

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

April 1, 2010

3:32 p.m.

MEMBERS PRESENT

Senator Donald Olson, Chair
Senator Joe Thomas, Vice Chair
Senator Albert Kookesh
Senator Linda Menard

MEMBERS ABSENT

Senator Hollis French

COMMITTEE CALENDAR

SENATE BILL NO. 308

"An Act relating to the determination of population for purposes of per capita payment increases under the community revenue sharing program; and providing for an effective date."

- MOVED SB 308 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 308

SHORT TITLE: COMMUNITY REVENUE SHARING PROGRAM

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

03/22/10	(S)	READ THE FIRST TIME - REFERRALS
03/22/10	(S)	CRA
04/01/10	(S)	CRA AT 3:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

CATHERINE REARDON
Aide to Senator Thomas
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Provided information on SB 308.

ELIZABETH GRAY, assistant manager
MatSu Borough
Palmer, AK

POSITION STATEMENT: Testified in opposition to SB 308.

DEAN WESTLAKE, assemblyman
Northwest Arctic Borough
Kotzebue, AK

POSITION STATEMENT: Testified in support of SB 308.

TYSON FICK, legislative liaison
Department of Commerce, Community and Economic Development
(DCCED),
Juneau, AK

POSITION STATEMENT: Provided information for SB 308.

LISA VON BARGEN, director
Community and Economic Development
City of Valdez
Valdez, AK

POSITION STATEMENT: Testified in support of SB 308.

BILL ROLFZEN
Department of Community and Regional Affairs (DCRA)
Department of Commerce, Community and Economic Development
(DCCED)
Juneau, AK

POSITION STATEMENT: Provided information for SB 308.

BRIGGITA WINDISCH-COLE
Department of Community and Regional Affairs (DCRA)
Department of Commerce, Community and Economic Development
(DCCED)
Anchorage, AK

POSITION STATEMENT: Provided information for SB 308.

KATHERYN DODGE, census liaison and economic development
specialist
Fairbanks North Star Borough (FNSB)
Fairbanks, AK

POSITION STATEMENT: Testified in support of SB 308.

ACTION NARRATIVE

[3:32:50 PM](#)

CHAIR DONALD OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at 3:32 p.m. Present at the call to order were Senators Thomas, Kookesh, Menard and Olson.

SB 308-COMMUNITY REVENUE SHARING PROGRAM

3:33:10 PM

CHAIR OLSON announced the first order of business to come before the committee was SB 308, a committee bill, brought forward by Senator Thomas.

SENATOR THOMAS said SB 308 would create a more fair and reasonable system for determining the population of Alaskan communities for the purpose of calculating state revenue sharing payments. Municipalities have been concerned that the state is undercounting their population no viable appeal process is in place for larger communities. The Department of Commerce, Community and Economic Development (DCCED), responsible for determining community populations for revenue sharing, has used figures generated by the Department of Labor (DOL) demographers.

DCCED allows communities to appeal DOL's figures; however, the mandated appeals process is not workable for communities of over 1,000 residents in which a complete headcount cannot be reasonably conducted. Once done, the headcount is not used as a baseline but must be redone the next problem arise, which can be annually. Several municipalities have asked the Legislature to amend the law and require DCCED to accept US Census estimates if they are larger than DOL's estimates. State statute gives the DCCED the broad authority to determine community population using population data. DCCED regulations require prohibitively complex and expensive data collection to appeal DOL numbers. Regulation does not allow U.S. Census figures as an alternative data source. Senator Thomas noted he has encouraged DCCED to revise their regulation but that has not occurred.

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CATHERINE REARDON, aide to Senator Thomas, said state statute gives DCCED the authority to adopt population figures it considers reliable for the purpose of calculating and distributing revenue sharing. SB 308 says that those population figures cannot be smaller than the U.S. Census figures for a community. DCCED has used DOL figures because DOL has a research and analysis section with a demographer. Communities are permitted to appeal those numbers using a headcount or housing unit method. Communities with fewer than 1,000 people have to use the headcount method, which seems to work acceptably. All but 3 of the 50 communities that have appealed DOL figures over the last several years have been under 1,000 people. The three exceptions were appeals by the Fairbanks North Star Borough

(FNSB), Valdez and Juneau. The problem exists mainly for these larger communities that cannot do headcounts.

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MS. REARDON noted that the committee has been provided with a summary of the housing unit method. A certain percentage of housing units must be visited in each of the service or census areas. Interviewing people in 23,000 households during the appeal period between January 15 and April is expensive and not viable. Even if this is achieved and larger number of residents is proven, the whole process must be done again the next year. The new number does not become a starting block. The process costs \$100,000 to \$150,000 for a borough like FNSB and has to be conducted every two years now and possibly every year in the future.

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She pointed out that U.S. Census and DOL numbers both seem to be good faith, reasonable ways of estimating the population. SB 308 is not saying that census data is better but rather is trying to give communities the benefit of the doubt by allowing the higher of the two credible, reliable sources. Also, if a community desires to appeal the U.S. Census estimate, the appeals process is less expensive and time-consuming but still reliable. The US Census uses a successful appeal as the baseline for the next estimate instead of requiring it every year.

SENATOR MENARD asked how SB 308 will affect the MatSu Borough.

MS. REARDON replied that if U.S. Census estimate for the MatSu Borough's population is higher than the DOL's estimate, the MatSu Borough would get the larger number for its population for the calculation of municipal assistance revenue sharing.

SENATOR MENARD asked if going with the census numbers or the DOL numbers would be more advantageous for Palmer and Wasilla.

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MS. REARDON said one estimate is not reliably larger than the other but the larger of the two will be used. She noted that the committee packets contain data comparing the census and DOL figures for each community over the last five years. She pointed out that one number might be better for a city while another is better for the borough.

SENATOR THOMAS commented that the US Census numbers are greater for both the MatSu and Wasilla. SB 308 gives the opportunity to take larger number without going through the appeals process.

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SENATOR KOOKESH commented that the basic premise of SB 308 is simply to use the larger number, giving the benefit of the doubt to the community.

CHAIR OLSON asked why DOL has a demographer.

MS. REARDON replied that the DOL has a research and analysis section that is in charge of census type information plus job data.

CHAIR OLSON asked what DOL's stance is on SB 308.

MS. REARDON answered that she cannot speak to that.

CHAIR OLSON asked if the Alaska Municipal League (AML) is in support of SB 308.

MS. REARDON responded that she has not heard from AML.

CHAIR OLSON asked if SB 308 has any open opposition.

MS. REARDON replied no.

CHAIR OLSON said that \$60 million will go to revenue sharing this year. If one area's population is given the larger number, money is lost elsewhere. He asked if smaller communities are aware of SB 308.

MS. REARDON replied that smaller communities would not necessarily lose money due to SB 308. She referred to the chart comparing census and DOL numbers by community and pointed out that Bethel's census numbers were higher than its DOL numbers. Akutan is in the same situation. She acknowledged Chair Olson's point that \$60 million is a limited pool, so when one population goes up, that means less money for others.

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ELIZABETH GRAY, assistant manager, MatSu Borough, said the borough opposes SB 308 and believes the current method for fund allocation is fine. The existing funding formula is utilized for purposes other than state revenue sharing. Anchorage, Juneau and the MatSu boroughs stand to lose the most allocated money and

other boroughs could lose money as well. The MatSu borough would lose \$295,000, the largest loss if SB 308 passes, and Anchorage would lose about \$200,000. An appeals process, through DOL, is already in place and DOL numbers seem accurate as they have access to the Permanent Fund Dividend (PFD) numbers. U.S. Census data is not always readily available for many rural areas and SB 308 may harm rural areas. Cutting funding at a time when the MatSu Borough continues to grow is counterproductive.

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SENATOR THOMAS asked Ms. Gray how she calculated the funding loss.

MS. GRAY referred to the table entitled "SB 308 Community Revenue Sharing Payment Estimates". The difference for the MatSu Borough is -\$295,318.00.

SENATOR THOMAS said that \$60 million is a finite pool of money. Even with an increase in population money is lost because it is spread around to other communities.

MS. GRAY said if the current funding allocation is not continued, the MatSu Borough loses money.

SENATOR THOMAS agreed but repeated that with a finite dollar figure, even an increasing population loses money due to population increases in other areas too.

MS. GRAY agreed that money would be going to other places.

SENATOR THOMAS said the money would be getting distributed more fairly and asked if Ms. Gray is opposed to that.

MS. GRAY said she is opposed to the method of funding allocation.

SENATOR MENARD asked Ms. Gray if she objects to SB 308 only affecting the unorganized borough and that organized boroughs, such as the MatSu, falls under the definition of municipality.

MS. GRAY replied that she believes the MatSu Borough should have the same, fair funding allocation.

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CHAIR OLSON said the DOL shows 8,000 fewer people for the Fairbanks North Star Borough (FNSB) than the U.S. Census; that

is almost a 10 percent difference. He asked how that is justified.

MS. GRAY asked why that is not true of other boroughs as well.

CHAIR OLSON said if the goal is fair and equitable distribution of resources, particularly revenue sharing, and DOL's numbers are off, we should try to correct them.

MS. GRAY asked if Fairbanks was the only one that is different.

CHAIR OLSON replied that other populations show negative numbers.

SENATOR THOMAS reiterated that MatSu Borough is undoubtedly increasing in population but as populations increase throughout Alaska, the revenue sharing money gets spread around differently on an annual basis.

[4:00:07 PM](#)

DEAN WESTLAKE, assemblyman, Northwest Arctic Borough said he supports SB 308. He said many people don't live in villages or towns but out in rural camps. A mechanism for more accurate counting is needed.

CHAIR OLSON asked if any of the villages in the Northwest Arctic Borough have filed appeals.

MR. WESTLAKE replied that Kotzebue wanted to issue a challenge but contesting the count requires money that the borough does not have. Taking the highest number helps and Kotzebue is a good example.

[4:03:51 PM](#)

TYSON FICK, legislative liaison, Department of Commerce, Community and Economic Development (DCCED), said the department is neutral on SB 308. DCCED has confidence in DOL's numbers because DOL has access to PFD information. A difference between census and DOL estimates does not imply that one is more accurate. DOL numbers are available by mid-January while census numbers come in March. DCCED aims to get the money out as quickly as possible; a delay is not acceptable. Therefore, DCCED might have to use a previous year's numbers in the event of a census appeal.

He explained that appeals most often are inherently successful because DCCED works with communities through the appeals process.

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If a community finds that their appeal numbers are lower upon conducting a headcount, the appeal does not go forward. Mr. Fick suggested that Mr. Rolfzen be brought forward to explain the differences for the MatSu's numbers based on AS 29.68.60 and the method for avoiding double-counting communities within boroughs.

CHAIR OLSON asked why the DOL has a demographer and not the DCCED.

MR. FICK replied that Chair Olson would have to ask DOL.

CHAIR OLSON asked if DCCED would be opposed to having a demographer.

MR. FICK replied no. He noted that DCCED is in a bad position of making communities or DOL mad. An interim project of looking at the whole appeals process is already underway.

CHAIR OLSON asked if Mr. Fick was opposed to modifying the appeals process.

MR. FICK replied that DCCED is not opposed to modification.

[4:09:38 PM](#)

LISA VON BARGEN, director, Community and Economic Development, City of Valdez, said Valdez is in favor of SB 308. DOL numbers are significantly lower than what the City of Valdez believes its annual population to be. Valdez has done its own population estimate about every other year for the past decade and has found 600 - 1,000 additional people above the state estimate each time. U.S. Census numbers, usually still lower than Valdez's population estimates, provide one more option for population counts.

CHAIR OLSON asked what the cost of doing a population count is.

MS. VON BARGEN replied that Valdez's population is about 4500 and about \$3,000 - \$5,000 is spent on the count as well as hundreds of staff hours.

CHAIR OLSON commented that a difference of 600 to 1,000 people is a 20 or 22 percent difference.

MS. VON BARGEN agreed.

CHAIR OLSON asked if Valdez had ever lost an appeal.

MS. VON BARGEN replied no, not since she has been in the position.

CHAIR OLSON asked how many times Valdez has appealed.

MS. VON BARGEN replied that the 2009 appeal was the fifth.

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CHAIR OLSON asked if the five appeals were every year or over a twenty year period.

MS. VON BARGEN answered that the population count is good for two years.

CHAIR OLSON said the U.S. Census just released new numbers in March and asked how those coincide with Valdez's numbers.

MS. VON BARGEN replied that she has not seen new census numbers for Valdez as Valdez is below the population threshold for getting numbers as efficiently as larger communities.

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SENATOR THOMAS asked how many appeals have been filed and how many were changed up or down.

BILL ROLFZEN, Department of Community and Regional Affairs (DCRA), Department of Commerce, Community and Economic Development, referred to a paper showing successful appeals by fiscal year. If a local head count is lower than the DOL number, an appeal is not submitted. Therefore, received appeals are almost 100 percent successful.

SENATOR THOMAS asked how many appeals have been made, whether fully submitted or not.

MR. ROLFZEN said any number of recounts may have been done without being formally passed on to DCCED.

SENATOR THOMAS asked if Mr. Rolfzen thinks it is a sizeable number.

MR. ROLFZEN replied that he does not think it is a sizeable number, though he assumes it does happen on occasion.

SENATOR THOMAS commented that he was led to believe otherwise by other testimony. He said he understands U.S. Census numbers are out and the MatSu Borough shows a "dramatic up-tick". He commented that the number may have influenced someone's testimony today.

MR. ROLFZEN said DOL numbers are received just before DCCED must get its numbers out on January 15th. DCCED sends its numbers to every municipality in the state as well as notification of the appeals process that occurs between January and May. The commissioner certifies the municipal populations on June 1st. DCCED's first goal is to get the money out as quickly as possible at the beginning of the fiscal year. Census numbers for boroughs come in March, when DCCED is already into the appeals period. Census numbers for cities show up in July, when checks area already being cut. If SB 308 passes, DCCED will probably need to use census estimates for the previous year so that all numbers are finalized by July.

SENATOR THOMAS asked if Mr. Rolfzen is writing checks in June.

MR. ROLFZEN said he gets his encumbrance list to the fiscal section in June. He is legally authorized to send out the money as of July 1st and tries to do so as soon as possible.

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SENATOR THOMAS said a community would have a couple of months to go through the appeals process before checks are being written. He commented that Mr. Rolfzen could not start paying out without a concept of who is getting what.

MR. ROLFZEN replied, "exactly" and said everything must be finalized before the money can be distributed. No adjustments can be made after the final calculation. U.S. Census numbers that come out in March would shorten the appeal period for organized boroughs from March until May. He said regulations might have to be changed but the DCCED will implement census numbers if instructed to do so.

SENATOR THOMAS commented that, "it wouldn't be the biggest deal in the world; we'd work something out".

MR. ROLFZEN agreed.

CHAIR OLSON asked if Mr. Rolfzen is bothered by the testimony suggesting that some numbers are off by 20 or 22 percent.

MR. ROLFZEN replied he does not know which set of numbers are more accurate but confirmed that the difference between Valdez's numbers and the DOL count is significant. Nenana is in a similar situation. He noted that DCCED operates under regulations implemented in 1987.

CHAIR OLSON asked if the regulations are antiquated.

MR. ROLFZEN replied no. He said it is an order of precedence. When the U.S. Census decennial numbers come out, they take priority and DCCED must use those.

CHAIR OLSON questioned, "that's because of what?"

MR. ROLFZEN said DCCED has determined that those numbers are highly accurate. The federal government has come up with the decennial census numbers and DCCED uses those numbers for that year. The following counts are used in this order: local headcount, local home count, DOL numbers.

[4:21:33 PM](#)

CHAIR OLSON asked if Valdez's count of 4,498 is a headcount or an estimate.

MR. ROLFZEN replied that Valdez uses the housing unit method done by taking a statistical sampling of their population.

CHAIR OLSON said, "so it's an estimate."

MR. ROLFZEN concurred.

CHAIR OLSON asked if Mr. Rolfzen is interested in increasing the degree of accuracy of DOL numbers.

MR. ROLFZEN replied that he is always interested in using the most accurate information possible.

CHAIR OLSON asked if Mr. Rolfzen would be in favor of a penalty for wrong DOL numbers.

MR. ROLFZEN answered that he does not want to speak to that. He explained that the census estimate for the MatSu is higher than DOL's number. However, the census estimates for Houston, Palmer and Wasilla are so much higher than DOL numbers that when

subtracted from MatSu numbers, Matsu came out at a negative. The three cities and the borough all went up, but the cities went up proportionally higher than the borough.

CHAIR OLSON asked if Mr. Rolfzen anticipates that smaller communities will be against the implementation of SB 308.

MR. ROLFZEN replied that communities show increases and decreases.

SENATOR THOMAS said simply looking at the situation for one year is too narrow. Allowing for flexibility seems like a sensible approach.

[4:24:16 PM](#)

MR. ROLFZEN agreed that the data he put together was a snapshot of a point in time and things change over time.

CHAIR OLSON asked if Mr. Rolfzen would be more in favor of the federal appeals process, which uses previously established data as a baseline, or the state DOL appeals process [which starts from scratch each year].

MR. ROLFZEN replied that it is a DOL policy call. He noted that DOL appealed numbers are allowed for two consecutive years.

BRIGGITA WINDISCH-COLE, Department of Community and Regional Affairs (DCRA), Department of Commerce, Community and Economic Development, said her area of expertise is the difference between the U.S. Census estimates and the DOL estimates.

CHAIR OLSON asked her how she rectifies the two sets of numbers being off by 20 to 25 percent.

MS. WINDISCH-COLE replied that the census uses the previous census numbers and builds on them looking at changes in migration, births and deaths. DOL has access to the PFD file which is good with geography and smaller places. The census does not put out numbers for unorganized places which participate in revenue sharing. Census and DOL numbers are close; within 1 percent on a state level.

[4:28:35 PM](#)

SENATOR THOMAS asked if PFD statistics supply addresses. He asked if PO Boxes are used.

MS. WINDISCH-COLE replied that the PFD uses physical addresses.

CHAIR OLSON asked about physical addresses for small villages of 100 people or so.

MS. WINDISCH-COLE replied if no physical address exists then the post office box or zip codes are used.

CHAIR OLSON said the community he comes from, Golovin, does not have a post office and uses the Nome zip code. He asked how accuracy is achieved in that situation.

MS. WINDISCH-COLE said that usually a physical address determines geography much better than a PO Box or a shared zip code. The U.S. Census does not have those tools or physical addresses.

SENATOR THOMAS said an individual may have a physical address but the PFD is not necessarily mailed to it, so those statistics might not be accurate either.

[4:31:23 PM](#)

MS. WINDISCH-COLE said physical addresses are still being used in the state. PO Boxes still have distinct zip codes. The census does not have that information.

MR. FICK said that the PFD form lists a physical address and a mailing address. Regardless of where the check is sent, the physical address is determined by this information.

SENATOR THOMAS said the PFD list is probably fairly accurate. However, if PFD addresses are used but checks are mailed to PO boxes, that is not a count of an actual individual at a home.

SENATOR MENARD asked about software that can help see physical addresses and if other states use anything like that.

MS. WINDISCH-COLE replied no, not for population. Assessors use software to see new structures and development.

SENATOR MENARD commented that every state must have similar issues and software that can assist is probably coming soon.

[4:34:40 PM](#)

KATHERYN DODGE, census liaison and economic development specialist, Fairbanks North Star Borough (FNSB) said that FNSB has not pursued an appeal more often due to the expense. However, in 2007, the FNSB population estimate reflected a

growth of 500 people and she knew that more than 800 residential units were built that year. An appeal was done and found an additional 9,000 people, or 10 percent. FNSB appealed to the US Census Bureau which adjusted their population by 7,000, or 8 percent. While numerous communities have appealed DOL numbers, some as many as 4 times since the last census, FNSB is the only community that has appealed to the U.S. Census Bureau. The 2007 appeal used a phone survey and assessor's records. The methodology has changed and now requires selecting from a mixture of 2,600 census blocks and 109 road service areas. Physical contact must be made with each resident in the randomly selected structures within the 2,600 census blocks, across the borough which is 7,741 miles. Some selections would be a fly-in or river access. This is more time-consuming and expensive than the decennial census itself.

Appeal results are treated very differently by the U.S. Census Bureau, DCRA and DOL. The census accepts the new numbers, recalculates back to the latest census and establishes a baseline for future estimates. DCRA uses the results for two years. DOL does not recognize any of these appeals. Thus, FNSB has been advocating that the DCRA promulgate regulations to recognize the U.S. Census estimates.

[4:38:25 PM](#)

All communities benefit from an alternative, credible, peer-reviewed methodology that, once done, is used in future estimates. She suggested that it is better for a community to have the option of challenging the U.S. Census Bureau once and being able to use that figure for the rest of the decade, even a year behind, than to have current estimates that are low and must be challenged every two years.

SENATOR KOOKESH commented that SB 308 is 13 lines long and has nothing to do with the count, comparison and appeals. He asked people to state whether or not they like SB 308 because it allows a community to use a higher number.

MS. DODGE said she likes SB 308 because it allows for the higher number but also gives the ability to ensure its accuracy.

SENATOR KOOKESH commented that SB 308 does not influence the appeals process.

[4:40:55 PM](#)

CHAIR OLSON called an at ease from 4:40 p.m. to 4:41 p.m.

[4:41:18 PM](#)

MS. DODGE noted that she can talk about the PFD's accuracy and the census's use of GPS to document locations if requested.

[4:42:09 PM](#)

CHAIR OLSON closed public testimony.

SENATOR MERNARD moved to report SB 308 from committee with individual recommendations and attached fiscal note(s). There being no objection, the motion carried.

[4:42:50 PM](#)

CHAIR OLSON, seeing no further business to come before the committee, adjourned the meeting at 4:42 p.m.