
Department of Transportation &
Public Facilities
3132 Channel Dr.
Juneau, AK 99801-7898

POSITION STATEMENT: Gave state perspective on SB 291

Ray Majeski, Harbormaster
City and Borough of Sitka
Sitka, AK 99835

POSITION STATEMENT: Supported SB 291

Marty Olum, Harbormaster
City of Kodiak
710 Mill Bay Road
Kodiak, Alaska 99615

POSITION STATEMENT: Supported SB 291

Allan Sorum, Harbormaster
City of Valdez
P.O. Box 307
Valdez, AK 99686

POSITION STATEMENT: Supported SB 291

Gary Hennick, City Manager
City of King Cove
P.O. Box 37
King Cove, AK 99612
POSITION STATEMENT: Supported SB 291

John Stone, President
Alaska Association of Harbormasters and Port Administrators
Juneau, AK 99801
POSITION STATEMENT: Supported SB 291

Wayne Stevens, President
Alaska State Chamber of Commerce
217 Second Street
Juneau, AK 99801
POSITION STATEMENT: Supported SB 291

Kevin Richie, Executive Director
Alaska Municipal League (AML)
217 2nd Street
Juneau, AK 99801
POSITION STATEMENT: Supported SB 246 and SB 247

Tim Joyce, Mayor
City of Cordova
P.O. Box 1210
Cordova, AK 99574
POSITION STATEMENT: Supported SB 246 and SB 247

Elaine Price, Projects Manager
City of Coffman Cove,
P.O. Box 18135 Coffman Cove, AK 99918
POSITION STATEMENT: Testified in support of SB 246 and SB 247

Doris Bailey, Assembly
City and Borough of Sitka
100 Lincoln Street
Sitka, AK 99835
POSITION STATEMENT: Testified in support of SB 246 and SB 247

Pat Porter, City Council
City of Kenai
210 Fidalgo Ave., St. 200
Kenai, AK 99611
POSITION STATEMENT: Testified in support of SB 246 and SB 247

Dave Tranthan, Jr., Director
Alaska Municipal League Region 9
Bethel, AK 99559

POSITION STATEMENT: Testified in support of SB 246 and SB 247

Leo Rasmussen
Nome, AK 99726

POSITION STATEMENT: Testified in support of SB 246 and SB 247

John Combs, Mayor
City of Palmer
231 W. Evergreen Ave.
Palmer, AK 99645

POSITION STATEMENT: Testified in support of SB 246 and SB 247

Dave Talerico, Jr., Mayor
Denali Borough
P.O. Box 480
Healy, AK 99743

POSITION STATEMENT: Testified in support of SB 246 and SB 247

Jeff Currier
Lake and Peninsula Borough,
P.O. Box 495
King Salmon, AK 99613

POSITION STATEMENT: Testified in support of SB 246 and SB 247

Mitch Chocknok, City Administrator
City of New Stuyahok
P.O. Box 10
New Stuyahok, AK 99636

POSITION STATEMENT: Testified in support of SB 247

ACTION NARRATIVE

CHAIR BERT STEDMAN called the Senate Community and Regional Affairs Standing Committee meeting to order at [1:32:44 PM](#). Present were Senators Gary Stevens, Thomas Wagoner, Johnny Ellis, Albert Kookesh, and Chair Bert Stedman.

SB 193-DEFERRAL OF MUNICIPAL PROPERTY TAXES

CHAIR BERT STEDMAN announced SB 193 to be up for consideration. He asked for a motion to adopt the \F Version committee substitute (CS).

SENATOR GARY STEVENS moved \F Version CS for SB 193.

CHAIR STEDMAN objected for explanation purposes. He asked the sponsor, Senator Bunde, to come forward.

[1:34:16 PM](#)

SENATOR CON BUNDE, Sponsor of SB 193, registered objection to the \F Version CS. He stated that the original bill focused on deferral of property taxes for people who were having financial emergencies. Version F provides an expansion that neither he nor the co-sponsors expected. Certainly the added subject is worthy of a separate bill, he said, but in his view the changes don't fall within the purview of SB 193 as originally conceived.

CHAIR STEDMAN clarified that the amendment excludes the residences of an educator in a private religious or parochial school from paying property tax when the organization owns the property.

SENATOR JOHNNY ELLIS asked whose idea it was to change the bill contrary to the sponsor's wishes.

CHAIR STEDMAN replied he brought the amendment to the committee.

SENATOR ELLIS asked if he had discussed the change with the sponsor.

CHAIR STEDMAN responded he had discussed the change and the sponsor expressed his dissatisfaction.

SENATOR ELLIS stated that the committee could introduce a bill to accomplish the goal of the CS and doing so would avoid the current awkward conflict among majority members.

SENATOR BUNDE responded it's within the committee's purview to change bills and he took no personal umbrage. However, he didn't believe the change falls within the scope of the original bill and suggested it could inhibit passage.

SENATOR STEDMAN noted that the next committee of referral was the Finance Committee.

SENATOR BUNDE commented the bill has a way to go and bills have a way of changing during the process.

SENATOR ELLIS asked about the fiscal note.

CHAIR STEDMAN replied the fiscal note is zero because the fiscal impact would be at the municipal level.

SENATOR BUNDE pointed out that the original bill was a local option and the religious exemption is mandatory in the \F Version.

[1:38:58 PM](#)

MARTY MCGEE, Assessor for the Municipality of Anchorage, reported that he hadn't seen the amendments so he couldn't comment on them. His concern with the original bill relates to the potential cost to other taxpayers. He suggested the bill should address the issue of unrealized interest on the deferred taxes because the impact could be very different in the various taxing jurisdictions.

SENATOR THOMAS WAGONER noted that the bill is a local option and judging from the previous testimony, he'd assume that the Municipality of Anchorage wouldn't adopt the ordinance.

MR. MCGEE said the assembly would make that decision, but it would also have to address the problems associated with the current version.

SENATOR ELLIS asked if the CRA staff could fax Mr. McGee a copy of the CS.

CHAIR STEDMAN responded a copy should be available in the Anchorage LIO, but he would call on Mr. McGee again at the end of the public testimony to get his comments on the CS.

[1:41:28 PM](#)

SCOTT BRANDT-ERICHSEN, Ketchikan Gateway Borough Attorney, said his comments related to the work he does as the borough attorney, which is to collect real property tax for the borough and the City of Ketchikan on an annual basis. Although he hadn't seen a copy of the CS, his comments would probably apply to both.

Points that need clarification include: how the tax liens would be recorded to protect the municipality; whether a surviving spouse would immediately be subject to tax repayment; and whether all back taxes would be due if an individual no longer qualified for the deferral.

CHAIR STEDMAN advised that the bill had two previous public hearings and the next referral is to the Finance Committee.

[1:45:58 PM](#)

KARL SHORT, Finance Director of the Kodiak Island Borough, testified that his conflict with the bill is that if a homeowners financial situation changes, the deferred tax still isn't collectable until the property is sold. He suggested that it would be reasonable to have some sort of trigger for a repayment schedule if the person is no longer in financial difficulty. He agreed with previous testimony regarding the tax lien so it's clear that taxes are outstanding against the property.

[1:46:44 PM](#)

SENATOR STEDMAN removed his objection to adopting the F Version CS for SB 193.

SENATOR ELLIS objected.

CHAIR STEDMAN asked the clerk to call the roll.

Version F CS for SB 193 was adopted with Senator Gary Stevens, Senator Wagoner and Chair Stedman voting yea and Senator Ellis and Senator Kookesh voting nay.

CHAIR STEDMAN asked for a motion to move the bill from committee.

[1:47:50 PM](#)

SENATOR GARY STEVENS motioned to report CSSB 193(CRA) and attached fiscal notes from committee with individual recommendations.

[1:48:04 PM](#)

SENATOR ELLIS objected and asked the Chair whether he though the committee substitute had gotten an adequate hearing. He wasn't clear about what happened, but this big change came as quite a surprise and it isn't even in alignment with the sponsor. In conclusion he said this is an amazing way to conduct business.

CHAIR STEDMAN responded he could understand his concern, but the bill had been heard three times. The committee was backed up in

its work and he was finding it difficult to get a quorum for meetings. He recognized that this is a change, but the bill would have further hearing at the Finance Committee.

SENATOR ELLIS responded there are lots of important things happening in the building.

CHAIR STEDMAN asked if there was objection to the motion to move the bill.

SENATOR ELLIS maintained his objection and continued to say:

I don't think the Community and Regional Affairs Committee has done an adequate job or done its job on your latest version of the bill. If you're representing to us that what the CRA Committee should have done will happen in the Finance Committee, I hope that's the case, but this committee ought to do its job is my opinion.

SENATOR ELLIS added that he would hope that the Alaska Municipal League could comment on the new version.

[1:49:52 PM](#)

CHAIR STEDMAN called on Mr. McGee from Anchorage.

MR. MCGEE said the Legislative Affairs Office (LIO) in Anchorage hadn't received a copy of the new version.

At ease at [1:50:18 PM](#)

CHAIR STEDMAN announced he would hold SB 193 in committee until the following meeting.

SENATOR ELLIS asked the Chair to find out why the Anchorage LIO didn't receive a copy of the proposed CS.

CHAIR STEDMAN agreed to do so.

SB 291-MUNICIPAL HARBOR FACILITY GRANTS

CHAIR BERT STEDMAN announced SB 291 to be up for consideration.

[1:51:48 PM](#)

SENATOR GARY STEVENS moved CS for SB 291 [\Y Version].

SENATOR JOHNNY ELLIS objected for explanation purposes.

CHAIR STEDMAN stated that this was the first hearing and there was no intent to move the bill that day. The proposed CS changes the bill to align it with the House companion bill. He asked for latitude to present the bill.

SENATOR ELLIS removed his objection.

CHAIR STEDMAN passed the gavel to Vice-Chair Gary Stevens.

SENATOR STEDMAN, Sponsor of SB 291, explained that the bill would create a municipal matching grant for harbors so it would affect all of coastal Alaska.

Starting in the 1930s the state began to build harbors in coastal areas stretching from Ketchikan to Sand Point. The state's agreement with the municipalities was that they would do the major maintenance and the municipalities would run the harbors and do ongoing administration.

For whatever reason, the maintenance wasn't done and the harbors fell into disrepair. When the state moved forward to divest itself of harbor ownership, it assigned applicable dollar values [for deferred maintenance] to the various harbors. The municipalities didn't feel that the financial consideration was near enough to deal with the deferred maintenance and that has been an unresolved issue.

Over the last several years his office has been working on a solution to the under funded status. After meeting with the harbormasters association and the Department of Transportation and Public Facilities ("DOT"), the solution they decided on was to establish a 50/50 capital matching grant system. Harbors that had been transferred would receive priority, but it would also include new harbors and harbor maintenance issues.

To apply to DOT for the match municipalities would have to have an enterprise fund established. They would establish and collect moorage fees that would be at a sufficient level to finance ongoing administration and major maintenance. Each harbor would be eligible for just one match grant. The amount to bring the old harbors up to standard is estimated to be about \$100 million so the state match would be \$50 million.

The bill contains language to allow marine fuel tax and the state portion of the fisheries business tax to be used to fund the program. The Legislature would fund the program on an annual basis.

Given the funds available, DOT would have the ability to rank the applicants. He reiterated that the harbors that were previously transferred would receive priority. He noted that pages 2 and 3 of the bill give the ranking process.

He summarized the idea is to come up with a compromise between the state and coastal municipalities so that old state owned and operated harbors could be brought up to standard to help stimulate economic development.

[2:00:37 PM](#)

SENATOR ALBERT KOOKESH asked if a harbor project, such as the one done in Juneau, could be done in phases.

SENATOR STEDMAN explained that Juneau has seven different harbor entities in its system and the cost of the last project was in the neighborhood of \$6 million. Acknowledging that the cap is an arbitrary number, he said if a municipality matched the cap for one harbor that would amount to \$10 million. That is a large harbor when you consider that breakwaters and dredging aren't included because they can be built with federal help. This targets floats and electrical and water systems.

SENATOR ELLIS asked where the bill talks about one-time eligibility and how phase funding squares with the sponsor statement that talks about one-time eligibility for a harbor.

SENATOR STEDMAN replied the idea is that the granting mechanism isn't for municipalities to use for catch-up maintenance on harbors that previously received a capital improvement grant. This is designed to improve or replace an entire harbor. The cost of the Juneau Harris Harbor project was about \$6 million, which is well under the \$10 million amount allowed under the 50/50 match.

As far as phasing is concerned, the bill doesn't address mega harbors. Most communities have six or fewer harbors and this bill would allow the upgrade of one or two harbors per year. It isn't designed to allow a municipal entity to split a single harbor upgrade into a two or more year project.

[2:06:01 PM](#)

SENATOR ELLIS asked him to make the distinction between municipal ports and municipal harbors because the grant program is to benefit municipal harbors. He also asked if any harbors are an entity other than municipal harbors.

[2:06:33 PM](#)

SENATOR STEDMAN responded to the second question and said yes there are. The goal is to move away from capital improvement projects and encourage municipalities to create enterprise funds. The bill doesn't apply to the various harbors the state still owns where the users don't pay moorage. At some point the state will face a policy call on how to deal with small docks that service a dozen or fewer people when no one wants to assume financial responsibility, but this bill doesn't address that issue. The hope is that when the proposed mechanism is established the boroughs will absorb those harbors.

VICE-CHAIR GARY STEVENS called an at-ease from [2:10:02 PM](#) to [2:10:37 PM](#) to return the gavel to Senator Stedman.

CHAIR STEDMAN asked Mr. MacKinnon to come forward and give the state perspective.

[2:10:53 PM](#)

JOHN MACKINNON, Deputy Commissioner of Transportation for Highways and Public Facilities, explained that harbors have been transferred in batches. The most recent was the November 2002 bond issue that included 26 or 27 boat harbors in 10 communities. The figures DOT used to estimate deferred maintenance were based on a statewide Corps of Engineers study done in 1992 with adjustments for inflation and additional deferred maintenance. The rule was to bring the harbors up to "a Chevrolet standard" for a boat harbor. That standard is below what most communities want and doesn't include power, water sewage dump stations and harbor lighting.

The department had a certain amount of money available and it had no choice but to make the transfers. With that in mind, Mr. MacKinnon said he views SB 291 as a carrot rather than a stick in terms of harbor transfer. Furthermore, the funding source makes sense because there's a connection to harbor users.

SENATOR GARY STEVENS asked if the bill seeks to complete the transfer process or to upgrade harbors that had been transferred to the various communities.

MR. MACKINNON responded this bill would deal with harbors that have been transferred. This year's capital budget has eight more transfers and last year had harbor transfers in two communities. Some harbors aren't associated with a municipality so there isn't an entity to transfer them to.

SENATOR GARY STEVENS recapped saying the funds in SB 291 are for communities that already own their harbors and not for communities that have harbors that are still under state ownership.

MR. MACKINNON clarified that his understanding is that the bill would apply to any harbor that has been transferred as well as future transfers for as long as the program is funded.

SENATOR STEDMAN asked him to address the bond issue.

MR. MACKINNON advised that was a November 2002 statewide G.O. [general obligation] bond issue for a variety of facility projects. A little over \$100 million in G.O. bonds were issued and about \$30 million went to harbor transfers.

CHAIR STEDMAN opened teleconference testimony.

[2:17:40 PM](#)

RAY MAJESKI, Harbormaster in Sitka, said he wanted to make sure that communities that had already accepted responsibility for the harbors would be at the head of the line to receive the funds. He expressed the concern that locals are being priced out of the harbor by out of state boaters who find Alaska harbor rates comparatively reasonable.

CHAIR STEDMAN asked him to comment on the challenge of bringing harbors up to an appropriate standard in relation to the amount of money that the state allocated for the transfer.

MR. MAJESKI responded Sitka is faced with borrowing \$4.5 million for the \$7 million Thompson Harbor project. The community is fortunate in that the assembly sends the lion's share of the fish tax to the harbors, but even so moorage rates are going up at an alarming rate. Add to that the fact that money must be set aside for future construction because everything currently in

the water will need major maintenance or complete replacement in the next 40 to 50 years. Taking inflation into account, the current harbor system is valued at about \$37 million and within 40 years that will be \$121 million so it's imperative that money be set aside. SB 291 will help Sitka move in the right direction.

[2:22:32 PM](#)

MARTY OLUM, Kodiak Harbormaster, reasoned that it's important to modernize and maintain harbors because they are the economic foundation upon which other businesses in town depend and grow. He observed that commercial fishermen upgraded their vessels to stay competitive in the global seafood market, but harbors haven't kept pace. Kodiak is creating an enterprise fund and the 50/50 matching program proposed in SB 291 will be of tremendous help.

[2:26:36 PM](#)

ALLAN SORUM, Harbormaster for the City of Valdez, stated that when he was president of the Alaska Association of Harbormasters and Port Administrators he became very involved in the issue of deferred maintenance and harbor transfers. He expressed support for SB 291.

[2:28:39 PM](#)

GARY HENNICK, City Manager of King Cove, testified in support of SB 291. He explained that the community has a modest economic base due to its location adjacent to the rich fishing grounds of the Gulf of Alaska and the Bering Sea. King Cove was the third local government to accept ownership of the state harbor in the early 1990s. At that time it seemed as though the \$350,000 maintenance allocation was a reasonable sum. However, the current estimate for bringing the harbor up to standard is about \$4.5 million and the changes in fisheries issues, taxation, and government revenue sharing in the last ten years have made it clear that even with an enterprise fund, the community needs help. He echoed the testimony from other harbormasters and encouraged the committee to pass SB 291.

In closing he brought up two issues. First he questioned whether in-kind service might be allowed for part of the local contribution so that local labor could be used to every extent possible. Second he suggested that consideration be given to facility size and demand, the percentage of watercraft and raw

fish taxes that are generated in a particular community, and the inequity in the amount that a community received when it assumed ownership of its harbors ten years ago. .

CHAIR STEDMAN acknowledged that when the harbor transfers were analyzed, the King Cove discrepancy stuck out and that warrants consideration. With regard to in-kind contribution, he said it's important to avoid previous pitfalls. Experience indicates that when communities have a 50 percent equity position in a harbor, it receives better maintenance.

MR. HENNICK responded the last ten years has shown the issue to be larger than anticipated.

[2:35:56 PM](#)

CHAIR STEDMAN asked John Stone to come forward.

JOHN STONE, President of the Alaska Association of Harbormasters and Port Administrators, stated that the association has worked on this issue for several years. It strongly supports a matching grant program and believes it is a good approach to address the current dilemma. Many harbors were at the end of their useful lives at the time that the time of state transfers and everyone has been scrambling to recapitalize the infrastructure. Through that process it's become clear that the funding that was provided is from one-third to one-fourth short of what is needed to replace the infrastructure.

Communities have been working on ways to raise revenue on a local level and this has often meant large increases in fees. However, the general conclusion is that increased fees alone won't do the trick, which is why SB 193 is so welcome.

He provided the committee with written comments and said it's encouraging that DOT is supportive of the bill. In conclusion he mentioned that the cap might become problematic if the program lasts a number of years. He described the Corps of Engineers breakwater program that has a \$4 million cap. Although that amount was adequate when it was established, now when the Corps does a breakwater project a specific Congressional authorization must be made. He suggested that indexing to the Anchorage CPI might be preferable.

CHAIR STEDMAN agreed that the last suggestion merits consideration.

[2:40:53 PM](#)

WAYNE STEVENS, President of the Alaska State Chamber of Commerce, stated support for making funding available to repair and improve existing facilities to serviceable standards consistent with DOT regulations as a part of the mandated transfer of harbors to various communities.

Noting that harbor masters have identified more than \$100 million in needed repairs he said it's important to maintain this important infrastructure for the economies of these coastal communities.

CHAIR STEDMAN closed public testimony and announced he would hold SB 291 in committee.

CHAIR STEDMAN called an at-ease from [2:43:19 PM](#) to [2:43:29 PM](#).

SB 246-APPROP TO REVENUE SHARING FUND

[2:45:04 PM](#)

CHAIR BERT STEDMAN announced SB 246 to be up for consideration. He asked Senator Gary Stevens to introduce the committee-sponsored bill.

SENATOR GARY STEVENS explained that SB 246 and SB 247 are related. SB 246 makes a \$28 million appropriation from the Alaska Capital Income Fund ("Amerada Hess") and places it in the Revenue Sharing Fund. The bill is the result of work done by the Advisory Commission on Local Government and would only become effective if SB 247 is passed. SB 247 establishes the Revenue Sharing Fund and it will provide a sustainable source of funding to be shared with local governments on a long-term and predictable basis.

CHAIR STEDMAN asked if the Alaska Capital Income Fund source is loosely referred to as Amerada Hess.

SENATOR GARY STEVENS said yes; income from the Amerada Hess would provide the annual \$28 million appropriation.

CHAIR STEDMAN clarified that Amerada Hess funds are held inside the Alaska Permanent Fund but aren't figured into the dividend calculation. Last year the Legislature used income from Amerada Hess and this proposal is another use for the ongoing income stream generated from those funds.

SENATOR GARY STEVENS added the key is that the funds are renewable because communities really won't benefit if revenue sharing isn't available on an ongoing basis.

CHAIR STEDMAN opened public comment.

[2:48:19 PM](#)

KEVIN RICHIE, Executive Director, Alaska Municipal League (AML), thanked the advisory commission for its hard work and stated support for using Amerada Hess funds as at least one source for sustainable revenue sharing.

[2:49:15 PM](#)

TIM JOYCE, Mayor of Cordova, testified in support of some mechanism to provide for sustainable revenue sharing for Alaskan communities because many have had a tough time since revenue sharing was eliminated. He opined that it would require more than the Amerada Hess appropriation to make the contribution meaningful.

CHAIR STEDMAN asked testifiers to hold their comments to the funding source.

[2:51:11 PM](#)

ELAINE PRICE, Projects Manager for the City of Coffman Cove, said she wanted to testify on SB 247, but she would like the funding source to be from Amerada Hess or whatever means is necessary to provide revenue sharing to communities.

[2:51:40 PM](#)

DORIS BAILEY, Assembly Member for the City and Borough of Sitka, offered official support for both SB 246 and SB 247 and stated that revenue sharing is an exceptionally important issue for the municipality.

[2:52:27 PM](#)

PAT PORTER, Mayor for the City of Kenai, encouraged support for both SB 246 and SB 247. She advised that this isn't Kenai's real choice for a bill, but it's a good beginning.

[2:53:16 PM](#)

DAVE TRANTHAM, JR., Alaska Municipal League Representative from District 9 testified from Bethel in support of using Amerada Hess funding for municipal revenue sharing.

[2:54:42 PM](#)

KARL SHORT, Finance Director for the Kodiak Island Borough, testified in support of SB 246, which establishes funding for revenue sharing. He reported that since 1986 costs to the borough have skyrocketed.

CHAIR STEDMAN announced he would hold SB 246 in committee.

SB 247-REVENUE SHARING PROGRAM

[2:56:44 PM](#)

CHAIR STEDMAN announced SB 247 to be up for consideration. He asked Senator Gary Stevens to provide introduction.

SENATOR GARY STEVENS explained that SB 247 stems from work done by the Advisory Commission on Local Government and comes in response to local governments requesting that revenue sharing be reinstated. The bill creates the Revenue Sharing Program to help local governments and unincorporated communities meet their financial obligations. It authorizes the Legislature to appropriate money from the Alaska Capital Fund [Amerada Hess] to the Revenue Sharing Fund established by SB 246.

Revenue sharing will be appropriated as follows: \$300,000 for each unified municipality; \$150,00 for each borough; \$75,000 for each city; and \$25,000 for each community. If the amount appropriated exceeds that which is needed, the remaining funds will be distributed to municipalities on a per capita basis.

Revenue sharing in Alaska began in 1969 and at that time it was a larger part of the state budget than community PERS/TRS assistance and community energy assistance was last year. In 1979 the municipal assistance program was created to replace the municipal share of the Gross Business Receipts Tax. Until that time the state shared 20 percent of the business tax generated in each municipality. When the state repealed the tax on January 1, 1979 there was an implied obligation to replace the lost revenue. Revenues were distributed with a hold-harmless amount based on the amount each municipality had received in 1978 plus a per capita distribution. In 1980 the per capita revenue sharing program was repealed and replaced with an equalization

revenue sharing program. In 1997 the municipal assistance program was changed to the Safe Communities Program. In 2004 all revenue sharing programs were eliminated and since then many communities have had to reduce or eliminate key municipal services. According to the Alaska Municipal League, ten small communities closed their doors last year. He noted that the packets held examples of letters of support for some sort of revenue sharing.

[3:00:46 PM](#)

CHAIR STEDMAN remarked he could attest to the statewide interest in revenue sharing.

[3:01:21 PM](#)

KEVIN RITCHIE, Executive Director of the Alaska Municipal League (AML) testified in support of SB 247. He said he had two points to make. First, the allocations per city, community, and borough are critical if small communities are to remain viable. Many have no property tax base and sales tax does little in terms of generating revenue. Because small communities purchase goods from the larger urban areas, much of the economic benefit they generate goes to those large communities. A point in fact is that the Anchorage Economic Development Corporation has indicated that small communities fund about one in every eight jobs in the urban areas.

The second point is to suggest adding to the proposed funding amount. Although \$28 million will help small communities it won't have a significant impact on tax relief or helping large communities with their particular issues.

[3:03:39 PM](#)

WAYNE STEVENS, Alaska State Chamber of Commerce, stated support for the legislative effort to implement a sustainable community dividend program through an endowment management scheme. The need is critical statewide and if relief doesn't come this year it will be too late for some communities.

[3:04:34 PM](#)

LEO RASMUSSEN testified as a private citizen from Nome. After reviewing his long and illustrious public career he suggested looking back 50 years to when the Alaska State Constitution was created. A sort of partnership growth between municipalities and

the state government was envisioned and a division of the state's resource income was mandated for the purpose of running municipal governments. That used to be one of the most important parts of government in our state, Mr. Rasmussen emphasized. With that in mind, he suggested the committee seriously consider going back to a simple distribution of natural resource income to municipal governments rather than the proposed \$75,000 per municipality.

Mr. Rasmussen endorsed both bills and concluded that this program could turn the state around.

[3:09:45 PM](#)

JOHN COMBS, Mayor for the City of Palmer, testified in support of using Amerada Hess funds for municipal sharing. He informed members that the City of Palmer has a population of 5,400 and encompasses just 5.4 square miles, but it services an area that has about 21,000 people so some sort of sustained municipal [revenue] sharing would be most welcome.

[3:11:10 PM](#)

DAVE TALERICO, Mayor of the Denali Borough and President of the Alaska Municipal League, testified in support of both SB 246 and SB 247. He thanked the advisory commission for its work and said he particularly likes the minimum provision to support small municipalities because their health and welfare are vital to the state. He described the bill as a confident and important municipal investment.

[3:11:59 PM](#)

JEFF CURRIER, Lake and Peninsula Borough, testified in strong support of SB 247. In the last several years people have been leaving the area because of the lack of an economic base. The borough shares fish and bed tax revenue with its small communities, but because of fuel and other emergencies some of communities have had to draw down next year's revenue sharing. "Let's get this thing going," he said.

[3:13:22 PM](#)

MITCH CHOCKNOK, City Administrator for the City of New Stuyahok, testified in support of SB 247. The city is on the verge of shutting down due to high fuel, insurance, and other costs so

the money would keep New Stuyahok alive. This is vital to this community and others like it across the state, he said.

[3:14:38 PM](#)

KARL SHORT, Finance Director of the Kodiak Island Borough, stated that he previously testified in support of SB 246, but he wanted to emphasize the importance of having a way to distribute state income to the communities to keep them viable so they can continue to perform essential community services.

Responding to Chair Stedman, he added that boroughs around the state are taking on a larger share of school expenditures and at the same time they aren't getting state revenue sharing or funding for senior citizen taxes. This is to the detriment of other borough services such as health, planning, and assessing.

[3:16:09 PM](#)

ELAINE PRICE, Projects Manager for the City of Coffman Cove, stated support for the package to keep city doors open and the community viable.

[3:16:37 PM](#)

DAVE TRANTHAN, JR., Alaska Municipal League Representative for District 9, stated support for SB 246 and SB 247. Anything that can be done to reinstate revenue sharing would be greatly appreciated by all communities.

[3:17:54 PM](#)

DORIS BAILEY, Assembly Member for the City and Borough of Sitka, stated unequivocal support for revenue sharing and therefore both SB 246 and SB 247. The assembly passed a resolution to that effect.

[3:18:36 PM](#)

SENATOR GARY STEVENS advised that there are other bills that deal with revenue sharing that draw from other fund sources. Although he'd like to see more money going to communities, this bill proposes using funds from the Amerada Hess account and in his view it's a bottom line minimum amount. It's more difficult to get money from other sources such as the Earnings Reserve because it affects the dividend and the Constitutional Budget Reserve because of the high standards for using those funds.

Amerada Hess is a good beginning, he said, and I hope people support it.

CHAIR STEDMAN held SB 247 in committee and recessed the meeting to the call of Chair at [3:19:43 PM](#).