

HOUSE FINANCE COMMITTEE
February 29, 2008
1:51 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [1:51:18 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative John Harris
Representative Harry Crawford

ALSO PRESENT

Jeremy Woodrow, Communications Coordinator, Alaska Municipal League; David Teal, Director, Legislative Finance Division; Tom Wright, Staff, Representative Chenault Bill Rolfson, Department of Commerce

PRESENT VIA TELECONFERENCE

Walt Wrede, City Manager, City of Homer; Lynne Woods, Deputy Mayor, Mat-Su Borough; Dave Talerico, Denali Mayor; Bill Allen, City Manager, Palmer; Glen Gardner, Mayor, City of Sand Point; Kay Andrews, Secretary/Treasurer of Aleknagik; Ron Woolf, Chief Financial Officer, City of Fairbanks; Luke Hopkins, Assembly and Alaska Municipal League Board Member, Fairbanks North Star Borough; Scott Brandt-Erichsen, City Attorney, Ketchikan Gateway Borough; Ferdinand Sharp, Mayor, Manokotak; Jerome Selby, Mayor, Kodiak Island Borough; Carolyn Floyd, Mayor, City of Kodiak; Jennifer Johnston, Assembly Member, Anchorage; Chris Klabunde, City Council Member, City of Dillingham; James Hornaday, Mayor, City of Homer

SUMMARY

SB 72

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

SB 72 was HEARD and HELD in Committee for further consideration.

[1:51:25 PM](#)

SENATE BILL NO. 72

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

Co-Chair Meyer announced that public testimony would be taken first from the communities.

[1:52:55 PM](#)

JEREMY WOODROW, COMMUNICATIONS COORDINATOR, ALASKA MUNICIPAL LEAGUE, presented a PowerPoint program on the application of revenue sharing funds by communities (Community Revenue Sharing: How Communities Use Their Share, copy on file). Mr. Woodrow began with a slide illustrating revenue sharing for the last twenty years (Historic Revenue Sharing Tools, p. 2). He remarked that in 1985, the communities received, through revenue sharing, approximately \$140 million. This amount has been steadily decreasing. He indicated that the asterisks, beside 2004 through 2007, were funds received called "revenue sharing", but they were not "titled" revenue sharing funds. Mr. Woodrow cited that the Legislature and the Governor reinstated revenue sharing at \$48 million. Mr. Woodrow began the review of the communities' use of the revenue sharing money by first referencing the Municipality of Anchorage (Municipality of Anchorage, p. 4). The Municipality of Anchorage received approximately \$13 million which was used for property tax relief. He pointed out that the average single family home in Anchorage, in FY 07, saved \$389 with the revenue sharing that resulted in a \$1.2 million reduction in overall property taxes. Each family received a Green Card (Municipality of Anchorage, p. 5) that reflected the taxes with and without the property tax relief.

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Mr. Woodrow quoted Mayor Mark Begich of Anchorage:

For the last two years, Anchorage has used its revenue sharing to lower property taxes for Anchorage residents. The Assembly and I remain committed to using

any revenue sharing funds again this year for property tax reduction" (Municipality of Anchorage, p. 6).

Mr. Woodrow commented that Anchorage, as the largest municipality in the state, received the largest share of revenue. Mr. Woodrow proceeded to the Matanuska-Susitna Borough (Mat-Su), which received over \$3 million used for property tax relief (Matanuska-Susitna Borough, p. 7). Mr. Woodrow showed that in FY 08, revenue sharing reduced property taxes by more than half a million dollars. The Mat-Su district resident received a brochure entitled "Your Property Tax Dollars" (Matanuska-Susitna Borough, p. 8). He indicated on the slide, circled in red, the Tax Relief amount.

[1:56:51 PM](#)

Mr. Woodrow quoted Mayor Curt Menard:

For us in the Mat-Su, revenue sharing means our citizens paid less in property taxes.

Mr. Woodrow cited that the Haines Borough used its revenue sharing money differently (Haines Borough, p. 10). The Haines Borough received \$355,279 which was used to increase school funding. Mr. Woodrow remarked that, for the first time, one of the seventeen boroughs in the state hired a full-time maintenance position to address deferred maintenance. Mr. Woodrow quoted Borough Manager Robert Venables:

This fiscal year Haines was able to-for the very first time, establish a full-time maintenance position that will help us address the years of deferred maintenance problems and "band-aid fixes" throughout all of our facilities. This will save the taxpayers in many ways both now and in the future. Also, after many years of flat-funding for our school district, the Haines Borough was able to increase its contribution to the school with its funds from revenue sharing. (Haines Borough, p. 11)

[1:58:16 PM](#)

Mr. Woodrow revealed that the City of Saint Paul used their \$96,610 in funding to purchase fuel and to provide basic services to the community (City of Saint Paul, p. 12).

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Mr. Woodrow quoted the City Clerk Phyllis Swetzof:

The City of St. Paul used all of their Revenue Sharing money from the State of Alaska to pay their fuel bill.

(City of Saint Paul, p. 13)

Mr. Woodrow declared that the Kenai Peninsula Borough funded education at the CAP with their \$1.7 million (Kenai Peninsula Borough, p. 14). Mr. Woodrow elaborated that this provided another way to reduce property taxes; it simply did not increase them. Mr. Woodrow quoted the Borough Finance Director Craig Chapman:

The Kenai Peninsula Borough used the Revenue Sharing received from the State of Alaska during FY 2008 to continue its practice of funding education at the cap. Without these funds, the Borough's mill rate would have needed to increase .33 mills, to continue funding education at the cap (Kenai Peninsula Borough, p. 15)

[2:00:02 PM](#)

Mr. Woodrow remarked that the City of Gustavus, one of the smaller communities in Southeast Alaska, received \$95,718 which was used to support basic services and offset high energy costs (City of Gustavus, p. 16). Mr. Woodrow quoted Mayor Ken Klawunder:

The City of Gustavus used their Revenue Sharing from the State of Alaska to offset their high energy costs and to help support all city services such as: our library; our fire department; our EMS squad; our health clinic and our City Hall.

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Mr. Woodrow talked about the Denali Borough's \$321.219 that was used to fund fire and emergency medical services to over one hundred miles of the Parks Highway (Denali Borough, p. 18). Mr. Woodrow quoted Mayor David Talerico:

The Denali Borough budget for '08 included \$271,589 for local fire/EMS and the lion's share of that is spent on visitors including response along over 100 miles of the Parks Highway (Denali Borough, p. 19)

Mr. Woodrow reflected that Denali's use of their funds is an example of revenue sharing not just assisting local communities but also visitors to Alaska. Mr. Woodrow expressed the Alaska Municipal League (AML) thanks for the legislature's support addressing revenue sharing as a statewide issue. He stressed that the AML urges the Committee to adopt SB 72 with an Annual Payout of \$75 million by increasing the Revenue Sharing Fund to \$225 million. He commented that the Revenue Sharing, combined with education funding and the PERS/TRS fix, is a positive step to building sustainable communities in Alaska (Conclusion, p. 20).

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Representative Gara inquired if the minimum amount is \$20,000 for a community. Mr. Woodrow answered that \$20,000 was designated for a smaller community, not a city or a borough. Representative Gara wondered if this caused any concern to the smaller communities. Mr. Woodrow admitted that not much can be achieved with \$20,000 but the amount was set to give incentives for communities to become organized communities. Representative Gara asked for the names of the unorganized communities in the Bethel area. Representative Nelson listed a number of unorganized communities but she remarked that there is no incentive to become organized if it only creates another layer of government to fund.

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Representative Gara thought that \$20,000 appeared very low. Mr. Woodrow remarked that the communities would always welcome more funding. Representative Meyer remarked that smaller villages have commented that \$20,000 provides a great help in offsetting fuel costs and city service expenditures.

[2:05:10 PM](#)

WALT WREDE, CITY MANAGER, CITY OF HOMER (Testified via teleconference), supported SB 72 with the increase in the revenue sharing fund to \$225 million and the annual payout of \$75 million as proposed by the Governor. Mr. Wrede mentioned that Homer used its revenue sharing funds as matching money that the council had set aside for fleet depreciation and a new fire truck. He expressed Homer's thank you to the legislature.

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LYNNE WOODS, DEPUTY MAYOR, MAT-SU BOROUGH (Testified via teleconference), supported SB 72 with the increase in the revenue sharing fund to \$225 million and the annual payout of \$75 million as proposed by the Governor. Ms. Woods believed the legislation is set up to be sustainable and equitable in its distribution. She remarked that the \$3 million received last year allowed the community to maintain the mill levy and fund the school budget to the previous year's level. She stressed that the senior and disabled veterans' exception was \$20,000 short of \$6 million and these local residents need the services that the borough is providing. Ms. Woods observed that the money also helps the ten to twelve years olds by not putting a greater burden on the school district for building and operating the schools.

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DAVE TALERICO, DENALI MAYOR (Testified via teleconference), supported the Senate Committee substitute and encouraged the increase to \$225 million with the annual payout of \$75 million. Mr. Talercio noted that the money could expand services in the growing Denali community for both locals and the large visitor industry. The funding also helps to provide better fire protection and other infrastructure needs.

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BILL ALLEN, CITY MANAGER, PALMER (Testified via teleconference), supported SB 72 and encouraged the increase to \$225 million with the annual payout of \$75 million. He noted that the community worked hard to maintain the level of services that the community deserves. He believed that the rural communities have been diminishing over the years and the Palmer region is seeing a migration of rural residents, placing a larger demand on the costs for local services. Mr. Allen contended that the rural migration to Palmer has increased crime, social issues, and the demand for city services. Representative Gara questioned where it is mentioned in the bill that there will be an annual payout of \$75 million, and wondered how that formula was determined. Co-Chair Meyer responded that the Senate changed the amount, as proposed by the Governor, to \$75 million over a three year period. Co-Chair Meyer remarked that the present appropriation, of \$150 million, will provide at least \$50 million to be paid out for the next three years. When the price of oil reaches a certain level, it is re-appropriated to refill the fund. Co-chair Meyer specified that the \$75 million figure was not actually available at this time; the amount has only been proposed by the Governor.

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Representative Gara inquired if the Senate bill read differently from the House version. Co-Chair Meyer responded that the Governor had proposed \$75 million revenue sharing program similar to last year's capital budget. Representative Gara inquired if the Senate version was the Governor's version. Co-Chair Meyer responded that it was different and remarked that David Teal would explain how the three year program would work. Representative Gara questioned if the \$75 million was ever mentioned in any version of the bill. Representative Meyer responded that the governor's proposal is only for one year; the Senate bill is proposing at least three years.

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GLEN GARDNER, MAYOR, CITY OF SAND POINT (Testified via teleconference), supported SB 72 with the increase to \$225 million and the annual payout of \$75 million. He explained that the money is very crucial to the City of Sand Point, especially with low fish taxes, the rising costs of fuel and insurance costs that are all taking larger amounts from the decreasing budget dollars. Mr. Gardner emphasized that the revenue sharing funding is needed for the community to provide basic services.

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Representative Gara questioned Mayor Gardner what the effect to Sand Point would be if there was the \$225 million with \$75 million payout. Mr. Gardner said they would be affected because last year they received \$116,000.

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KAY ANDREWS, SECRETARY/TREASURER OF ALEKNAGIK (Testified via teleconference), supported SB 72 with the increase to \$225 million and the annual payout of \$75 million. She thanked the committee for sharing the revenue with smaller communities. Ms. Andrews commented that last year the community received \$86,000; \$50,000 was used for fuel with the remainder being used to purchase a copier, fund general administration and provide for other services. If the amount were to increase to the Governor's suggestion, the community could employ a planning director to help address and better serve the residents of the community.

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RON WOOLF, CHIEF FINANCIAL OFFICER, CITY OF FAIRBANKS (Testified via teleconference), supported SB 72 with revenue sharing fund of \$225 million and an annual payout of \$75 million. Mr. Woolf reported that the cost of energy was very high and not enough had been budgeted to meet community needs. Mr. Woolf mentioned that a large part of Fairbank's revenue sharing funding would go to capital improvement, specifically, street repairs. Mr. Woolf noted that when revenue sharing ended a few years ago, Fairbanks was forced to lay-off eight key positions and, without the new revenue distribution, he foresaw similar problems.

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LUKE HOPKINS, ASSEMBLY AND ALASKA MUNICIPAL LEAGUE BOARD MEMBER, FAIRBANKS NORTH STAR BOROUGH, (Testified via teleconference), supported SB 72 with the increase to \$225 million and the \$75 million annual payout. Mr. Hopkins commented that the local community has been impacted by rising fuel and electric needs. The revenue sharing fund has helped offset this cost for the residents.

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SCOTT BRANDT-ERICHSEN, CITY ATTORNEY, KETCHIKAN GATEWAY BOROUGH (Testified via teleconference), supported SB 72 with the increase to \$225 million and the \$75 million payout. He explained that this would be a six percent increase to the community. The community of Ketchikan has been able to reduce the local mill levy by \$.4 million and support education funding.

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Representative Thomas asked Mr. Brandt-Erichsen if the Alaska Municipal League tallied the amount of money that this legislative body is giving to the municipalities. Mr. Brandt-Erichsen responded that Mr. Woodrow presented a PowerPoint presentation at the beginning of the meeting that identified, in 2007, \$18 million in PERS relief and \$48 million to offset rising energy cost impacts. The last municipal league had pointed out that there are a significant number of second class cities not involved in the PERS/TERS system. The state and some municipalities benefited from the PERS/TERS, but since not all municipalities are part of the system, there were some that did not see any benefits. Mr. Brandt-Erichsen stressed that all municipalities have benefited from revenue sharing.

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FERDINAND SHARP, MAYOR, MANOKOTAK (Testified via teleconference), supported SB 72 with the increase to the \$225 million and the \$75 million annual appropriation. He remarked that a good portion of the revenue sharing is used to offset the high cost of electricity and energy, including street lights. The revenue sharing is also used to help budget heavy equipment operators for snow removal and school bus up keep. Mayor Manokotak mentioned that locally they have a sales tax of two percent which put \$16,000 toward fuel and gas.

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JEROME SELBY, MAYOR, KODIAK ISLAND BOROUGH (Testified via teleconference), supported SB 72 with the increase to the \$225 million and the \$75 million annual appropriation. He appreciated the hard work of the committee and the funding that has helped the communities. He stressed that the six percent increase request was not an arbitrary figure but the minimum amount determined to run a small community. This money will keep the communities sustainable for a longer period and promote new opportunities for the community rather than just remain at a sustainable level.

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CAROLYN FLOYD, MAYOR, CITY OF KODIAK (Testified via teleconference), supported SB 72 with the increase of \$225 million and the annual payout of \$75 million. She stressed that revenue sharing funding is very important in deferring energy costs.

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JENNIFER JOHNSTON, ASSEMBLY MEMBER, ANCHORAGE (Testified via teleconference), supported SB 72 with the increase of \$225 million and the annual payout of \$75 million. This money allows for property tax relief for the local community.

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CHRIS KLABUNDE, CITY COUNCIL MEMBER, CITY OF DILLINGHAM (Testified via teleconference), supported SB 72 with the increase of \$225 million and the annual payout of \$75 million. He declared the proposed funding was needed to offset the rising costs of fuel freight, and transportation.

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JAMES HORNADAY, MAYOR, CITY OF HOMER (Testified via teleconference), supported SB 72 with the increase of \$225 million and the annual payout of \$75 million. He expressed that the citizens of Homer pay their fair share in local taxes but the funding has helped in fuel costs, purchasing a fire truck and other community needs.

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Co-Chair Meyer questioned if there were any others online or in-house who would like to testify, and being none, closed the public testimony.

AT EASE: [2:42:18 PM](#)

RECONVENED: [2:48:20 PM](#)

[2:48:48 PM](#)

Co-Chair Meyer signified that David Teal would be presenting a model for how revenue funding distributions would be effected using different numbers.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, presented a model and explained how the Senate arrived at the provisions for this bill. He noted that, last year, \$49 million was distributed throughout the communities; this year the number was rounded to \$50 million. The amount for a borough, \$250,000 last year, was bumped to \$300,000 this year. As the base amount changes, the borough amount, being

floating, reflect other base changes. Mr. Teal showed the changes from last year's bill to this year's bill. He explained that while the communities may lose a small amount of money, the boroughs are up slightly due to the base rate rising. If the base rose to \$5,500,000, the small communities would become winners.

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Mr. Teal manipulated the figures for the legislators to show how different amounts of base money would change the payout to communities and boroughs. He showed that when money is added to the distributed amount, the borough base floats up. Because the base floats, all the communities continue to receive the same amount that they received the prior year. Mr. Teal told the legislature they might want to experiment with the amount of money put into the program, decide on the borough base, and then, if the money declines as oil prices fall, observe the impact on the communities.

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Co-Chair Meyer asked what would happen if the money fell below \$50 million. Mr. Teal explained that, if oil fell below \$60 a barrel, the first year of \$50 million payouts would be distributed, but without any surcharge revenue coming in, the following year the fund balance would fall to \$100 million with a distribution of one third making the distribution amount \$33 million. The borough base, being floating, would now fall to \$220,000 and city bases would fall as well. Co-Chair Meyer commented that there was a handout available that illustrated when the price of oil was at a certain level, twenty percent of the amount would be taken for revenue sharing, and then it would show how much would be available for appropriation. He explained that, even if the price of oil were to fall below \$60 a barrel for the next three years, there would still be three years worth of revenue sharing at \$50 million. He concluded this would give the communities time and notice to make adjustments.

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Mr. Teal added that as the program begins to fade out to \$33 million, the borough base is \$220,000, but the calculation, if it were free to float with no restrictions; the base would then be \$198,000. He explained that this is why some communities would receive a different portion. Mr. Teal continued that if the base floats, using \$160,000 as a base, then the free floating base of \$198,000 is distributed then all communities receive the same amount as before. The base determines the amount that goes to the smaller communities and the boroughs. Every dollar put into the base is less money to be distributed by population, therefore the larger

the number, the distribution leans toward the smaller communities at the expense of the urban centers.

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Co-Chair Meyer requested that Mr. Teal show the numbers for Anchorage at the \$50 million payout and the \$75 million payout. Mr. Teal responded that at \$50 million, Anchorage would receive \$13.5 million; at \$75 million, with the base floating to \$450,000, Anchorage would receive \$20 million. This remains twenty seven percent. He specified that under the Governor's proposal, the base is not floating, so the base would be \$250,000; Anchorage share then goes to \$25 million or thirty four percent of the total. The Governor did not build up the base when more money was added, so the distribution is heavily weighted toward the urban centers. Co-Chair Meyer remarked that the floating base really impacts the numbers. Co-chair Meyer requested that Mr. Teal take the base from \$300,000 to \$320,000.

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Mr. Teal responded that if the base rose to \$320,000, Anchorage would receive \$13 million. This becomes twenty six percent of the totals instead of twenty seven percent.

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Co-Chair Meyer asked if the last column of Mr. Teal's figures indicated the PERS contribution. Mr. Teal responded that Anchorage would receive \$20 million for PERS assistance, thirty nine percent of the PERS total.

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Representative Gara remarked that he sees a problem of disappearing revenue sharing. He questioned if the CAP of \$50 million would be higher if the oil prices were higher. Co-Chair Meyer responded that it states in the bill that if the amount falls below \$50 million, the money will still be distributed at one third of whatever remains. Mr. Teal agreed but believed that Representative Gara did not want to look on downside, but the upside of oil being higher. If oil remains at \$90, with multimillion dollar surpluses, the amount remains at \$50 million but, in the law, the legislature could appropriate more. The \$50 million is a minimum revenue sharing amount.

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Representative Gara wondered about the logic of keeping the amount at \$50 million, no matter how high the price of oil rises. Co-Chair Meyer believed that the \$50 million was a minimum, so more money can be appropriated if the

legislature chooses. Representative Gara thought the bill unnecessary if the legislature was going to appropriate a different amount each year.

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Vice-Chair Stoltze explained that this might be looking at sustainability, predictability, and the downward curve on production.

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Representative Thomas remarked that if \$50 million is spent this year, and next year being another high oil price year, and another \$250 million is put in the account, he believed it important to put a cap on the municipality amounts to prevent reckless spending.

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Mr. Teal pointed out that if \$250 million were plugged in the budget it would increase the distribution by one third. Representative Thomas asked if it would be possible to put language in the bill to not exceed \$75 million.

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Co-Chair Meyer remarked that there could be an amendment to make the maximum amount to be distributed \$75 million, not to exceed one third of amount of fund.

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Mr. Teal agreed that an amendment is easy but public testimony emphasized the \$225 million with the payout of \$75 million. In order to sustain the \$75 million payout, the bill would have to be amended to say that twenty percent of the revenue would not exceed \$75 million as opposed to \$50 million.

[3:08:00 PM](#)

Representative Kelly remarked that he would be more comfortable with a ten year projection of oil prices and budgets. He pointed out that the Prudhoe curve is moving down below 700,000 barrels this year, but budgets are rising by fifteen percent each year. He remarked that it will be hard on municipalities if the amount is raised only to be removed later. Representative Kelly stressed that the state government is going to run out of funding in the next three to seven years, moving into huge deficits until first "gas." Representative Kelly believed the challenge is to save enough money to function through the downward period.

Representative Kelly asked if there was a ten year plan available.

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Mr. Teal responded that a memo from Sherry Newhouse, dated February 28, 2008, announced that, given the official forecast of prices, the maximum available for the communities' appropriation in revenue sharing would be \$70 to \$80 million a year, projected through FY 2014. Given the funding mechanism, the legislature can not afford to have a larger distribution than is in the bill at the moment.

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Representative Kelly commented that this ignores the size of the budget. He remarked that the legislature is balancing the budget at \$60 a barrel. If the budget is going to continue to rise by seven to fifteen percent per year, then the budget will not be balanced on the base rate, but the balance of the progressivity piece, which will be needed just to fund the government.

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Mr. Teal agreed but emphasized that only if the price of oil rises, will it be possible to balance a constantly rising budget. Representative Kelly believed that a missing part in the bill is the growth in the budget.

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Representative Hawker agreed that no current mechanism is in the state for taking the current proposals out for next ten years. He noted that HB 125, now residing in the Senate Finance, would require each year a ten year comprehensive model to respond to these questions.

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Representative Kelly wondered why there was not already a ten year forecast for this information.

[3:17:06 PM](#)

Co-Chair Meyer MOVED to ADOPT Amendment #1.

Page 4, line 31
Delete "to assist communities"
Insert "as grants to municipalities, reserves, and communities for any public purpose"

Page 5, line 4
Delete "up to"

Insert "an amount equal to"

Page 5, line 5,
After "(g)."
Delete "Appropriations for a fiscal year may also
be limited to"
Insert "The amount may not exceed"

Page 5, line 28
After "subsection"
Insert ",rounded to the nearest \$1,000"

Page 5, line 29
After "amount"
Insert",rounded to the nearest \$1,000"

Page 5, line 30
After "amount"
Insert ",rounded to the nearest \$100"

Page 6, line 1
After "amount"
Insert",rounded to the nearest \$100"

Representative Thomas OBJECTED for discussion.

Suzanne Armstrong, Staff to Representative Meyer, presented amendment #1 as technical cleanup language, requested from legislative legal, on a few provisions in the bill. She introduced a new section of the amendment on page 1, line 3, to delete "as grants."

Representative Hawker MOVED a conceptual amendment as described by Ms. Armstrong.

Representative Stolze WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

Co-Chair Meyer MOVED to ADOPT New Amendment #2.

Page 2, line 14

Insert new section

Sec.2. AS 29.20.640(b) is amended to read:

(b) Compliance with the provisions of this section is a prerequisite to Receipt of **community revenue sharing under AS.60.850-29.60.879**[MUNICIPAL TAX RESOURCE EQAULIZATION ASSISTANCE UNDER AS 29.60.010-29.60.080 AND PRIORITY REVENUE SHARING FOR MUNICIPAL SERVICES UNDER AS 29.60.100-29.60.180]. If a municipality does not comply with this section, the department shall withhold the allocations until the required Reports are filed.

Page 2, line 14

Delete "**Sec.2.**"
Insert "**Sec.3.**"

Page 4, line 1

Insert new sections

Sec. 4. 29.45.020(b) is amended to read:

(b) Compliance with the provisions of this section is a prerequisite to Receipt of community revenue sharing under AS 29.60.850-29.60.879 [MUNICIPAL TAX RESOURCE EQUALIZATION UNDER AS 29.60.010-29.60.080 AND PRIORITY REVENUE HARING FOR MUNICIPAL SERVICES UNDER AS 29.60.100-29.60.180] The department shall withhold annual allocations Under those sections until municipal officials demonstrate that the requirements of this section have been met.

Sec. 5. AS 29.45.660(b) is amended to read:

(b) Compliance with the provisions of this section is a prerequisite to receipt of **community revenue sharing under AS 29.60.850-29.60.879** [MUNICIPALITY TAX RESOURCE EQUALIZATION UNDER AS 29.60.010-29.60.080 AND PRIORITY REVENUE SHARING FOR MUNICIPAL SERVICES Under as 29.60.100-29.60.180]. The department shall withhold annual Allocations under those sections until municipal officials demonstrate that the Requirements of this section have been met.

Page 4, line 1

Delete "**Sec.3.**"
Insert "Sec.6."

Page 4, line 27

Delete "**Sec.4.**"
Insert "**Sec.7.**"

Page 7, line 28

Delete "**Sec.5.**"
Insert "**Sec.8.**"

Page 8, line 4

Delete "**Sec.6.**"
Insert "**Sec.9.**"

Page 8, line 22

Delete "**Sec.7.**"
Insert "**Sec.10.**"

Page 10, line 26

Delete "**Sec.8**"
Insert "**Sec.11.**"

Page 11, line 25

Delete "**Sec.9.**"
Insert "**Sec.12.**"

Page 12, line 5
Delete "Sec.10."
Insert "Sec.13."

Page 12, line 16
Delete "Sec.11."
Insert "Sec.14."

Page 12, line 21
Delete "Sec.12."
Insert "Sec.15."

Page 12, line 21-line 22
Delete "AS 29.20.640(b); AS 29.45.020(b), AS
29.45.660(b);"

Page 12, line 26
Delete "Sec.13."
Insert "Sec.16."

Representative Thomas OBJECTED for discussion.

[3:21:29 PM](#)

Ms. Armstrong explained that the new amendment #2 proposes to repeal several statutes relating to revenue sharing programs that are currently on the books. This amendment clears up some statutory references under current law and removes those statutes from the repealed sections that they are not repealed and changes the section numbers.

Representative Thomas WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

[3:22:33 PM](#)

Co-Chair Chenault MOVED to ADOPT New Amendment #3.

Page 7, lines 11-13
Delete all material
Insert "assembly approval. If there is more than one qualified entity in an unincorporated community in a borough or unified municipality, one of the entities may receive the entire payment, or the payment may be shared between two or more of the qualified entities, as determined by the assembly.

(c) An unincorporated community in a borough or unified municipality is eligible for a community revenue sharing payment only if at least three of the following services are generally available to all residents of the unincorporated community and each of the three services, in any combination, are provided by one or more qualifying

incorporated nonprofit entities or a Native village council or are substantially paid for by the residents of the unincorporated community through taxes, charges, or assessments levied or authorized by the borough or unified municipality.

Representative Hawker OBJECTED for discussion.

[3:22:54 PM](#)

TOM WRIGHT, STAFF, REPRESENTATIVE CHENAULT, clarified that Amendment #3 allows unincorporated communities, within an organized borough, to participate in the revenue sharing program. He stressed that the communities have to meet three of the seven criteria already in the bill, but it is the borough that will make final determination if the community qualifies. The borough will submit the names of those communities to DCEED for their review and approval. Representative Joule questioned if the unincorporated community in the borough that has the services being provided would qualify. Mr. Wright responded that it will be the borough that determines if the community is meeting the criteria listed within the bill. Mr. Wright gave an example that in the unincorporated community of Sterling, within the Kenai Peninsula, some services are provided but their mill rate goes toward other services that the borough provides. Mr. Wright continued that if the borough determines they meet three of the seven criteria under this amendment, they would be eligible.

[3:25:52 PM](#)

Co-Chair Meyer remarked that the idea is to incentivize the communities to incorporate, but he wondered if this takes away the incentive.

BILL ROLFSON, DEPARTMENT OF COMMERCE, addressed the question that there is an incentive for municipal incorporation, but the unorganized borough is outside any municipal government. Mr. Rolfson empathized that state law would rather have the borough provide those services rather than have another city government within their municipal boundaries.

[3:27:07 PM](#)

Co-Chair Meyer questioned if the borough could just say the unorganized community qualifies in order to receive more money. Mr. Rolfson explained that the way the amendment is drafted, the community, a native village council or non-profit community organization or the borough, must meet at least three of the seven criteria and the services provided within the borough are generally available to all residents in that community. This amendment is trying to identify that

there are unincorporated communities where the service is not being provided by the native village council or the non-profit, but by the borough, and the city is paying taxes for those services.

[3:28:27 PM](#)

Mr. Rolfson identified thirty one unincorporated communities last year that met the criteria. To meet the criteria the native village council or a community association had to be providing at least three of the services within the community. Some boroughs, Kenai and Mat-Su, had communities where services were being provided and the residents were paying taxes and fees, but because the services were not being provided by a non-profit or native village council, they were not eligible to receive this \$20,000 payment.

[3:30:15 PM](#)

Representative Hawker wanted assurance that, subject to meeting three of seven criteria, the community of Hope would be classified as unincorporated. Mr. Rolfson declared that at this time the department can not provide an eligibility list. He reiterated that they would rely on the borough to identify these communities but Hope would be in a community that the borough could look at for the funding.

[3:31:45 PM](#)

Vice-Chair Stoltze questioned if there was a list available of the eligible communities. Mr. Rolfson commented that the department can not generate a with list but they have determined that thirty one communities meet these criteria.

[3:34:14 PM](#)

Representative Kelly stressed that when the legislative body is considering an amendment that significantly increases the number of eligible communities, from thirty to sixty, more information would be needed, especially in dealing with tribal issues.

Co-Chair Chenault WITHDREW Amendment #3.

Representative Kelly noted there is a fiscal note attached to Amendment #3 and suggested that prior to the amendment being brought before the committee in the future, more information would be needed.

[3:37:35 PM](#)

Tom Wright clarified that the communities would only qualify for the minimum based on population for the unincorporated communities. Co-Chair Meyer remarked that would be \$20,000

times the number of possible communities, which are potentially sixty. Mr. Rolfson signified that would be \$620,000 for thirty communities and \$1.2 million for sixty communities.

SB 72 was HEARD and HELD in Committee for further consideration.

[3:38:37 PM](#)

ADJOURNMENT

The meeting was adjourned at 3:38 PM