

**ALASKA STATE LEGISLATURE**  
**SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

February 27, 2007

3:31 p.m.

**MEMBERS PRESENT**

Senator Donny Olson, Chair  
Senator Joe Thomas  
Senator Gary Stevens

**MEMBERS ABSENT**

Senator Albert Kookesh, Vice Chair  
Senator Thomas Wagoner

**COMMITTEE CALENDAR**

Overview: Local Boundary Commission

**PREVIOUS COMMITTEE ACTION**

No action to report.

**WITNESS REGISTER**

DARROLL HARGRAVES, Chair  
Local Boundary Commission  
Wasilla, Alaska

**POSITION STATEMENT:** Presented an overview of the Local Boundary Commission (LBC).

DAN BOCKHORST  
Division of Community Advocacy  
Department of Commerce, Community & Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions regarding the Local Boundary Commission.

**ACTION NARRATIVE**

**CHAIR DONNY OLSON** called the Senate Community and Regional Affairs Standing Committee meeting to order at [3:31:46 PM](#). Senators Olson and Thomas were present at the call to order. Senator Wilken was also present.

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^Overview: Local Boundary Commission

CHAIR OLSON announced an overview of the Local Boundary Commission.

DARROLL HARGRAVES, Chair, Local Boundary Commission (LBC), said he serves on the commission at large and has provided the LBC report for the current legislative session.

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MR. HARGRAVES said the report has three sections: an overview of the commission; a summary of municipal boundary activity; and a discussion of public policy issues. Of 100 state boards and commissions, the LBC is one of two executive branch boards named in our constitution, he said. The framers wanted to insure that boundaries be dealt with fairly and from a statewide perspective. Local governments are critical to the effective delivery of public services. The LBC judges proposals for incorporation; reclassifications; annexations; attachments; dissolutions; and merger and consolidation of cities and boroughs. Anytime a city wants to change its status in any way, the LBC is likely to get involved, he said. Other duties include an obligation to make studies of local government boundary problems and adopt regulations for establishing standards and procedures for boundary actions. He introduced the other members of the LBC, and all serve at the pleasure of the governor.

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MR. HARGRAVES said the commissioners are not compensated for their service. The Department of Commerce, Community & Economic Development (DCCED) provides staff support. The report outlines various municipal boundary activities across Alaska. For 2006, there were activities related to city incorporation in six communities. The LBC acted on one formal petition to incorporate a second-class city on Prince of Wales Island in the unorganized borough. About ten city governments have inquired about possible annexations. There have been city dissolutions, but none were actually accomplished last year. "Some years ago we saw interest and a problem with some of the second-class cities, and there was considerable activity in the dissolution of some of those." At the present time, there is no information that any cities are in serious trouble or contemplating dissolution, he stated.

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CHAIR OLSON asked how many communities have asked for dissolution over the past year compared with five years ago.

MR. HARGRAVES said none in the past year, and there were several prior to five years ago.

CHAIR OLSON asked how many communities are delinquent.

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DAN BOCKHORST, Division of Community Advocacy, Department of Commerce, Community & Economic Development (DCCED), said the LBC is his principal responsibility, and there are no current active considerations of dissolution that he is aware of. He has seen some reports that have suggested that there are a number of communities that are experiencing financial difficulties. He said he is not prepared to discuss that today.

CHAIR OLSON asked how long a community remains delinquent before there is some type of assistance or penalty.

MR. BOCKHORST said there is a statutory obligation for the DCCED to investigate communities that are inactive, but none are being investigated in that context. There is substantial effort in other parts of the DCCED to provide assistance to local government, but the LBC is not involved in those activities.

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CHAIR OLSON said people have left Ivanof Bay.

MR. HARGRAVES said apparently they have not made it known to the LBC. Because of lack of dissolutions, he assumes that things are holding pretty well. There have been 16 areas this last year that has had some level of activity with regards to borough incorporations. Three petitions were pending before the LBC last year. He said there have been borough annexations to deal with, and one is pending. There has been interest in borough detachments by six boroughs in 2006, but no petitions have been filed. There have been activities with consolidations, and in one case, the LBC acted on a petition for consolidation of the City of Ketchikan and the Ketchikan Gateway Borough, and that took a lot of energy. He said there has been major activity in revising the rules and regulations of the LBC, and that has been a priority, including extensive rewrites and hearings. He reported that the LBC will travel for hearings around the state the following day, and he encouraged the committee to get the revisions and join the LBC for the hearings.

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MR. HARGRAVES said there will be meetings in Nome, Dillingham, Bethel, Cordova, Craig, and Juneau. He said he is pleased that

legislation is being discussed this session. There are five issues of importance to the LBC, and they relate to increasing difficulties in rendering borough boundary decisions. He said revisions will help, but it is a huge job for the LBC and the petitioners when the LBC judge borough boundary decisions. "The general lack of incentives for borough incorporation...we propose, now for the third year, that we look heartily toward incentives." There could be penalties as well. He noted the absence of standards and methods for establishment of unorganized boroughs. He suggested providing funding for borough feasibility studies.

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MR. HARGRAVES said the constitution calls for all of Alaska to be in boroughs, organized or unorganized, according to standards and methods set in law. It also calls for a minimum number of boroughs--the smallest number possible. It also requires that each borough embrace an area and population with common interest. In 1963, there was only one tiny borough formed in Alaska. That legislature, with the endorsement of Governor Egan, mandated that eight specific regions of the state form boroughs. At the time, the eight regions encompassed about 80 percent of Alaskans. Today 84 percent of all Alaskans reside in those boroughs that were mandated. It is noteworthy that most members of the Senate Community and Regional Affairs Committee live in boroughs that weren't mandated by the 1963 legislature, he said.

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MR. HARGRAVES said after 1963 the state returned to the policy of voluntary borough incorporation. The North Slope Borough stepped forward to organize. There is a common misperception that unorganized areas cannot afford to operate boroughs. There have been studies that indicate that the perception is accurate for a few areas, but it is not accurate for many other areas. There are hot spots in Alaska where the wealth per capita exceeds what is in many organized boroughs, so with the right incentives and the right approach, "perhaps we could see people need and want the independence [and] the local control that would come with the organization of incorporation."

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MR. HARGRAVES said last year the legislature provided \$237,500 for borough studies in four regions; however, there is no source of funding for new studies. The LBC urges the legislature to fund such studies. He said the report discusses compensation. It is a difficult request, but the time put into the LBC is beyond reasonable for a volunteer. The growing number and complexity of

proposals requires devoting more and more time. One proceeding alone required about 350 hours for one member, which is nearly nine 40-hour work weeks. He is not proposing salaries, but other boards get a stipend that lets the members know that their work is appreciated. He said he is not saying there will be better commissioners, but some measure of compensation is deserved.

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MR. BOCKHORST said Ivanof Bay is an unincorporated community in the Lake and Peninsula Borough, so there is no issue before the LBC for dissolution, because there is no city government.

SENATOR THOMAS asked about the eight mandatory boroughs.

MR. HARGRAVES said the 1963 Act incorporated eight.

MR. BOCKHORST said seven formed after that, so there are 16. He noted that 84 percent of Alaskans live in the eight mandated boroughs, and four percent live in the eight boroughs that were formed voluntarily.

SENATOR THOMAS surmised that 16 percent of Alaskans live in the remaining unincorporated areas.

MR. BOCKHORST said 12 percent.

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GEORGIANNA ZIMMERLE, Commissioner, Local Boundary Commission, Ketchikan, said she stands ready to "assist you with what we presented to you to try and get resolutions to some of our problems and some of the state's problems."

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SENATOR STEVENS said he appreciates the work of the LBC, and he asked about potential new boroughs. He asked about two or three mining areas considering formation.

MR. BOCKHORST said there are two pending petitions. One is to create a unified borough government in the Delta/Greely regional educational attendance area, headquartered in Delta Junction. The LBC will conduct a public hearing in about two weeks. There is also a petition about a Wrangell-area borough, and there is one for annexation of territory to the existing Ketchikan borough. There are formal studies ongoing in the Kuspuk regional educational attendance area, and there is a borough feasibility study for the Chatham/Glacier Bay region. There is a study funded by the legislature of the fiscal viability of detaching

the Eagle River/Chugiak area from Anchorage. He noted a nearly-complete study for forming a borough in the Yukon Flats region, and Petersburg is in final efforts for a petition to form a borough, which might be filed in two or three months.

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MR. HARGRAVES noted that the incentives could be cash or lands with timber. But one thing that stimulates people the most is starting some kind of resource development so that local people can protect the area or have some local control.

SENATOR WILKEN asked for an update of the Donlin Mine area.

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MR. BOCKHORST said the prospective Donlin Creek Development is in the Kuspuk borough boundary. The borough feasibility study is nearing completion and was funded by the legislature last year at a cost of \$60,000. He added that the LBC approved a Skagway borough which involved dissolution of the city.

MR. HARGRAVES said commissioners and staff have expertise and should be considered a resource for any developing legislation.

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TIM BOURCY, Mayor, City of Skagway, said he has a tremendous amount of experience in what it takes to form a borough, and it is extremely expensive and time-consuming. It was not always a favorable process, but he stands behind the concept of organizing; it is important to the future of the state. There are problems with the process, he stated. There are 18 standards to qualify for a borough, and they are big hoops. A majority of them are appropriate, but the major problem "is that there is kind of an idea of what a borough should be, and that idea is...being laid on top of the state." There are numerous areas in the state that want to form boroughs, but they can't because of some of the regulations, including the model-borough boundaries that are put there as guidelines, "but it is a lot more than that when it's actually applied on the ground. I think if the legislature relaxed the way they look at it and allowed the state to form naturally, these areas would organize. Southeast would organize fairly rapidly," he said, including Wrangell, Petersburg, Kake, and Angoon. The process lasted more than six years for the City of Skagway, he noted.

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MR. BOURCY said he has heard from many people who watched what Skagway had to go through, and a lot are asking themselves, "why

would we bother with what you guys have gone through; why would we bother to spend the time and the energy just to get kicked in the face?" He said he doesn't have an answer for them. Incentives are needed. It cost Skagway over \$200,000. He said last year he was in Juneau talking about the administrative borough, "and some of these incentives where you didn't even have to pay for government. Well, that's not what we want. We want governments to step forward; we want them to be functional; we want them to provide services." That is the ultimate goal, he stated. The idea of the borough boundaries is old. "The U.S.S.R. no longer exists, the Berlin wall is gone. Countries have changed." He noted that the LBC has rewritten regulations of over 180 pages, and he doesn't think that is the right direction. "It's just adding more layers, more regulations, and making it more difficult," he opined.

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MR. BOURCY said an alternative would be to write legislation and organize the state, "and get it done." There are areas in the state that will never have the tax base or resources to form, but there is the other 90 percent of the state that is quite capable of it. Given the opportunity and incentives, they would form. He said he doesn't envy the commission--they deserve to be compensated in some manner for the large amount of work they do.

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MR. BOURCY said he has been mayor for six years.

SENATOR STEVENS asked what the hurdles were and what the incentives were.

MR. BOURCY said there are incentives in statute, which include money for schools and for writing the charter. But Skagway declined those because those incentives were used as disincentives--as a reason not to allow the Skagway petition to move forward because it was going to cost the state money. Skagway has the ability to pay for its school, and it didn't want to walk away from that responsibility. Other than that, there is no incentive--it is a cost. The boundary of Skagway will be what abuts the Haines Borough, and it happens to be the boundaries of the city, including Dyea, he said.

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SENATOR WILKEN asked for a list of what should be changed.

MR. BOURCY said he has been working on it and making comments.

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CHAIR OLSON asked about compensation.

MR. HARGRAVES said he doesn't want salaries, just a stipend per meeting, similar to other boards that receive compensation. Currently, travel expenses are covered, so a stipend on top of that to recognize their work would be appreciated.

CHAIR OLSON asked about other state boundary commissions.

MR. HARGRAVES said most states have some kind of planning commissions, but most lands are all organized into counties.

CHAIR OLSON asked if others are compensated.

MR. HARGRAVES said some are full-time professionals.

CHAIR OLSON asked if the LBC has had a recent audit.

MR. HARGRAVES said any audit would be done within the department. There are no contained funds for travel, he added.

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CHAIR OLSON asked about the time and financial expense of the organizing process.

MR. HARGRAVES said some areas could get a grant from the legislature, and he noted that there have been some specific appropriations for some areas to do their planning. Some communities have gotten grants from other sources, even private grants. The communities need to know that "after they do get incorporated, they've got some money coming by statute."

CHAIR OLSON said the incentives are all after the fact.

MR. HARGRAVES said he has been on the record encouraging direct grants for communities that have a high level of interest.

CHAIR OLSON asked if he would be in favor of incentives being given before the actual incorporation.

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MR. HARGRAVES said, "I am not sure it's the same incentive, but an incentive of a grant to help them with their organization would be appropriate." A lot of the work at the local level is to try to get the residents geared up. By the time they come to the LBC, they have made a considerable effort, he stated.

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CHAIR OLSON asked "what was bought" with the \$250,000 spent for borough studies last year.

MR. BOCKHORST said the LBC took a hands-off position with regard to the administration of those programs; it was assigned to others in the DCCED. The approach was to solicit proposals from private contractors to conduct the studies, which are ongoing and nearing completion. He has a copy of the contracts and the requests for proposals. There is a divide that exists between conducting the study and taking the next step to petition for incorporation, he explained. The study for the Kuspuk region is nearing completion, and there is interest in taking the next step. He doesn't know if the Chatham/Glacier Bay area will pursue incorporation of the large region, but there is interest in forming smaller boroughs. The third area under study was the viability of detaching Eagle River, and that is not completed.

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MR. BOCKHORST said the department granted \$30,000 to a group in the Yukon Flats region to do a borough feasibility study.

CHAIR OLSON said boroughs have value by providing services, and he asked the LBC view of tribal governments, especially since they provide public safety, roads, and erosion control.

MR. HARGRAVES said when a petition comes to the LBC all the players have been involved. There is no LBC position. There have been discussions about natural resources as incentives, and another might be the outsourcing of state services to the local boroughs, like jails, clinics, or Head Start, for example.

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SENATOR STEVENS said 88 percent of the population is in boroughs, but there are many areas that are decades from being ready for a borough government. If the previously-mentioned pending areas were included, that would be a high percentage of the population. Not everyone should be in a borough, because some are just too rural to form a government.

SENATOR WILKEN suggested compensation of \$150 per day. In Senate Finance there was a bill that looked at the board stipend for Alaska Housing. He thought that bill could be resurrected. If there is a commission that deserves some sort of stipend, the LBC does, because it is the most difficult and underappreciated board in state government. It is important enough to be written

into the constitution with the vision that local government is the best government. Most people are worried about what is around the corner, and the LBC is looking at the next generation and beyond. The issues carry a lot of angst about change. Alaska is the only state with unorganized areas. Local government works, and it is the bedrock of America's system.

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SENATOR WILKEN said the commission works hard, and he noted the service of Tony Nakazawa and Robert Hicks. The state is at a spot where it can become a bunch of boroughs without bringing the surrounding areas into the discussion. The state is headed toward Donlin Creek and perhaps Delta, "where we carve out little enclaves of wealth, and those little wealthy areas are very happy because they'll have a big tax base; they'll provide very little, if anything, of local support." The people that aren't considered will look back and ask what happened. Donlin Creek is coming at us, he said. "There's going to be a group that wants Donlin Creek to be this sweet little borough and without regard" for others. He warned against allowing those "little pockets of wealth." He said the state has to be careful, "and we've taken the first step with the current situation of starting that, and that is very distressing to me." Delta is close to that with regards to the gas line, and the areas left out may never have the resources for self governance.

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SENATOR WILKEN called it the Balkanization of Alaska. The LBC's job is terribly difficult, he concluded.

CHAIR OLSON said there are parts of Alaska that want to organize. The Balkanization is interesting; you don't want someone from the Soviet Union dictating to them what they should do. He said the bulk of what he hears from areas that are not organized is that they are taken into consideration and not overrun by the U.S.S.R-type people that were so dominant in that Balkan area prior to them coming together. He doesn't want it to turn into an us-versus-them thing.

The meeting was adjourned at [4:37:53 PM](#).