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1 IN THE HOUSE

2 SS HOUSE BILL NO. 843
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act providing for equalization of the tax resources
7 of municipalities and continuing a portion of the
8 program of state aid for municipal purposes; and pro-
9 viding for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 29 is amended by adding a new chapter to read:

12 CHAPTER 88. MUNICIPAL TAX RESOURCE EQUALIZATION.

13 Sec. 29.88.005. PURPOSE. It is the purpose of this chapter to im-
14 prove the revenue raising and distribution system for the benefit of
15 residents of home rule and general law municipalities by providing for
16 more equitable allocation of financial resources among municipalities to
17 improve their fiscal capacities, and to assure that no municipality
18 suffers impoverishment of necessary public services, relative to other
19 municipalities, because of the chance location of taxable wealth in the
20 state.

21 Sec. 29.88.010. STATE EQUALIZATION OF THE RESOURCES OF MUNICIPALI-
22 TIES FOR GENERAL GOVERNMENT SERVICES. (a) During each fiscal year the
23 state shall pay to a municipality an equalization entitlement for general
24 government services provided by the municipality.

25 (b) The equalization entitlement due each municipality is based on
26 its population, relative ability to generate revenue, and local tax rate
27 and is determined by the application of the formulas:

28 (1) Entitlement = $P \times LE$

29 where P = population; and

1 LE = local effort, but not exceeding 25.

2 (2) LE shall be calculated in accordance with the formula

3
$$LE = (PT + 2.3 ST) \times \frac{(SPCI/LPCI + SPCPV/LPCPV)}{2}$$

4

5 where PT = property tax mill rate;

6 ST = sales tax per cent rate;

7 SPCI = state average per capita income;

8 LPCI = local per capita income;

9 SPCPV = state average per capita property value; and

10 LPCPV = local per capital property value.

11 (c) For purposes of this section,

12 (1) the population of the taxing unit is determined annually
13 in accordance with sec. 15 of this chapter;

14 (2) property tax mill rate equals the full and true ad valorem
15 mill rate of the taxing unit for general government services during the
16 preceding fiscal year of the taxing unit determined by adjustment of the
17 unit's property tax rate in accordance with sec. 20 of this chapter;

18 (3) sales tax per cent rate equals the full and true sales
19 tax per cent rate of the taxing unit for general government services
20 during the preceding fiscal year of the taxing unit determined by
21 adjustment of the unit's sales tax rate in accordance with sec. 20 of
22 this chapter;

23 (4) state per capita income equals the state average per
24 capita income determined in accordance with sec. 20 of this chapter;

25 (5) local per capita income equals the local taxing unit per
26 capita income determined in accordance with sec. 20 of this chapter;

27 (6) state per capita property value equals the state average
28 per capita assessed property value determined in accordance with sec. 20
29 of this chapter; and

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1 borough which includes cities or service areas shall be computed with
2 reference to and expended by the municipality in accordance with the
3 following:

4 (1) an entitlement determined with reference to the local
5 effort of a municipality for areawide purposes shall be used for area-
6 wide purposes only;

7 (2) an entitlement determined with reference to the local
8 effort of a municipality for a service area shall be used for that
9 service area only;

10 (3) an entitlement determined with reference to the local
11 effort of a municipality for exercise of a nonareawide power shall be
12 used for the provision of nonareawide services only.

13 (b) Entitlements allocated to a city which contains one or more
14 differential tax zones established under AS 29.53.405 having differen-
15 tial levies for services shall be computed with reference to and ex-
16 pended by the municipality in accordance with the following:

17 (1) an entitlement determined with reference to the local
18 effort of the city for areawide purposes shall be used for areawide
19 purposes only; and

20 (2) an entitlement determined with reference to the local
21 effort of the city in a differential tax zone shall be used for the pro-
22 vision of a service in that tax zone only.

23 Sec. 29.88.040. EQUALIZATION ACCOUNT. (a) This chapter may not
24 be construed so as to create a debt to the state.

25 (b) The municipal tax equalization account is established. Funds
26 to carry out the provisions of this chapter may be appropriated annually
27 by the legislature to the account. The amount appropriated to the
28 account shall be fully allocated by the department for the purpose of
29 fulfilling each municipality's share authorized under sec. 10 of this

1 chapter, and shall be distributed by the department pro rata among
2 eligible municipalities.

3 Sec. 29.88.045. REGULATIONS. The department may adopt regulations
4 necessary to implement the purposes and provisions of this chapter.

5 Sec. 29.88.050. DEFINITIONS. In this chapter

6 (1) "department" means the Department of Community and Re-
7 gional Affairs;

8 (2) "general government services" means those services, ex-
9 clusive of public education, which are authorized to and provided by a
10 municipality; for purposes of this chapter, the term

11 (A) includes property and sales tax levies for retire-
12 ment of debt service, except debt service attributable to public
13 education construction costs;

14 (B) excludes fees for government services and inspec-
15 tions, special assessments upon property, or locally levied taxes
16 the incidence of which does not generally burden residents or
17 property owners within the taxing unit;

18 (3) "municipality" means a city, borough or unified munici-
19 pality incorporated under the laws of the state;

20 (4) "taxing unit" means a municipality and

21 (A) in a borough or unified municipality, a service area
22 or the entire area outside cities;

23 (B) in a city, a differential tax zone.

24 * Sec. 2. AS 29 is amended by adding a new chapter to read:

25 CHAPTER 89. STATE AID FOR MISCELLANEOUS

26 MUNICIPAL PURPOSES.

27 Sec. 29.89.005. REVENUE SHARING PAYABLE. In addition to the en-
28 titlements under ch. 88 of this title, during each fiscal year the state
29 shall pay aid to a municipality or other eligible recipient which has

1 the power to provide the services described in this chapter and exer-
2 cises the power in the manner required by this chapter.

3 Sec. 29.89.010. STATE AID TO MUNICIPALITIES FOR ROADS. (a) The
4 state shall pay to a city or organized borough of any class which has
5 power to provide for road maintenance and exercises the power a sum
6 equal to \$1,500 a mile for each mile of road, street or highway main-
7 tained by the local government, excluding the official state highway
8 system, roads, streets or highways not dedicated to public use, any
9 roads, streets or highways maintained under the local service road
10 program (AS 19.30.111 - 19.30.251), and alleyways, in accordance with
11 regulations adopted by the Department of Transportation and Public
12 Facilities. No payments may be made for maintenance of roads not used
13 by automotive equipment.

14 (b) Frozen waterways and connections from inhabited areas to the
15 waterways which may be safely used for public transportation by auto-
16 motive equipment and are so used during a portion of a year are eligible
17 for payments of \$900 per mile if the waterways and connections are main-
18 tained during the period of use by a municipality or combination of
19 municipalities. The Department of Community and Regional Affairs, after
20 consultation with the Department of Transportation and Public Facili-
21 ties, shall determine which waterways and connections qualify and, where
22 the waterways or connections lie outside the corporate limits of a
23 municipality, which municipality is eligible for the shared revenue
24 unless the municipalities involved have agreed in writing to a parti-
25 cular distribution.

26 Sec. 29.89.015. STATE AID TO MUNICIPALITIES AND OTHER ELIGIBLE
27 RECIPIENTS FOR HEALTH FACILITIES AND HOSPITALS. (a) The state shall
28 pay \$2 per capita to a municipality which has the power to provide
29 health facilities and services and in which a hospital is located.

1 (b) In addition to the payment made under (a) of this section, the
2 state shall make payments

3 (1) to a municipality which has the power to provide hospital
4 facilities and services and which exercises the power on the basis of
5 \$1,000 per bed for each bed actually used for patient care limited to
6 the number of beds provided for in the construction design of the hospi-
7 tal, or \$75,000 a hospital for those hospitals with 10 or more beds, or
8 \$25,000 a hospital for those hospitals with less than 10 beds, as the
9 municipality may elect; funds received under this paragraph may be used
10 only for hospitals and shall be apportioned among qualifying hospitals
11 as the municipality determines;

12 (2) on the basis set out in (1) of this subsection to a muni-
13 cipality for nonprofit hospitals not operated by a municipality if the
14 municipality first certifies to the department that the hospital is in
15 compliance with all standards for hospitals which have been adopted by
16 the municipality; in the absence of this certification the funds which
17 would have gone to the hospital lapse into the state general fund; pay-
18 ments to the municipality shall be transferred to the hospital in accord
19 with the basis by which the entitlement was generated by the hospital
20 and shall be applied to the annual cost of operation and maintenance of
21 the hospital or for the provision of health care service at the hospital
22 as the directors of the hospital determine;

23 (3) \$1,000 per bed to an organized borough or city outside an
24 organized borough in which a health facility is operated for each bed
25 actually used for patient care, limited to the number of beds provided
26 for in the construction design of the health facility, or \$4,000 per
27 health facility as the municipality may determine;

28 (c) A hospital may not receive payment under both (b)(1) and
29 (b)(2) of this section.

1 (d) Funds received by a municipality under (a) or (b)(3) of this
2 section shall be used for expenses of health services or operation and
3 maintenance of facilities as the municipality determines.

4 (e) Before funds may be distributed under this section, the com-
5 missioner of health and social services shall certify to the distri-
6 buting agency that any accumulation of assets by nonprofit corporations
7 or other recipients under this section are dedicated irrevocably to a
8 public purpose.

9 Sec. 29.89.020. STATE AID FOR HOSPITAL CONSTRUCTION. If construc-
10 tion of a facility began after January 1, 1968 and state matching aid
11 for construction approved for payment to the municipality or other
12 facility sponsor constitutes less than 25 per cent of the total project
13 cost, the state shall pay to the municipality or other facility sponsor
14 each fiscal year a sum equal to \$2,500 a bed for the maximum number of
15 beds provided for in the construction design of the facility. State aid
16 provided for in this section shall continue until the municipality or
17 other facility sponsor has received an amount which, combined with state
18 matching money for construction of the facility, equals 25 per cent of
19 the total project cost. No funds received for construction shall be
20 used for any other purpose.

21 Sec. 29.89.025. STATE AID TO MUNICIPALITIES FOR POPULATION LOCATED
22 ON MILITARY RESERVATIONS. (a) A municipality may not receive state
23 shared revenue provided in this chapter based on the population residing
24 on that portion of a military reservation annexed to a municipality
25 after January 1, 1973, except as provided in this section.

26 (b) If a military reservation is located within a municipality,
27 the municipality is limited in its entitlement to state shared revenue,
28 based on the population residing on the reservation, as follows:

29 (1) \$6 per capita for police protection services under (c) of

1 this section;

2 (2) \$1.25 per capita for parks and recreation services under
3 (d) of this section;

4 (3) \$2.50 per capita for transportation services or facili-
5 ties under (e) of this section.

6 (c) Shared revenue may be paid for police protection services
7 under this section if

8 (1) municipal police protection is available 24 hours a day;
9 and

10 (2) municipal police officers are citizens of the United
11 States who are at least 19 years of age and none of whom has been con-
12 victed of a crime involving moral turpitude within the past 10 years.

13 (d) Shared revenue may be paid for parks and recreation services
14 under this section if the municipality provides parks or recreation
15 facilities or services within or in the near vicinity of the military
16 reservation.

17 (e) Shared revenue may be paid for transportation services or
18 facilities under this section if the municipality provides municipally
19 operated small boat harbors, ports, airports, or mass transit systems.

20 Sec. 29.89.030. STATE AID TO VOLUNTEER FIRE DEPARTMENTS IN THE UN-
21 ORGANIZED BOROUGH. (a) The state shall pay to a volunteer fire depart-
22 ment registered with the state fire marshal and serving an area not in
23 an organized borough or a city a sum for protection purposes equal to
24 \$7.50 per capita for the population served by the department, as deter-
25 mined by the state fire marshal using the latest figures of the United
26 States Bureau of the Census or other reliable data.

27 (b) Grants shall be made as set out in (a) of this section to
28 facilitate the organization of volunteer fire departments in an area not
29 in an organized borough or a city, upon application of the proposed fire

1 protection group to the state fire marshal and approval of applications
2 according to standards of organization and service prescribed by regula-
3 tions promulgated by the state fire marshal.

4 (c) In this section, "fire protection" includes, but is not
5 limited to, fire protection provided by a volunteer fire department
6 registered with the state fire marshal which has official recognition
7 and financial support from the community or area in which it is located.

8 Sec. 29.89.035. POPULATION DETERMINATION. For purposes of this
9 chapter, population shall be determined by the latest figures of the
10 United States Bureau of the Census or other reliable population data,
11 including but not limited to public school enrollment figures, public
12 utility connection, registered voters or certified employment payrolls.

13 Sec. 29.89.040. AREA COST-OF-LIVING DIFFERENTIAL. (a) State pay-
14 ments to a municipality or other eligible recipient under this chapter
15 shall reflect area cost-of-living differentials. Amounts distributed
16 shall be based upon the sum of per capita, per mile and per bed or
17 facility grants due each municipality or other recipient multiplied by
18 the appropriate area cost-of-living differential. The area cost-of-
19 living differential for each recipient shall be determined annually by
20 election district under the provisions of AS 39.27.030; however, the
21 area cost-of-living differential to be applied shall not result in an
22 amount to be distributed less than the base allocation.

23 (b) The election districts used in (a) of this section are those
24 designated by the proclamation of reapportionment and redistricting of
25 December 7, 1961, and retained for the house of representatives by
26 proclamation of the governor September 3, 1965.

27 Sec. 29.89.045. UNIFICATION, MERGER OR CONSOLIDATION OF MUNICI-
28 PALITIES. If a borough and the cities within the borough merge, con-
29 solidate or unify in accordance with AS 29.68, the amount of revenue

1 sharing to which the successor municipality is entitled shall be com-
2 puted for the first year and each year thereafter as if the merger,
3 consolidation or unification had not occurred, and the successor muni-
4 cipality shall receive not less than the amount so computed.

5 Sec. 29.89.050. CONSTRUCTION AND IMPLEMENTATION OF CHAPTER. (a)
6 This chapter may not be construed so as to create a debt of the state.

7 (b) The special municipal services account is established. Funds
8 to carry out the provisions of this chapter may be appropriated annually
9 by the legislature to the account. If amounts in the account are in-
10 sufficient for the purpose of each municipality's or other recipient's
11 share authorized under this chapter, such funds as are available shall
12 be distributed pro rata among eligible municipalities and other recipi-
13 ents.

14 (c) Money in the special municipal services account which, at the
15 end of the fiscal year for which the money is appropriated, exceeds the
16 amount required for the allocations authorized in this chapter reverts
17 to the general fund.

18 Sec. 29.89.055. REGULATIONS. The Department of Community and
19 Regional Affairs shall adopt regulations necessary to carry out the
20 purposes of this chapter. The regulations shall include minimum stan-
21 dards required to qualify a municipality for grants for each service and
22 provisions for a performance report adequate to demonstrate to the
23 department that each service for which credit was allowed was actually
24 performed by the municipality, at least at the prescribed minimum level.

25 Sec. 29.89.060. DEFINITIONS. In this chapter

26 (1) "hospital" means a licensed hospital determined by the
27 Department of Health and Social Services to be a general hospital; the
28 term excludes facilities operated or wholly supported by the state or
29 the federal government;

1 (2) "health facility" means public health centers, maternity
2 homes and community mental health centers, facilities for the mentally
3 or physically handicapped, nursing homes and convalescent centers which
4 are licensed, when required, by the state under AS 18.20.010 - 18.20.130
5 and are owned or operated or both by a local government or by a non-
6 profit corporation or other nonprofit sponsor; the term excludes facili-
7 ties operated or wholly supported by the state or the federal govern-
8 ment.

9 * Sec. 3. AS 29.23.560(a)(3) is amended to read:

10 (3) tax assessment and tax levy figures as requested specifi-
11 cally indicating the amount or rate of levy for general government, edu-
12 cation, and other purposes;

13 * Sec. 4. AS 29.23.560(a) is amended by adding new paragraphs to read:

14 (4) a copy of the current annual budget of the municipality;

15 (5) a summary of the optional property and sales tax exemp-
16 tions authorized in the municipality by ordinance, together with the
17 municipality's estimate of the revenues lost to it by operation of each
18 of the exemptions.

19 * Sec. 5. AS 29.23.560(b) is amended to read:

20 (b) Compliance with the provisions of this section is a prerequi-
21 site to receipt of municipal tax resource equalization assistance under
22 ch. 88 of this title and state aid for miscellaneous municipal services
23 under ch. 89 of this title [STATE-SHARED REVENUES UNDER AS 43.18]. The
24 Department of Community and Regional Affairs [STATE] shall withhold
25 annual allocations under those chapters [THAT CHAPTER] in the event of
26 noncompliance until such time as the report requirements are met [COM-
27 PLIED WITH].

28 * Sec. 6. AS 29.73 is amended by adding a new section to read:

29 Sec. 29.73.060. TAXPAYER NOTICE. (a) If a municipality levies

1 and collects real or personal property taxes, the governing body shall
 2 furnish the following notice with tax statements mailed for the fiscal
 3 year for which aid is received under AS 14.17, AS 43.18.100, and chap-
 4 ters 88 and 89 of this title:

5 "NOTICE TO TAXPAYER

6 For the current fiscal year the (city) (borough) has been
 7 allocated the following amount of state aid for school and
 8 municipal purposes under the applicable financial assistance

9 Acts:

PUBLIC SCHOOL FOUNDATION PROGRAM ASSISTANCE	
(AS 14.17)	\$
STATE AID FOR RETIREMENT OF SCHOOL CONSTRUC-	
TION DEBT (AS 43.18.100)	\$
MUNICIPAL TAX RESOURCE EQUALIZATION ASSIS-	
TANCE (AS 29.88)	\$
STATE AID FOR MISCELLANEOUS MUNICIPAL	
SERVICES (AS 29.89)	\$
TOTAL AID	\$

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19 The millage equivalent of this state aid, based on the dollar
 20 value of a mill in the municipality during the current assess-
 21 ment year and for the preceding assessment year, is:

	MILLAGE EQUIVALENT	
	PREVIOUS YEAR	THIS YEAR
PUBLIC SCHOOL FOUNDATION PROGRAM		
ASSISTANCE MILLS MILLS
STATE AID FOR RETIREMENT OF		
SCHOOL CONSTRUCTION DEBT MILLS MILLS
MUNICIPAL TAX RESOURCE EQUALI-		
ZATION ASSISTANCE MILLS MILLS

1 STATE AID FOR MISCELLANEOUS

2 MUNICIPAL SERVICES MILLS MILLS
3 TOTAL MILLAGE EQUIVALENT MILLS MILLS"

4 (b) If the municipality levies and collects only a sales tax, the
5 governing body shall provide a notice substantially in the form set out
6 in (a) of this section. In providing notice under this subsection, the
7 council or assembly shall substitute for the millage equivalency its
8 estimate of the equivalent sales tax rate for each of the categories of
9 financial assistance set out in (a) of this section. Notice shall be
10 provided

11 (1) by publishing in a newspaper of general circulation
12 within the municipality a copy of the notice once each week for a period
13 of three successive weeks, with first publication to occur not earlier
14 than 45 days before the first day of the municipality's fiscal year; or

15 (2) if there is no newspaper of general circulation in the
16 municipality, by posting a copy of the notice for at least 20 days in at
17 least two public places within the municipality, with posting to occur
18 not earlier than 45 days before the first day of the municipality's
19 fiscal year.

20 (c) Compliance with the provisions of this section is a prerequi-
21 site to receipt of municipal tax resource equalization assistance under
22 ch. 88 of this title and state aid for miscellaneous municipal services
23 under ch. 89 of this title. The Department of Community and Regional
24 Affairs shall withhold annual allocations under those chapters until
25 municipal officials demonstrate that the requirements of this section
26 have been met.

27 * Sec. 7. AS 29.13.100 is amended by adding new paragraphs to read:

28 (38) AS 29.73.060 (taxpayer notice)

29 (39) AS 29.88 (municipal tax resource equalization assistance)

1 (40) AS 29.89 (state aid for miscellaneous municipal services)

2 * Sec. 8. AS 43.18.010 - 43.18.050 and secs. 4 and 5, ch. 120, SLA 1977
3 are repealed.

4 * Sec. 9. Other provisions of this Act notwithstanding, a municipality
5 which would receive less money under the provisions of this Act than it was
6 entitled to receive in fiscal year 1978 under the provisions of AS 43.18
7 repealed by this Act shall, until June 30, 1981, be entitled to receive an
8 amount equal to that authorized for fiscal year 1978 under the former provi-
9 sions of AS 43.18, in accordance with those provisions.

10 * Sec. 10. This Act takes effect July 1, 1978.