

COMMITTEE REPORT

SENATE

2/14/75

Mr. President:

Date 2/14/75

The Committee on FINANCE has had SB 111

supplemental approval for Erie River-Gunglak Borough

under consideration. A Majority of the members of the Committee

- ( ) recommends it DO PASS
- ( ) recommends it DO NOT PASS
- ( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)
- (X) recommends it BE REPLACED WITH CS FOR SB 111 AND THAT  
CS FOR SB 111 DO PASS
- ( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_  
COMMITTEE
- ( ) reports it back WITHOUT RECOMMENDATION
- ( ) "other"

Members signing the Majority report:

<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>
<u>[Signature]</u>	<u>[Signature]</u>	<u>[Signature]</u>

Members NOT concurring in the Majority report:

- \_\_\_\_\_ recommends:
- \_\_\_\_\_ recommends:
- \_\_\_\_\_ recommends:
- \_\_\_\_\_ recommends:
- \_\_\_\_\_ recommends:

[Signature] Chairman



Alaska State Legislature  
Senate

JUNEAU, ALASKA

M E M O R A N D U M

TO: Senator John Sackett                      DATE: February 24, 1975  
FROM: Senator John Rader                      SUBJ: Eagle River/Chugiak Borough  
Loan Transitional Funds

I have scanned the various Eagle River/Chugiak Borough Loan Transitional funds, and the various legal opinions relating to the difficulties involved in loaning the new Borough funds.

The final recommendation of Stewart Hall was that we await a Supreme Court determination.

I agree that would be desirable, but the difficulty is we don't know when that is going to occur. In the meantime, the new Borough is under serious pressure to prepare itself to perform its functions.

I would like to suggest that we consider a different approach:  
1) The State would advance to the Borough \$200,000 of future shared revenues; 2) An amount would be withheld annually from future shared revenues to amortize the advance over a five year period.

This will take some refinement, but it seems to me it might avoid the legal problems that are presently tying us up.

cc: Senator Rodey  
Senator Willis  
Senator Bradley  
Representative Malone  
Mr. Stu Hall

Original sponsor: Willis and Bradley

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 111

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act making a supplemental appropriation to the  
7 Department of Community and Regional Affairs for the  
8 Eagle River-Chugiak Borough; and providing for an  
9 effective date."

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

11 \* Section 1. The sum of \$71,600 is appropriated from the general fund to  
12 the Department of Community and Regional Affairs for the fiscal year ending  
13 June 30, 1975, to provide financial assistance to the Eagle River-Chugiak  
14 Borough in order to defray the cost of organization, planning and preparation  
15 to assume the powers of a second class borough.

16 \* Sec. 2. This Act takes effect on the effective date of "An Act autho-  
17 rizing special temporary state financial assistance to the Eagle River-  
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Original sponsor: Willis and Bradley

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Introduced: 1/31/75  
Referred: Community and  
Regional Affairs and  
Finance

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12 the Department of Community and Regional Affairs for the fiscal year ending  
13 June 30, 1975, as a supplementary organization grant to the Eagle River-  
14 Chugiak Borough under AS 29.18.180(a) to defray the cost of transition to  
15 borough government.

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February 6, 1975

Mr. Jay Hogan, Director  
Division of Legislative Finance  
State Capitol, Room 409  
Juneau, Alaska 99811

Dear Mr. Hogan:

Pursuant to your request, the following are our comments on three bills:

SB 102, asking a special appropriation to the Department to assist in the allocation of assets and liabilities under section 9(b), ch. 145, SLA 1974;

SB 111, asking an appropriation of a supplementary organizational grant to the municipality established under ch. 145; and

SB 112, seeking an appropriation to accomplish a study identifying a method or methods of allocating the assets and liabilities of the Greater Anchorage Area Borough between the two municipalities.

By way of background, may I refer you to a copy of a recent letter to Representative Sam Cotten, Chairman of the House Community and Regional Affairs Committee, on the same subjects.

The Department is vitally concerned that the allocation of assets and liabilities of the Greater Anchorage Area Borough between the municipalities be accomplished expeditiously and on a rational basis. To that end, because there are no Alaska precedents upon which to construct a methodology, the Department would encourage an appropriation that would allow us to retain a consultant. Any recommendation or recommendations identified would, after review by the parties, be placed before the Local Boundary Commission and made part of the Commission's order. It has been suggested that the fee for consultant's services would cost \$25,000, hence, the request contained in SB 112.

Mr. Jay Hogan

-2-

February 6, 1975

As an alternative, where it would be necessary for the Commission to perform the necessary allocation on an item or category basis, consultants' services would be more costly. Mr. Norm Levesque, Greater Anchorage Area Borough Finance Director, in testimony given the afternoon of February 3 before joint hearings of the respective Community and Regional Affairs Committees, indicated that \$100,000 would be a minimal figure for consultants' work. Mr. Levesque's suggestion is, I understand, the basis of the request made in SB 102.

Our letter to Representative Cotten also suggests that the Legislature concern itself with providing interim transitional assistance to the newly-established borough. An organizational grant of \$25,000 has been paid; SB 111 asks additional assistance, although Mayor Lee Jordan of the Chugiak-Eagle River Borough has suggested that transitional costs through the period ending June 30, 1975 might approximate \$200,000. The committee should know that the transitional grant was first provided in the Municipal Code revision of 1972. It contains a provision by which the Department was directed to pay additional assistance to boroughs incorporated since January 1, 1968. Three grants have been made: one each in the amount of \$25,000 to the Haines Borough, the North Slope Borough and Chugiak-Eagle River, although at least in the latter two instances funds returned have been altogether insufficient to defray initial costs of borough government operation.

Please contact me should you wish further information with respect to these three bills.

Sincerely,

Lee McAnerney  
Commissioner

LMcA: JBC: mw

Enclosure

January 24, 1975

The Honorable Sam Cotten  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Cotten:

You have asked our perceptions with respect to interim financial assistance for the Chuglak-Eagle River Borough during the period of its transition.

The Chuglak-Eagle River Borough was incorporated under procedures set forth in Chapter 145, SLA 1974. In August, 1974, a majority of the voters approved separation of the area from the Greater Anchorage Area Borough and organization of a second-class borough. Subsequently, on December 3, 1974, residents elected a mayor, seven-member assembly, and five-member school board. Pursuant to AS 29.18.180, the Department has transmitted to the officers of the municipality an organizational grant of \$25,000. This is the limit of direct assistance to the municipality currently authorized by State law.

It is understood that the Alaska Supreme Court has taken under advisement arguments offered in behalf of certain residents of the municipality directly challenging the incorporation process. Plaintiffs-appellants allege that ch. 145, SLA 1974 is local and special legislation adopted in violation of a constitutional prohibition against such legislation where general law procedures have been established. Defense of the challenge has been undertaken, in part, by the municipality. A portion of the organizational grant has been used to retain services of counsel.

Department comments are confined to two general matters.

By section 9(b) of Chapter 145

Upon incorporation of a borough . . . as provided in this Act, the local boundary commission, after due notice and hearings to parties concerned, shall prepare an order providing for an equitable allocation between the Greater Anchorage Area Borough and the municipality incorporated [i.e., the Chugalek-Eagle River Borough] of assets and liabilities, whether real or intangible, and including but not limited to bonded or other indebtedness, respecting the area incorporated as to a power or function succeeded to by a municipality . . .

To date, faced with the challenge to the Borough's incorporation, the Department has been reluctant to initiate, in behalf of the Commission, an extensive effort in satisfaction of this requirement. I tell you frankly that the research that would underlie an allocation is beyond the capacity of the Department; had we the resources, we would undoubtedly engage a consultant to complete the necessary work. Our approach would, most likely, embody retention of a consultant familiar with the internal accounting processes of the Greater Anchorage Area Borough and ask that, in satisfaction of the requirement imposed by the above-quoted language, he recommend alternative methodologies which would produce equitable allocations. The several recommended methodologies, with comments as to their appropriateness by officials of the affected municipalities, would be offered to the Commission. We would ask that the Commission select one, incorporating its features into an initial order directing officials of the respective municipalities to complete the allocation consistent with the guidelines described. The burden of action would fall on the municipalities but, when they could not agree, we would ask the Commission to retain jurisdiction and dispose of remaining elements. I am advised that the cost of entering into agreement with a third party to examine Greater Anchorage Area Borough records and suggest alternative methodologies, retaining the services of the consultants through the period of entry of final order by the Commission, should approximate twenty to twenty-five thousand dollars. Additionally, to defray the costs of review of alternative methodologies by the municipalities, the Legislature may want to consider direct financial support.

One alternative to this relatively "limited" approach would be a full-fledged examination of Greater Anchorage Area Borough funds with detailed recommendations involving allocations from each. Third-party examination of these funds would involve considerably more effort by a contractor and, concomitantly, considerably more cost. Finally, should the Department and Commission operate without benefit of expert opinion, as laymen it is likely that any final order would invite judicial review.

Our second concern is for the new municipality itself. By section 9(c) of Chapter 145

. . . [A] power or function which is being exercised on the effective date of this Act by the Greater Anchorage Area Borough within an area incorporated under this Act and which is succeeded to by the borough . . . incorporated [i.e., the Chugiak-Eagle River Borough] shall continue to be exercised by the Greater Anchorage Area Borough until the [new borough] incorporated under this Act assumes the power or function which shall be not later than the close of the fiscal year of the Greater Anchorage Area Borough during which incorporation occurs [i.e., June 30, 1975]. However, in the case of incorporation of a borough under provisions of this Act, the Greater Anchorage Area Borough shall continue to assess and collect borough taxes levied within the municipality for the borough fiscal year in which incorporation occurs until the close of that year, and thereafter as necessary to enforce collection of the taxes, and shall also collect, or receive, other revenues pertaining to the area incorporated for that fiscal year; the taxes and other revenues collected or received shall be remitted as promptly as possible, consistent with this subsection, to the new municipality on a basis fairly reflecting the division of powers and functions during transition between the Greater Anchorage Area Borough and the municipality. The Local Boundary Commission shall by order determine the allocation of tax and other revenues under this section.

January 24, 1975

Thus, until the Local Boundary Commission renders a final order on allocation of assets and liabilities, including current tax receipts and shared revenues, or until June 30, 1975--whichever is earlier--the Chuglak-Eagle River Borough may expect to receive no income.

Please note, however, that section 8 of the Act compels the new municipality to enter decisions with respect to exercise, in FY 76, of mandatory areawide powers and directs that decisions be made with respect to assumption or relinquishment of all other powers currently exercised by the Greater Anchorage Area Borough. The GAAB's responsibility in the area lapses on June 30, 1975. Section 9(c). Thus, within a very constricted time frame, officials of the Chuglak-Eagle River Borough must concern themselves with assumption of current optional powers, implementation of all functions assumed, and construction of a FY 76 budget. This is no small task for a community with but \$25,000 of cash assets to its credit. Additional interim financial assistance has been publicly discussed and I would respectfully suggest that officials of both affected municipalities may want to be heard on this subject. The Department is, of course, within the resources allocated to it, ready to assist officials of both municipalities in the problems of transition although, as you may know, direct support by the staff of the division specifically charged with responsibility for technical assistance is rendered more difficult because of the absence of staff available in an Anchorage-area office.

I would like to take this opportunity to advise you that this request has the full endorsement of the Local Boundary Commission.

I would welcome the opportunity to examine the matter in more detail with you. If the Department may be of further assistance, please contact me.

Sincerely,

Lee McAnerney  
Commissioner

By: \_\_\_\_\_  
John B. Chenoweth  
Director, Division of Local  
Government Assistance

LMcA:JBC:mw