

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 13, 2007

3:33 p.m.

MEMBERS PRESENT

Senator Donny Olson, Chair
Senator Joe Thomas
Senator Gary Stevens
Senator Thomas Wagoner

MEMBERS ABSENT

Senator Albert Kookesh, Vice Chair

COMMITTEE CALENDAR

SENATE BILL NO. 72

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

HEARD AND HELD

SENATE BILL NO. 3

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

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 72

SHORT TITLE: COMMUNITY REVENUE SHARING

SPONSOR(s): COMMUNITY & REGIONAL AFFAIRS

02/02/07	(S)	READ THE FIRST TIME - REFERRALS
02/02/07	(S)	CRA, FIN
02/13/07	(S)	CRA AT 3:30 PM BELTZ 211

BILL: SB 3

SHORT TITLE: COMMUNITY DIVIDEND PROGRAM

SPONSOR(s): SENATOR(s) SENATOR WILKEN

01/16/07	(S)	PREFILE RELEASED 1/5/07
01/16/07	(S)	READ THE FIRST TIME - REFERRALS
01/16/07	(S)	CRA, JUD, FIN
02/13/07	(S)	CRA AT 3:30 PM BELTZ 211

WITNESS REGISTER

GINNY AUSTERMAN, staff
to Senator Donny Olson
Alaska State Legislature

POSITION STATEMENT: Presented SB 72 on behalf of Senator Olson.

TIM BOURCY, President
Alaska Municipal League (AML)
and Mayor,
Skagway, Alaska

POSITION STATEMENT: Spoke in favor of SB 72.

KATHIE WASSERMAN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Spoke in favor of SB 72.

MARK BEGICH, Mayor
Anchorage, Alaska

POSITION STATEMENT: Spoke in favor of SB 72.

JOHN WILLIAMS, Mayor
Kenai Peninsula Borough
Soldotna, Alaska

POSITION STATEMENT: Spoke in favor of SB 72.

LUKE HOPKINS, board member
Alaska Municipal League
and presiding officer,
Fairbanks North Star Borough Assembly
Fairbanks, Alaska

POSITION STATEMENT: Spoke in favor of SB 72.

SALLY SADDLER, Legislative Liaison
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding SB 72.

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

POSITION STATEMENT: Answered questions regarding SB 72.

TAMMY WILSON, resident
Fairbanks North Star Borough

POSITION STATEMENT: Spoke in favor of SB 72.

TIM BECK
Fairbanks, Alaska

POSITION STATEMENT: Spoke in favor of SB 72 and SB 3.

JEROME SELBY
Kodiak, Alaska

POSITION STATEMENT: Spoke in favor of SB 72.

VALERY MCCANDLESS, Mayor
Wrangell, Alaska

POSITION STATEMENT: Spoke in favor of SB 72.

MIKE FORD, Lobbyist
Alaska Native Health Board (ANHB)
Juneau, Alaska

POSITION STATEMENT: Spoke in favor of SB 72.

SENATOR GARY WILKEN
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 3 as sponsor.

ACTION NARRATIVE

CHAIR DONNY OLSON called the Senate Community and Regional Affairs Committee meeting to order at [3:33:53 PM](#). Senators Stevens, Thomas, and Olson were present at the call to order.

SB 72-COMMUNITY REVENUE SHARING

[3:34:33 PM](#)

CHAIR OLSON announced SB 72 as the first order of business.

GINNY AUSTERMAN, staff to Senator Donny Olson, Alaska State Legislature, presented SB 72 as follows:

SB 72 establishes a sustainable revenue sharing program based on the owner-state concept. The resources of the state belong to all Alaskans. Cities and boroughs were formed by the state as political subdivisions to provide services to the people. Without revenue sharing, the entire cost of basic services is borne by local taxpayers.

Skyrocketing fuel and retirement system costs and inflation, in conjunction with severe cuts in revenue sharing over the past several years have local governments scrambling to continue providing even basic services such as snow removal, road maintenance, public safety, and the education of our children.

SB 72 provides a means for sustainable revenue sharing in order to allow communities to continue providing basic services. SB 72 would allow the legislature to allocate six percent of certain natural resource revenues to revenue sharing every year. Basing the revenue sharing on the state's annual income allows for the flexibility needed to continue the program during lean years, when state revenue is down.

Without consistent, dependable revenue sharing, provision of basic service will continue to decline. Some small communities have already closed their doors. SB 72 provides the tool to solve the problem of helping local governments fund basic services.

[3:36:37 PM](#)

Senator Wagoner arrived.

TIM BOURCY, President, Alaska Municipal League (AML), and Mayor of Skagway, said SB 72 came out of years of work by the AML. Municipalities have been struggling with declining revenue sharing, which started in 1985 and has declined ever since. Revenue sharing is part of a basic foundation of Alaska. Without stable communities business opportunities and opportunities for children "just aren't there because we aren't providing the basic services that they need." He said SB 72 would set aside six percent of revenues created through natural resource sales and put it in a sub-account in the general fund. The money could then be allocated to the communities by the legislature. There would be a base allocation of \$25,000 to unorganized communities, \$75,000 to organized municipalities, and \$250,000 to boroughs, he explained.

[3:38:48 PM](#)

MR. BOURCY said there would also be a per capita distribution of any remaining funds. The AML believes this is a sustainable program, and it is appropriate because the communities will benefit when the state benefits from high oil and gas prices, and when there are hard times, the communities will share in the cost by tightening their belts. People in communities have

become increasingly frustrated with local tax increases, he said. The Fairbanks vote this fall is an indicator of the backlash "of what we are facing at the local level." The declining revenue-sharing money has had a direct impact on increasing property taxes. Under SB 72, \$144 million will be allocated in the next fiscal year based on revenue from the previous year.

KATHIE WASSERMAN, Executive Director, Alaska Municipal League, said she is available for questions, and she noted that Bill Rolfzen from the Department of Commerce, Community & Economic Development (DCCED) is available, and the Department of Revenue (DOR) also provided assistance.

[3:41:08 PM](#)

CHAIR OLSON noted that the unorganized communities will be receiving a third of the base allocation that organized communities will get, but residents need the same services.

MR. BOURCY said that AML believes that Alaska's goal is to organize, and incentives are important for future stability and growth in the state. Unorganized areas provide some services, and he wants to make sure that they get some money. The bill is tiered toward organization, he acknowledged, but is not intended to leave anyone out in the cold.

[3:42:50 PM](#)

CHAIR OLSON said it costs a fair amount of money for a community to organize. Many do not have the resources to do that. "It is a pretty steep road to climb," he stated.

MR. BOURCY said he agrees, and it is reasonable to assume that there are certain areas in the state that won't ever have the tax base to be organized as a normal municipality. It is the will of the legislature to see what the best way to deal with it is. The AML wants both areas to benefit, "but we do understand that providing education and providing services from organized areas is where the state wants to be."

[3:44:18 PM](#)

SENATOR STEVENS asked about past revenue sharing.

MR. BOURCY said he provided a chart of the annual appropriations since 1985 when revenue sharing was \$141 million. In 2005 it was zero. In 2006 it was \$6 million, which included PERS. The chart also shows inflation-proofed figures and figures for SB 72. As

the resource revenues go up, the revenue sharing goes up. "We share in the benefit and we share in the cost," he said.

3:46:05 PM

SENATOR THOMAS asked about excluding "oil and gas production, property...cause you guys couldn't figure that out either, or what?"

MR. BOURCY said, "The way the bill is written, it has some additional things in it; that would be the oil and gas production property taxes and other mineral taxation items. We were looking at it from the base allocation...which comes from the definition through the permanent fund, which is: mineral lease rentals, royalty, royalty sale proceeds, federal mineral revenue sharing payments, and bonuses. That is where AML believes that that figure would be an appropriate figure and not to lump these others taxes into this program, so that's kind of what we're looking for."

SENATOR THOMAS said he hasn't found anyone who takes responsibility for helping communities form boroughs. He said he knows some are trying to figure out how it will impact them, what they can expect, and what benefits are available.

3:47:51 PM

MR. BOURCY said he has personal experience with borough formation because his city just went through a seven-year process. There has been talk of a lack of incentives, he said. It is a difficult process. He said DCCED should be an advocate and assist the people trying to do it. There are a lot of regulations and statutes that must be addressed, and they don't seem to be as flexible as they could be. There is no money to provide incentives, he noted, but "incentive packages have been kicked around." There are a number of areas in the state that would form boroughs if the process was more flexible, he opined. How it fits into the bill, he can't say, but the incentive would be an additional base allocation for municipalities or boroughs, "but those come with additional costs, as well."

3:50:11 PM

MS. WASSERMAN said those communities can call DCCED, which will walk them through the process.

MARK BEGICH, Mayor, Anchorage, said he appreciates the AML and, he is supportive of the bill because it has sustainability in the form of an allocated source of revenue: six percent of the state's natural resource revenue. Anchorage would use the money

for property tax relief, but smaller communities have demand for core services, he noted. All Alaskans own the natural resources, and he supports this legislation and thinks it is a great step.

[3:52:44 PM](#)

CHAIR OLSON asked if the base allocation will be significant enough to make a dent in property taxes.

MR. BEGICH said property taxpayers in urban areas are feeling the pinch, and Fairbanks was a great example of where they have "had enough." It will make a huge dent in the public's view of their tax bill, he stated. The bill may give Anchorage a levy drop of 1 to 3 mills, he speculated. He suggested a first-year bonus as an incentive to communities that organize.

[3:54:34 PM](#)

SENATOR WAGONER asked about using this money to relieve the property owners and the difficulty of increasing the mill rate if oil prices drop to \$15 a barrel.

MR. BEGICH said Anchorage educates the taxpayer, but it is never an easy task to raise taxes. Anchorage has had to do it and people accepted it because it was explained to them, he said. That is why he likes the bill because "when times are good, we go up, and when times are bad, we go down." He thinks that is the fair way to do it, but anytime you have to raise one dime more than the year before, it is no fun. Mayors do it every day; "we have to. And as long as we communicate with our citizens, I think we're OK in that arena."

SENATOR WAGONER asked if Anchorage's tax bill clarifies where any reduction comes from.

[3:56:46 PM](#)

MR. BEGICH said the tax bill shows it, as required by state law, and Anchorage actually highlights it. The assessment card also shows what a person paid the previous year. Last year the tax reduction was attributed to the legislature. It is all shown for full disclosure and so taxpayers know their range in taxes.

SENATOR STEVENS asked if SB 72 would give Anchorage from \$40-45 million, and how much relief that would be.

[3:58:35 PM](#)

MR. BEGICH said the total property tax between the school districts and the city is almost \$400 million, so that would give about a 9 percent reduction.

JOHN WILLIAMS, Mayor, Kenai Peninsula Borough, applauded the committee for the sponsorship statement; it takes vision to create something that will benefit all the communities across the state. He said he met with the other six mayors on the peninsula, and his testimony is similar to what they would say. He noted that in 1985, when revenue sharing reached its pinnacle of \$141 million, Senator Wagoner was mayor of the City of Kenai. The revenue sharing program began a precipitous slide in 1986 when Mr. Williams became mayor. Revenue sharing dropped to \$6 million--virtually non-existent, he said. "We almost completely forgot about municipalities and communities sharing in what we call the ownership state." As municipal assistance was dropping there was an increase in property tax, which is drawn from the pockets of the people in the community. The question of how to build a revenue-sharing program has been discussed "for some time," and past governors have asked for a sustainable program. "And I think this act fairly well does that." He echoed Mayor Begich's comment of when the revenue is up we share, and when it is down "we take our losses with everybody else." He believes it will make citizens more aware of what the state revenues are doing, where they come from, and how their tax rates reflect it.

[4:02:52 PM](#)

MR. WILLIAMS noted that the bill includes the disposal of minerals including sand, gravel and stone. "I have to laugh a little bit" because the state placed a recent burden on municipalities when it raised the price of gravel. There is a tendency for state actions to cause reactions in the communities that cost them money. He said that SB 72 is well thought out, and as a mayor, he looks for tax relief for his citizens. He expressed his desire to alleviate some taxes on the citizens and allow them to share in the wealth of the State of Alaska.

[4:04:23 PM](#)

SENATOR WAGONER quipped that he should never have left. He asked what the Kenai Borough's portion of the PERS/TRS liability that the governor has put into the operating budget is. Of the \$463 million that she has put into the budget, what would be the borough's and school district's portion of that?

MR. WILLIAMS said the total bill was about \$12 million.

[4:06:12 PM](#)

LUKE HOPKINS, board member, Alaska Municipal League, Fairbanks, said he is also the presiding officer of the Fairbanks North Star Borough (FNSB) Assembly, which represents about 88,000

citizens. Revenue sharing has been an issue for everyone, "even before the program was zeroed out by the previous governor." It has been a dwindling revenue stream from the legislative system since 1985. Along with the lack of inflation compensation, many municipalities must rely more on property tax revenues or do without services. Many local governments are in serious financial conditions or have closed shop, halting day to day operations. Revenue sharing under SB 72, which is not an endowment but based on general fund dollars, could fluctuate radically. He said many communities are in of the areas where the natural resource extraction occurs, and these dollars flow into the state coffers. The constitution says to share benefits with the citizens, he noted. In the previous legislative session there were 20 municipal revenue sharing bills proposing numerous methods to supply funds, but there was little movement. He said, "AML was even asked by then Governor Murkowski to come up with proposed methods, and he liked using the POMV [percent of market value] funding, but his ideas are another story."

MR. HOPKINS said AML looked at what was a fair basis for many local governments, and SB 72 does not create an endowment to be set aside. Endowments are difficult to create and not always seen as a hands-off amount, he stated. Local elected officials know the fiscal adjustments and ups and downs of tax caps and new unfunded programs; they accept it every year. The 6 percent keeps 94 percent for state programs. The last two years, the FNSB set aside millions that have been used to pay down the property taxes--lowering the mill rate. This is due to municipal assistance from the state, and he thanked the legislature for that. SB 72 sets a minimum floor to allow all communities to receive funding that can make a real difference to staying open, or for some of the unincorporated communities, it will keep infrastructure functioning. He asked the legislature not to spend two years trying to figure out what the program will be. He urged passage of SB 72, and he noted that all the past revenue sharing packages have relied on general fund dollars.

[4:10:46 PM](#)

SENATOR THOMAS asked, "You said 25,000 is unincorporated, and is there a separate sheet of those entities or is that to be left to be decided?"

MR. BOURCY said "There certainly [are] issues with what the unincorporated--what signifies that. I believe, as it stands now, it's 25 people and they have...those aren't identified; the unincorporated totals are on the final page there. It's \$1.7

million. But those would be communities of 25 people that provide free services."

SENATOR STEVENS said he has three spreadsheets, and the second one says "minus incorporated city populations within boroughs."

MR. BOURCY said if there is a city within a borough, the city itself would get a separate allocation outside the allocation of the borough, and the per capita would go to the city and the other money would go to the borough. Regarding the fiscal note, for FY08, 09, 10 and beyond, it doesn't show a fluctuation, but that is a question for DCCED.

[4:14:05 PM](#)

SALLY SADDLER, Legislative Liaison, Department of Commerce, Community & Economic Development, said the fiscal note uses the assumption of FY06 minerals revenues, instead of trying to predict the fluctuations in out years.

SENATOR STEVENS asked where in the spreadsheet are the \$25,000 unincorporated communities.

MS. SADDLER said there are two tabs in the spreadsheet, one that documents the numbers for the municipalities and one that documents the numbers for the unincorporated communities. She noted that the committee did not have that sheet.

[4:15:45 PM](#)

MS. SADDLER said there is also someone from the Department of Natural Resources who can further clarify projected numbers.

SENATOR THOMAS asked what caused the dramatic change from spreadsheet 1 to spreadsheet 2.

MS. WASSERMAN said changes were based on different issues that pop up. Just like building a bill, she explained. One of the issues was how boroughs and communities in the different boroughs were dealt with. The AML ran different spreadsheets to see how the figures would come out. The last spreadsheet offers numbers "purely and simply on the bill as it stands now."

[4:18:29 PM](#)

SENATOR THOMAS asked how many communities are left out of SB 72 that may have been included in the past.

[4:20:15 PM](#)

BILL ROLFZEN, Division of Community Advocacy, Department of Commerce, Community & Economic Development, said when the list was developed the threshold was 25 residents, so there are a few that are just below that, like Rampart and Point Baker. In the past, if a community was just below the threshold, the division would send a head count census manual and if they could prove they had the 25, they would be back on the list.

SENATOR STEVENS surmised that an unincorporated community gets \$25,000, but nothing per capita.

MR. ROLFZEN said yes, that is a carry over from the old program.

[4:21:22 PM](#)

SENATOR STEVENS said but others do receive per capita money.

MR. ROLFZEN said that relates to incentives for incorporation.

SENATOR WAGONER asked about the government structure for a community with 41 people qualifying it for the higher amounts.

[4:22:23 PM](#)

MR. ROLFZEN said it would be recognized as a political subdivision and incorporated municipality, which qualifies it.

SENATOR WAGONER surmised that these communities only needed to fill out incorporation papers to receive that money.

MR. ROLFZEN said the process is not simple. It includes many reviews, public hearings, and ultimate approval by the Local Boundary Commission. It is a several-year process.

[4:23:15 PM](#)

SENATOR WAGONER asked if all the communities on his list have gone through the process.

MR. ROLFZEN said he believes that is correct.

SENATOR STEVENS said Akiachak is incorporated, and most incorporated cities have property tax, pay for services, and have a city council.

SENATOR WAGONER noted that they are functioning governments.

[4:24:04 PM](#)

TAMMY WILSON, resident of the Fairbanks North Star Borough, said the community needs SB 72 and she supports the bill. She has

been watching what has been happening in the City of Fairbanks, and fears that "the borough might do the same thing." She said property tax relief is needed because the rise in assessments has many people worried about what their tax might be. People wonder how PERS and TRS will be funded, and how the senior and disabled exemptions will be paid. As a member of a middle class family, she said she feels like she is carrying the burden for "a lot of these exemptions that have been done. I didn't cause the PERS and TRS; I think the senior exemption and disabled vets is an awesome thing, but I think the state should be the one helping foot that bill, otherwise it falls on the other sector." She said it is time for SB 72.

4:25:30 PM

SENATOR WAGONER asked if she is in the city or borough and what is her mill rate.

MS. WILSON said she is in the borough, and the mill rate is 12.

TIM BECK, Fairbanks, said he is in favor of SB 72.

4:27:07 PM

JEROME SELBY, Kodiak, said the bill is desperately needed. The constitution indicates that the minerals and natural resource revenues belong to the people, he stated. Local government does a lot of service for the communities, and some are really hurting. If the communities are healthy, it is the best way to save state money in the long haul, because the state won't have to pay for Department of Environmental Conservation people to provide safe drinking water, for example. The state is the one that will have to pick up such costs. He said there are 40 or more communities that have gone out of business or are on the verge. The baseline figures were well thought out, he said. The very basic services of an office with a clerk for four hours per day and part-time workers dealing with water, sewer, and snowplowing will cost about \$80,000 to \$100,000 a year. That is why the bill suggests \$75,000 plus a per capita amount. Boroughs have educational responsibilities, he said, and that is why they get more. He said the AML debated unincorporated communities and the \$25,000 came up as a guideline. He said AML tried to be sensitive to the legislative preference of incorporation.

4:30:36 PM

MR. SELBY said encouraging incorporation is a separate discussion. "What we're shooting for is some operating money to keep communities healthy and operationally providing services to their citizens," he concluded.

4:31:10 PM

SENATOR WAGONER asked if Mr. Selby would use the money to provide services or for tax relief.

MR. SELBY said last year the Kodiak Island Borough did both, including providing money for education, "and [it was] able to take care of some other responsibilities as well as the PERS/TRS piece of that whole legislation that you folks put together last year." The bill last year was a huge factor for every municipality in the state, he said, with its PERS/TRS assistance and revenue sharing. If SB 72 passes, the community would like to provide tax relief but it also needs help with education. He said he wants the legislature to fully fund education, but it requires an increased match from the community. Teacher salaries are not competitive, and that needs some attention, he stressed.

4:33:35 PM

SENATOR WAGONER asked what Kodiak's mill rate is.

MR. SELBY said the base rate is 10.25, inside the city it is 12.25, and there are some service districts that are 13.5.

4:34:16 PM

VALERY MCCANDLESS, Mayor, Wrangell, said she echoes previous testimony. The AML, which represents communities throughout the state, has looked carefully at the issue. This bill is very important to communities of all sizes, she stated. The legislature has an opportunity "to address issues that have support throughout the state."

SENATOR WAGONER asked about the mill rate of Wrangell.

MS. MCCANDLESS said it is 12 mills and will likely to go up. The city also has a 7 percent sales tax.

4:35:51 PM

MS. SADDLER, Legislative Liaison, Department of Commerce, Community & Economic Development, spoke on behalf of the commissioner and the administration. She said they appreciate the hearings on these bills, and it is a much-needed conversation, but the administration has not taken a stand on any current revenue-sharing bills. The governor has \$48.1 million in the budget for local government assistance, and staff is working on how to distribute that. She said she has a graph that shows that revenue sharing in Alaska began in 1969.

[4:37:12 PM](#)

SENATOR STEVENS asked, "Are you processing a reduction—a budget reduction—because of the governor's request for \$150 million? Is that an issue in your department?"

MS. SADDLER said there is an ongoing budget process, and part of it is reconciling the revenue-sharing amount or local-government assistance amount with any contribution the department can make toward a reduction in general funds.

SENATOR STEVENS asked what the financial incentive is to communities for incorporating.

MS. SADDLER said for a borough it is \$300,000 for the first year, \$200,000 for the second year, and \$100,000 the next year.

[4:38:05 PM](#)

MIKE FORD, Alaska Native Health Board (ANHB), said ANHB represents over 119,000 Alaskans and provides health care services for rural and urban Alaska. Healthy health care systems require healthy communities, he said, and SB 72 is a critical component of the whole matrix of community services. Without those other services--roads, public safety, power supply--there can be no healthy health-care system. Revenue sharing is a priority for ANHB, and it would like to see something go forward. He recommended "some kind of per capita distribution for unincorporated communities," because of large population disparities. To provide one set amount for all those communities is problematic, but he would like to see a bill go forward.

[4:39:55 PM](#)

SENATOR WAGONER referred to the communities that Mr. Ford said are not treated adequately. "I sat through a lot of testimony from some of the people from some of those communities, and that's the way—it seems to me in their testimony—they wanted to be treated." He said that two years ago he listened to several hours of testimony on a bill by Senator Wilkin, "and I was amazed at the attitude ... leave me along; let me live and just stay away from me. We don't want to provide any money for our schools; we don't want to provide any money for any type of services; just leave us alone." He said those were comments from some of the people from the unincorporated communities who don't want to be incorporated. He asked why the state should share additional funds with people who don't want to provide the same level of services. "That's a real stretch for me to go there."

[4:41:22 PM](#)

MR. FORD said there is a history of tension between incorporated and unincorporated communities, but it is clear that the Legislature prefers incorporation. He said he doesn't claim to have the answer to the problem. Some communities don't have a strong desire for the services, but there are plenty of communities that do. It is not a simple process, and there needs to be a tax base to make it pay. He said he is not saying to provide per capita money without expecting something in return, but giving a set amount to all unincorporated communities leaves unresolved issues.

[4:42:46 PM](#)

CHAIR OLSON asked if Mr. Ford is requesting the same base allocation for unincorporated cities as the incorporated ones.

MR. FORD said no, but there is a middle ground, and he referred to Senator Wilken's bill.

[4:43:19 PM](#)

CHAIR OLSON set aside the bill.

SB 3-COMMUNITY DIVIDEND PROGRAM

SENATOR GARY WILKEN, Alaska State Legislature, presented SB 3, the community dividend program. He noted a fiscal note of \$64.57 million and a distribution list of the funds from the Department of Commerce, Community & Economic Development (DCCED). He read the following sponsor statement:

Senate Bill 3 creates a sustainable community dividend program to share state revenue with Alaska's local municipal governments and unincorporated communities. The proposed community dividend program is in response to concerns expressed by communities throughout Alaska. Higher costs of basic living and government needs, coupled with diminished traditional state support, have placed greater financial burdens on all local governments, large and small alike.

Senate Bill 3 funds the new community dividend program from the general fund. However, if the Legislature considers the general fund insufficient to support the community dividend, the following funding sources may be considered in the following order: 1) Constitutional Budget Reserve, 2) Alaska Capital Income Fund, and 3) the Permanent Fund Earnings Reserve Account.

Senate Bill 3 provides \$70 per person for all local municipalities and unincorporated communities. Additionally, each municipality that is a school district and is meeting the 4-mill local contribution school requirement will receive an additional \$30 for a total of \$100 per resident.

The Department of Commerce, Community, and Economic Development will issue the dividends to Alaskan communities on July 1 of the year following the actual legislative appropriation. This one-year delay will allow local governments to build an operating budget based on firm numbers. There will be no need for the budget writers to wait for the legislature to act before drafting and passing their annual budgets.

The revenue-sharing program established under Senate Bill 3 distributes the state's wealth equally among all Alaskans on a per person basis. I respectfully request your support.

[4:47:09 PM](#)

SENATOR THOMAS asked what size communities qualify.

SENATOR WILKEN said it is "just a head count based on the population that the department would issue every year. This doesn't have a minimum, but...there will be a minimum coming out of this concept. I just wasn't uncomfortable with what it should be, and I would rather leave it up to 21 and 11 to decide what the minimum would be."

SENATOR WILKEN, responding to Chair Olson, said there would be no base appropriation, only a per capita dividend.

[4:48:12 PM](#)

CHAIR OLSON asked about feedback from DCCED.

SENATOR WILKEN said his bill is the same as last year, and "everybody was OK with it last year; I haven't heard them say it's a great bill or a bad bill, so they must think it's a great bill." He doesn't have feedback from the administration.

CHAIR OLSON asked about an opinion from the Alaska Municipal League (AML).

SENATOR WILKEN said it was supportive last year. He said legislative analyst, Kathleen Wakefield, prepared a bill for Senator Stevens in 2005, and it gives a great history on revenue sharing in Alaska. It started in 1970 with \$2 million, he noted.

[4:50:01 PM](#)

CHAIR OLSON asked why there is no base.

SENATOR WILKEN said there could be one; he just didn't know what it would be. The per capita bases that have been used previously are excessive, so "somebody throw a base in and let someone talk about and let the body decide." He said he will not fall on his sword to not have a base amount, but he is just not comfortable at setting one on his own. The difference in allocations is dependent on whether a community is supporting its schools or not. It is either \$70 or \$100 per resident.

SENATOR WAGONER surmised that it will be \$70 [per capita] for communities not supporting schools at the 4 mill level. Senator Wilken agreed.

[4:52:06 PM](#)

TIM BECK, Fairbanks, thanked Senator Wilkin for endorsing the concept of revenue sharing, and he would be willing to work on the bill or SB 72.

SENATOR WILKEN said, "You hear a lot about the communities that have dissolved." He spoke of the report by the Division of Community Advocacy listing cities in various stages of inactivity and dissolution. There have been 3 communities that have closed their doors, 8 that have inquired about it, 8 that haven't had their FY06 elections certified, 22 that have not submitted their required FY06 budget, 14 that have a large financial debt that may put them in jeopardy, and 22 that have not renewed their workman's comp insurance. He said some of the same communities fall into each classification, but it lends credence to the fact that the legislature must do something to share the wealth. He noted that Anchorage and Fairbanks were not in his bill.

SB 3 was held over.

The Senate Community and Regional Affairs Standing Committee adjourned at [4:54:41 PM](#).