

HB

70

LISA'S Marked

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Introduced: 1/19/77  
Referred: Community & Regional  
Affairs and Finance

1 IN THE HOUSE

BY THE COMMUNITY AND REGIONAL  
AFFAIRS COMMITTEE

2 HOUSE BILL NO. 70

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to municipal revenue sharing, and the  
7 Alaska Business License Act; and providing for an  
8 effective date."

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

10 \* Section 1. AS 43 is amended by adding a new chapter to read:

11 CHAPTER 17. MUNICIPAL REVENUE SHARING.

12 Sec. 43.17.010. CONSTRUCTION AND IMPLEMENTATION OF CHAPTER. (a)

13 This chapter may not be construed so as to create a debt of the state.

14 *ATB* The special municipal services account is established <sup>The legislature</sup> ~~to carry~~ but the provisions of this chapter may be appropriated annually <sup>to carry out the provisions</sup>  
15 *of this chapter* by the legislature to the account. <sup>If there are not enough funds</sup> If amounts in the account are <sup>in the acct to provide for</sup>  
16 insufficient for the purpose of each local government's or other re- <sup>those the funds which are</sup>  
17 cipient's share authorized under this chapter, such funds as are avail- <sup>in proportion</sup>  
18 able shall be distributed <sup>pro rata</sup> among eligible local governments  
19 and other recipients.

20 *of any money is remaining in the special muni svs*  
21 (c) Money in the special municipal services account which, at the <sup>acct at the end of the fiscal yr. for which the money is appro,</sup>  
22 end of the fiscal year for which the money is appropriated, exceeds the <sup>and this remaining money is more than the amt required for the</sup>  
23 amount required for the allocations authorized in this chapter, reverts <sup>allocations authorized in this chp, this money reverts</sup>  
24 to the general fund.

25 Sec. 43.17.020. MINIMUM GRANTS TO MUNICIPALITIES. (a) A municipi-

26 pality proposing to provide administrative services or a service pro-  
27 vided for in sec. 30(a)(1) of this chapter may, in lieu of obtaining  
28 revenue sharing money as provided in this chapter, obtain instead a  
29 minimum grant of \$25,000.

1 (b) The department shall issue regulations regarding procedures  
2 and time limits for making ~~an election~~ under this section.

3 Sec. 43.17.030. BASIC GRANTS TO MUNICIPALITIES. (a) If a munici-  
4 ~~palities~~ pality elects not to receive the grant provided for under sec. 20 of  
5 this chapter, the amount of revenue sharing for which it is eligible  
6 shall be calculated: as a result of B X P where

7 (1) B is the base revenue sharing amount of \$1 times the  
8 service units for each service performed by the municipality established  
9 as follows:

- |                               |           |
|-------------------------------|-----------|
| (A) police protection         | 12 units  |
| (B) fire protection           | 7.5 units |
| (C) water pollution control   | 2 units   |
| (D) land use planning         | 2 units   |
| (E) parks and recreation      | 5 units   |
| (F) small boat harbor or port | 5 units   |
| (G) mass transit              | 5 units   |
| (H) airport                   | 5 units   |
| (I) solid waste disposal      | 2 units   |
| (J) ambulance                 | 2 units   |
| (K) air pollution             | 2 units   |

21 (2) P is the population of the municipality rounded up to the  
22 nearest 100.

23 (b) If a municipality provides one or more of the services in  
24 (a)(1) of this section under contract to a defined area outside the  
25 boundaries of the municipality] the revenue sharing amount for ~~those~~ <sup>each</sup>  
26 services shall be increased by the service units for that service ~~or~~  
27 <sup>multiplied by</sup> ~~services times~~ population of the area served rounded up to the  
28 nearest 100.

29 (c) If a municipality contains areas having differential rates of

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taxation, the entitlement shall be calculated for areawide services and  
for each ~~area~~ <sup>Area</sup>, ~~separately~~ and totaled ~~to reach~~ <sup>determine</sup> the entitlement of the  
municipality. Revenue sharing money ~~for which the entitlement is~~ based  
upon areawide services may be used for areawide purposes only, ~~and~~  
Revenue sharing money ~~for which the entitlement is~~ based upon service  
area services may be used for that service area only.

*determine*  
~~for which the entitlement is~~

*delete?*

*Made on the basis of a of this I and shall be*

gone to the hospital lapse into the state general fund; payments to the municipality shall be transferred to the hospital in accord with the basis by which the entitlement was generated by the hospital and shall be applied to the annual cost of operation and maintenance of the hospital or for the provision of health care

service at the hospital as the directors of the hospital determine;

~~Basis of payment under this act shall be the amount~~  
(C) a hospital may not receive payment under both (A) and (B) of this paragraph;

*to a*  
(3) \$1,000 per bed to an organized borough or city outside ~~in which there is an organized health facility~~ an organized borough in which a health facility is operated for each ~~bed actually used for patient care, limited to the number of beds provided for in the construction design of the health facility, or \$4,000 per health facility as the local government may determine;~~ *bed actually used for patient care, limited to the number of beds provided for in the construction design of the health facility, or \$4,000 per health facility as the local government may determine;*

(4) funds received by a municipality under (1) or (3) of this subsection shall be used for expenses of health services or operation and maintenance of facilities as the municipality determines.

(b) If construction of a hospital or health facility began before January 1, 1976, and state matching aid for construction approved under AS 18 for payment to a municipality or other facility sponsor constitutes less than 25 per cent of the total project cost, the state shall pay to the municipality or other facility sponsor each fiscal year a sum equal to \$2,500 a bed for the maximum number of beds provided for in the construction design of the facility. State aid provided for in this subsection shall continue until the municipality or other facility sponsor has received an amount which, combined with state matching money for construction of the facility approved under AS 18, equals 25 per cent of the total project cost. No funds received for construction shall be used for any other purpose.

(c) In this section

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

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

12 Sec. 43.17.050. VOLUNTEER FIRE DEPARTMENTS OUTSIDE MUNICIPALITIES.

13 (a) The state shall pay to a volunteer fire department registered with the  
14 state fire marshal and serving an area not in an organized borough or a  
15 city a sum for protection purposes equal to \$7.50 per capita for the  
16 population served by the department, <sup>for population</sup> ~~as~~ determined by the state fire  
17 marshal using the latest figures of the United States Bureau of the  
18 Census or other reliable data. ~~Grants shall be made on the basis~~  
19 ~~of this section, state shall be the recipient for the pop. to whom~~  
20 ~~to facilitate the organization of volunteer fire departments in an area~~  
21 not in an organized borough or a city, <sup>Payments shall be made</sup> upon application <sup>by</sup> of the proposed  
22 fire protection group to the department and approval of <sup>the</sup> application  
23 according to standards of organization and service prescribed by regu-  
24 lations promulgated by the department.

25 Sec. 43.17.060. AREA COST-OF-LIVING DIFFERENTIAL. (a) State  
26 payments to a <sup>recipient</sup> ~~municipality~~ or to a <sup>recipient</sup> ~~hospital or volunteer fire department~~  
27 ~~located outside a municipality~~ <sup>an</sup> ~~(under this chapter)~~ shall reflect area  
28 cost-of-living differential. Amounts distributed shall be based upon  
29 the sum of the grants due each <sup>recipient</sup> ~~municipality or each hospital or volun-~~  
~~teer fire department located outside a municipality~~ multiplied by the

1 appropriate area cost-of-living differential. The area cost-of-living  
2 differential for each <sup>recipient</sup> ~~municipality or each hospital or volunteer fire~~  
3 ~~department located outside a municipality~~ shall be determined annually  
4 by election district under the provisions of AS 39.27.030; however, the  
5 area cost-of-living differential to be applied shall not result in an  
6 amount to be distributed less than the base allocation. <sup>MS</sup>

*See how  
Don't think so*

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

11 Sec. 43.17.070. FINANCIAL REPORTS. No final payment may be  
12 distributed to a municipality under this chapter unless <sup>that</sup> the municipality  
13 <sup>s to the dept. (D)</sup> has first submitted a financial report ~~to the department~~ for each of the  
14 ~~two~~ fiscal years immediately preceding the fiscal year in which funds  
15 are to be distributed, and a budget <sup>(B)</sup> ~~for the municipality's~~ fiscal year in  
16 which funds are to be distributed. The department may, by regulation,  
17 prescribe procedures and filing dates for submitting financial reports  
18 and for obtaining all information required to determine the munici-  
19 pality's tax effort.

20 Sec. 43.17.080. POPULATION DETERMINATION. For purposes of this  
21 chapter, population shall be determined by the latest figures of the  
22 United States Bureau of the Census, Department of Labor estimates or  
23 other population data which <sup>the dept judges as reliable</sup> ~~in the judgment of the department, is~~  
24 reliable. However, a municipality may not receive state shared revenue  
25 based on the population residing on that portion of a military reser-  
26 vation annexed to a city or borough after January 1, 1973, except as  
27 provided in this section. If a military reservation is located within a  
28 city or borough, <sup>that</sup> ~~the city or borough is limited in its entitlement to~~  
29 state shared revenue, based on the population residing on the reserva-

*not in accordance w/ Chapter  
smoother phrase*

1 tion, as follows, 50 per cent of the amount paid per capita for police  
2 protection ~~under this chapter~~; 25 per cent of the amount paid per capita  
3 for parks and recreation ~~under this chapter~~; 50 per cent of the amount  
4 paid per capita for mass transit ~~under this chapter~~; 50 per cent of the  
5 amount paid per capita for water pollution ~~under this chapter~~; and 50  
6 per cent of the amount paid per capita for air pollution ~~under this~~  
7 ~~chapter~~:

8 Sec. 43.17.090. ADDITIONAL LIMIT. In addition to the limitations  
9 on expenditure of funds contained in sec. 40 of this chapter:

10 (1) if a borough exercises the powers in sec. 30(a)(1) of  
11 this chapter in the borough area outside cities only, or in a service  
12 area only, the grants authorized under this section shall be based on  
13 the population of ~~the borough area outside cities or the service area~~  
14 respectively;

15 (2) if a city within an organized borough provides police  
16 protection services, the borough may not qualify for aid under sec.

*Why not  
paid*

17 30(a)(1)(A) of this chapter unless

18 (A) police protection services are provided in the  
19 borough area outside cities, or if limited to a service area, in  
20 the service area, through borough contract with a city or with the  
21 state or (B) ~~police protection services limited to a service area~~

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22 (B) the borough assumes and exercises power to provide  
23 police protection services on an areawide basis in the manner  
24 provided by law.

*(A) - page 2*

25 Sec. 43.17.100. ROAD MAINTENANCE. During ~~each fiscal year~~ the  
26 state shall pay to a city or organized borough of ~~any class~~ which has  
27 ~~power to provide for road maintenance~~ and exercises the power, ~~a sum~~  
28 equal to \$1,500 <sup>per</sup> mile for each mile of road, street or highway main-  
29 tained by ~~the~~ <sup>that</sup> local government, ~~excluding the official state highway~~

*No payment shall be made for*  
JTB 70

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1 system, roads, streets, or highways not dedicated to public use, any  
2 roads, streets or highways maintained under the local service road pro-  
3 gram (AS 19.30.111 - 19.30.251), <sup>m</sup> and alleyways, in accordance with regu-  
4 lations adopted by the Department of Highways. (No payments may be made  
5 for maintenance of roads not used by automotive equipment. ~~and~~ Frozen  
6 waterways and connections (from inhabited areas to the waterways) which  
7 may be <sup>ARE</sup> safely used (for public transportation) by automotive equipment and  
8 (are so used) during a portion of a year are eligible for payments of \$900  
9 per mile if the waterways and connections are maintained during the  
10 period of use by a municipality or combination of municipalities. The  
11 Department of Community and Regional Affairs, after consultation with <sup>ok</sup>  
12 the Department of Highways, shall determine which waterways and connec-  
13 tions qualify and, where the waterways or connections lie outside the  
14 corporate limits of a municipality, which municipality is eligible for  
15 the shared revenue [unless the municipalities involved have agreed in  
16 writing to a particular distribution.]

17 Sec. 43.17.110. REGULATIONS. The department shall adopt regula-  
18 tions necessary to carry out the purposes of this chapter. ~~The regula-~~  
19 ~~tions shall include~~ <sup>shall be</sup> minimum standards of service required to qualify a  
20 municipality for <sup>each</sup> service unit credit. ~~for each service~~ <sup>and</sup> ~~and~~ <sup>shall make</sup> provisions for  
21 a performance report adequate to demonstrate to the department that each  
22 service for which credit was allowed was actually performed by the  
23 municipality ~~at least~~ at the prescribed minimum level.

24 Sec. 43.17.120. EXPENDITURE OF FUNDS. Funds received by a munici-  
25 pality under this chapter may be expended for any public purpose for  
26 which the municipality has power to expend funds except as provided in  
27 sec. 40 of this chapter.

28 Sec. 43.17.130. UNIFICATION, MERGER OR CONSOLIDATION OF MUNICI-  
29 PALITIES. If a borough and the cities within the borough merge,

*Nbr does it pay for*

*define*

*Page 3*

1 consolidate or unify in accordance with AS 29.68, the amount of revenue  
2 sharing to which the successor municipality is entitled shall be com-  
3 puted for the first year ~~and each year thereafter~~ as if the merger,  
4 consolidation or unification had not occurred, and the successor muni-  
5 cipality shall receive ~~in~~ less than the amount so computed.

6 Sec. 43.17.140. DEFINITIONS. In this chapter

7 (1) "department" means the Department of Community and  
8 Regional Affairs;

9 (2) "municipality" for revenue sharing purposes means a city,  
10 borough or unified municipality incorporated under the laws of the State  
11 of Alaska except a second class city incorporated after the effective  
12 date of this Act and lying within an organized borough.

13 \* Sec. 2. AS 43.18.010 - 43.18.045 are repealed. *(3) "Recipient" means a munic, hosp, health fac, or volunteer fire dpt. located outside a municipality.*

14 \* Sec. 3. Other provisions of this Act notwithstanding, a municipality  
15 which would receive less money under the provisions of this Act than it was  
16 entitled to receive in fiscal year 1976 under the provisions of AS 43.18  
17 repealed by this Act shall continue to receive an amount equal to that  
18 authorized for fiscal year 1976 under the former provisions of AS 43.18, in  
19 accordance with those provisions.

20 \* Sec. 4. AS 43.70.010 is repealed.

21 \* Sec. 5. AS 43.70.030(a) is amended to read:

22 (a) The license fee for each business is \$25 [PLUS A SUM EQUAL  
23 TO ONE-HALF OF ONE PER CENT OF THE GROSS RECEIPTS IN EXCESS OF \$20,000  
24 FROM THE BUSINESS DURING THE YEAR FOR WHICH THE LICENSE IS ISSUED,  
25 EXCEPT THAT ALL GROSS VOLUME IN EXCESS OF \$100,000 A YEAR IS TAXED AT  
26 THE RATE OF ONE-QUARTER OF ONE PER CENT. THE ANNUAL LICENSE FEE PAID BY  
27 A PROFESSIONAL PERSON TO HIS PROFESSIONAL BOARD SHALL BE CREDITED  
28 AGAINST THE INITIAL FEE REQUIRED UNDER THIS CHAPTER].

29 \* Sec. 6. AS 43.70.030(c) is amended to read:

1 (c) The license for the privilege of taking orders through use of  
2 catalogs and by mail order offices in the state is the same as set out  
3 in this chapter for business generally [AND GROSS VOLUME OF BUSINESS OF  
4 THOSE OFFICES INCLUDES ALL ORDERS TAKEN AT THEM WHETHER DELIVERY OF THE  
5 MERCHANDISE IS MADE THROUGH THE OFFICES OR NOT].

6 \* Sec. 7. AS 43.70.030(d) is amended to read:

7 (d) The initial fee of \$25 applies to all of the provisions of  
8 this section, and shall accompany the application. The balance under  
9 sec. 30(b) of this chapter is due and payable on December 31st of each  
10 year and shall be paid before the first day of March following, except  
11 that the department may extend the time until the 30th of the following  
12 April upon application showing that the extension is necessary to enable  
13 the applicant to ascertain the amount of license money due. To enable  
14 accurate determination of the balance of the tax due at the end of each  
15 year, each person to whom this chapter applies shall keep records, give  
16 statements under oath, and make returns which the department requires.  
17 Returns are made under penalty of perjury.

18 \* Sec. 8. AS 43.70.040 is amended to read:

19 Sec. 43.70.040. REVIEW AND DETERMINATION OF LICENSE TAX. As soon  
20 as practicable after the final payment of the tax under sec. 30(b) of  
21 this chapter, the department shall examine the return and determine the  
22 correct amount of the tax and, if an error is found, shall notify the  
23 taxpayer of the error and examine the taxpayer's records as authorized  
24 in AS 43.05.040, and take other proper steps to determine the amount  
25 due.

26 \* Sec. 9. AS 43.70.110(2) is repealed.

27 \* Sec. 10. AS 43.17 is amended by adding a new section to read:

28 Sec. 43.17.140. ADDITIONAL GRANTS TO REPLACE LOST REVENUE. In  
29 addition to all other revenue sharing with municipalities, a munici-

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pality is entitled to and shall receive each year an amount equal to the amount of money it was entitled to receive under AS 43.70.080 for the year 1978.

\* Sec. 11. Sections 1, 2, 3 and 4 of this Act take effect July 1, 1977. Sections 5, 6, 7, 8, 9, and 10 of this Act take effect January 1, 1980.



*Council on...  
Jan. 24, 1976*

*See Council on...  
for...*

December 8, 1975

Senator Genie Chance  
310 "K" Street  
Suite 701  
Anchorage, Alaska 99501

Dear Senator Chance:

I am pleased to enclose with this letter two pieces of proposed legislation which represent the recommendations of this interim committee in the area of shared revenues with municipalities. The proposed legislation is the product of a number of meetings of the committee in the months since the adjournment of the legislature plus two public hearings. One of these public hearings was held in conjunction with the October convention of the Alaska Federation of Natives, in order to receive bush community viewpoints. The other hearing was held in conjunction with the October conference of the Alaska Municipal League. In addition, suggestions and constructive criticism were requested by mail and received from a wide variety of cities and communities throughout the State of Alaska.

It was considered crucial, since revenue sharing has been created solely for the purpose of assisting municipalities in the funding of needed local services, that the final product of the committee take maximum note of the views and suggestions of the various municipalities across the state. The enclosed bill represents what the committee considers to be the most beneficial and most feasible of those suggestions.

Perhaps some review might be in order concerning the need for revision of the current shared revenue program. Although the program in concept currently enjoys the unanimous and enthusiastic support of every municipality in the state, the following were considered deficiencies which new legislation could correct.

REPRESENTATIVE

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MEMBER, RULES COMMITTEE

MEMBER, COMMITTEE ON COMMITTEES

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First, it was felt that a "foundation" approach might be useful in the field of revenue sharing--"foundation" approach meaning a formula with a foundation amount similar in concept to that utilized in the school foundation statutes. The beauty of such an approach is that whenever a legislature wishes to raise the foundation amount (to recognize increases in the cost of doing business) it is necessary merely to amend one word in the statutes. Absent the foundation approach it is necessary, whenever you wish to recognize the increase in the cost of doing business, to go into the statutes and revise the per capita dollar figure for each of the various categories in which shared revenue assistance is given to municipalities. This is both cumbersome and, in practice, inequitable. Some categories tend to get raised, others do not and the system can easily get out of balance.

It was felt, too, that the amount of shared revenues being designated for small communities was much too small. It was recognized that the present purely per capita approach just did not offer the very small communities enough money to assist in any meaningful way in meeting the obligations of local government. It was recognized that whether a second class city had 25 residents, or 75 residents, or 125 residents there was nonetheless an irreducible minimum cost of doing business, and that that minimum was just as great for very small villages as it was for medium sized second class cities. It was, therefore, considered desirable that a minimum grant base be established for these communities and it was further considered desirable that the base amount agreed upon be as generous as possible in order that the benefits of government on the local level be economically feasible for the communities.

Another deficiency in the current statutes was the lack of the requirement for standards and criteria by which the Department of Community and Regional Affairs could determine whether communities were actually entitled to shared revenues in the various categories under which they were seeking aid. This deficiency has long been recognized by the Department of Community and Regional Affairs and has been recognized additionally by the Legislative Budget and Audit staff. This is not to say that the shared revenue monies allotted to the communities should be required to be spent in the categories designated--far from it. It was and still is the consensus of the committee and of the municipalities that local discretion should continue in the spending of shared revenue receipts. It was felt, however, that in order to receive shared revenue monies in, for example the fire department category it should be demonstrated that the community can meet minimum standards in that category.

December 8, 1975  
Senator Genie Chance  
Page #3

Finally, there was a question projected by some communities as to whether the use of categories in sharing state revenues was even appropriate. It was thought perhaps more appropriate simply to allocate available dollars to the municipalities and let each local government establish its own priorities without regard to existing municipal services.

In order to correct these deficiencies the committee drafted three alternate pieces of legislation for consideration by the committee and the municipalities of Alaska. With considerable--and greatly appreciated--assistance from the University of Alaska/Anchorage, we were able to develop extensive data showing the practical results (i.e., the dollars to be received) for each community in the state under the various alternatives. We developed similar data based on proposed legislation already in the house (legislation which, incidentally, had been previously endorsed by the Alaska Municipal League) and also on a simple per capita allocation of funds to municipalities. Four of these five total alternative were specifically noncategorical in approach. All of the alternatives and all of the data were presented to delegates of the Alaska Federation of Natives Convention and delegates to the Alaska Municipal League Conference. In addition, this material was mailed to virtually every municipality, large and small, in the state with requests for evaluations and suggestions.

I think it would be fair to say that prior to the hearings and meetings there was a strong feeling among the larger communities, in particular, that revenue sharing should be based on tax effort. The feeling was that those who tax themselves the most should receive the most additional state aid. This was the principle thrust of the existing proposed legislation which the Alaska Municipal League had previously endorsed. The committee recognized this concept in two of the alternatives they proposed, but built in additional factors including the availability of tax resources plus tax effort in relation to those resources. Interestingly, when all the facts--in the form of state-wide computerized readouts--were laid before the communities a very noticeable modification of opinion became apparent during the hearings and in countless conversations afterward. Committee members noted a discernible reluctance on the part of communities, large and small, to terminate the categorical approach. What was needed, several elected officials indicated, was a bill which more or less continued the "tried and true" categorical approach, in the present revenue sharing system but which also incorporated the "foundation approach".

Basically, then, this is the bill which the interim subcommittee has proposed:

First, the bill does create a municipal "foundation approach" to revenue sharing. It does so by allocating varying numbers of units to various categories of municipal services and then multiplying those units times population, and then multiplying this product times a "foundation" base figure. For this bill the committee established a foundation base at \$1.00. In future years if the cost of doing business goes up, for instance 11%, the legislature may, if it chooses, raise the foundation amount by simply changing the figure \$1.00 to \$1.11.

In establishing categories and establishing unit values within each category, the committee did indeed stick by the "tried and true" categories of past years. Police protection, for instance, which in previous years earned communities shared revenue at the rate of \$12.00 per capita will earn units within the foundation formula at the rate of 12 units. Fire protection is 7.5 units (as opposed to \$7.50 per capita under the present system). Additional ingredients include air or water pollution control (2 units), land use planning (2 units), parks and recreation (5 units). Two important changes have been made in the categorical designations. Under present law a community can receive \$5.00 per capita for operating either a small boat harbor/ port or for operating mass transit or for operating an airport. In the proposed bill 5 units can be accumulated in each of these categories. The second important difference is the addition of solid waste disposal as a new category, which in the proposed bill will be valued at 2 units.

The proposed legislation establishes a \$25,000 minimum grant for municipalities whose low per capita standing would otherwise earn them only small amounts of revenue. The committee felt the \$25,000 figure was a generous but nonetheless fair amount. It was interesting to note that at neither public hearing was there any criticism of this amount. At one meeting of the committee, a single individual did observe that he thought the figure was pretty high for the very smallest communities. He did not, however, seek to have the committee change the amount.

Additional features of the bill include the following:

Special start-up grants have been established in various categories for municipalities who do not currently offer such services as police protection, fire protection, air

and water pollution control, land use planning, parks and recreation, small boat harbors/ports, air ports or mass transit systems. The Department of Community and Regional Affairs is specifically charged with creating minimum standards of service in the various categories for which municipalities can receive revenue sharing. Revenue sharing for hospitals remains virtually the same as under current law except that responsibility for administering this section is transferred to the Department of Health and Social Services. Additionally, in the area of health, a paragraph specifies that no hospital or health facility shall be eligible for revenue sharing unless the facility has received a Certificate of Need from a municipality or the state. This paragraph anticipates that "Certificate of Need" legislation will be passed in this session of the legislature. Another interim committee is studying the whole broad area of health facilities so this section may undergo substantial modification when that interim committee completes its deliberations. Shared revenues for road maintenance remains virtually the same as current law. A very important feature of the new legislation is that if a new second class city is created in an organized borough after passage of this law, the city would not be eligible for the \$25,000 minimum grant. This feature is designed to preclude small gatherings of 25 people or more from incorporating simply to take advantage of the \$25,000 revenue sharing opportunity. Finally, a very important feature of the proposed legislation is the clause which guarantees each municipality that it will not receive less money than it is receiving under the current statutes.

There, of course, are many additional features to the legislation, but this summary covers most of the major changes.

As noted earlier, the committee is submitting two bills for introduction and for consideration by the legislature. One is quite large and comprehensive and is described in the report above. The other bill consists of only one paragraph and this paragraph constitutes one of the many provisions of the larger bill.

The provision, drafted at the request of the Department of Community and Regional Affairs, simply mandates that the department create minimum standards and criteria to qualify municipalities for grants in each category of shared revenue. If the major bill should run into difficulties and if passage does not seem assured, then it is recommended that the legislature consider and enact the oneparagraph small piece of "clean-up" legislation.

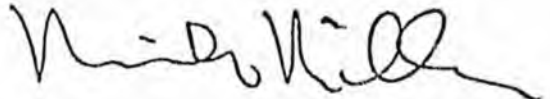
December 8, 1975  
Senator Genie Chance  
Page #6

The fiscal impact of the legislation will be to raise the state shared revenue allocation from a current level of about \$15 million to a level of approximately \$20 million--if the bill is fully funded. The raise, of course, comes from creating the \$25,000 minimum grants to small cities, from creating a new category (solid waste) and from separating the now-combined port/harbor-airport-mass transit category into three separate categories.

This report would not be complete without making special acknowledgement of the work of the several individuals and agencies. The committee is extremely appreciative of the hours of work, both during committee sessions and out of session, by Dr. Garth Jones and P. J. Hill, both of the University of Alaska/Anchorage. The vast volume of computerized data that both Dr. Jones and Mr. Hill provided was crucial in the final deliberations and directions of the committee.

Similarly, we would like to give a special thanks to Mr. Rich Wilson and Mr. Sam Coxson, both of the City of Anchorage who helped in obtaining and analyzing the data, and who attended most of the sessions and hearings of the committee and contributed greatly to the deliberations. We are indebted as well to the Alaska Federation of Natives who made time available for us during the annual AFN convention in Anchorage, and the Alaska Municipal League who similarly made time available during its annual conference in that same city. The League, as well, was most helpful to the committee in circularizing its membership and alerting municipalities of Alaska to the work of the committee. Finally, I would like to acknowledge the fine work of the staff of the Legislative Affairs Agency, and Bill Berrier in particular, plus the membership of the interim committee. Interest was lively, suggestions were broad and imaginative and attitudes were positive throughout the course of the committee's deliberations. It has been a pleasure to chair this committee and of course all of us on the committee stand ready to answer any questions which you or other members of the legislature might have concerning the recommended legislation. Thank you for your own fine support of the committee.

Sincerely,



Mike Miller, Chairman, Interim  
Committee on Shared Revenues  
with Municipalities

MM:smh

Enclosures

STATE  
of ALASKA**MEMORANDUM**

TO: Judith Pinero  
Staff Representative for  
Rep. Rudd  
Room 620, Court Building

DATE : January 21, 1977

FROM: Mike McCormick *me*  
Chief, Audit Services  
Audit Division

SUBJECT: House Bill No. 70

You have inquired as to the dollar impact of House Bill 70. The bill has not been referred to the Audit Division for an assessment of the fiscal impact. As soon as it is we will issue the usual statement. In the meantime, the following will give an indication of the impact.

As I understand it, the Bill would abolish the gross receipts tax aspect of AS 43.70 but keep the \$25.00 business license requirement. The following figures would be used to project the future impact:

Total revenue for fiscal year ending June 30, 1976 from AS 43.70	\$ 19,077,100
---	---------------

No. of licenses issued	30,286	
Less estimated number of no fee license (professional)	<u>606</u>	
Estimated number of taxable licenses issued	29,680	
X \$25.00 fee		<u>742,000</u>
Approximate revenues from gross receipts portion AS 43.70 for fiscal year ending June 30, 1976		<u>\$ 18,335,400</u>

Estimated revenue from business license and gross receipts  
For:

1977	20,430,000
1978	17,422,500

It should be noted that the impact for the revenue loss will be 60 per cent at the local level and 40 per cent at the State level due to the revenue sharing aspects of the law.

I believe these figures will give you a feel for the fiscal impact. I did not want to hold your request for the detailed analysis which the Department will issue.

Please contact me at 465-2321 if there are any further questions.

MMcC:nh

copy for the files -  
na

To Lisa  
+ C.H.A.



PIONEER & PROGRESS

# CITY OF FAIRBANKS

410 CUSHMAN ST.  
FAIRBANKS, ALASKA 99701



March 1, 1977



Representative Larry Carpenter  
Chairman, Interior Caucus  
State Capitol  
Pouch V  
Juneau, Alaska 99811



Dear Larry:

I am writing with regard to HB 70 and HB 135.



In HB 70 there are some new categories - some we can support, some we can not. The only one we can support is the ambulance. As you all know, the city is the only ambulance service into town and, therefore, we operate it area-wide, with the exception of the University of Alaska. This source of income will at least help the city taxpayer with some of those costs.



I object to the breaking out of the ports and the small boat harbors. Those are revenue producing programs and should be self-sustaining. I feel adding them as separate categories is going to dilute the total amount appropriated. As you know, revenue sharing only received 90% funding last year and, if the funding level goes up considering previous categories, we will receive less than last year.



We are in full support of HB 135. We feel that, if the total amount cannot be had, at least 50% should be gotten this year and the balance next.



Best regards,

James W. Rolle  
Councilman



JWR:mac

cc: Senator John Butrovich  
Senator Glenn Hackney  
Senator John Huber  
Senator John Sackett

Representative Don Bennett  
Representative Fred Brown  
Representative Steve Cowper  
Representative Charlie Parr  
Representative Sally Smith  
Representative Red Swanson



"The Golden Heart City"

STATE OF ALASKA  
THE LEGISLATURE

POUCHY - STATE CAPITOL  
JUNEAU, ALASKA 99801  
907-455-3600

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

January 21, 1977

SUBJECT: HB 70, relating to the municipal revenue sharing program.

TO: Representative Lisa Rudd

FROM: John B. Chenoweth  
Legislative Counsel

At your request, I have reviewed HB 70 with reference to the current program of state aid to local governments (AS 43.18.010 - 43.18.045) and offer these comments.

The origin of HB 70 is HB 474 (1976 session) and the several committee substitutes offered by the House Community and Regional Affairs Committee and Finance Committee. HB 474 was the product of work undertaken by an interim committee. The activities of the interim committee and the reasons underlying many provisions of the bill now before your committee for consideration are summarized in the attached letter from Representative Mike Miller, chairman of the interim committee, to Senator Genie Chance, chairman of the Legislative Council.

\* \* \*

Section 1. In lieu of AS 43.18, section 1 amends the revenue sharing program by adding a new chapter, designated AS 43.17.

Sec. 10 of the bill generally follows AS 43.18.020 of the current program in establishing the municipal services account as the source of payments to recipients under the program and by authorizing pro-ration of funds in the event of an appropriation shortfall and reversion to the general fund amounts appropriated in the event of excess.

Sec. 20 of the bill is new language authorizing an optional minimum grant to municipalities. A municipality may elect to receive a grant of \$25,000 under this section instead of the basic grant conditioned on provision of services as provided in the following section. Sec. 20 is, of course, of benefit to small cities.

TO: Representative Lisa Rudd  
January 21, 1977  
Page 2

Sec. 30 of the bill replaces much of current AS 43.18.010 and is the heart of the program revision. The present program provides shared revenues to local governments (and others) generally on the basis of dollars per capita for the number of residents of the local government or service area on the basis of service provided. This section of the bill would authorize payments on the basis of units per capita for the services provided, with the unit count then being multiplied by a predetermined dollar amount to ascertain the dollar total of the entitlement. Consistent with the interim committee's intention that there be, in the revised program, a mechanism which, if amended, would allow for general adjustment of entitlements in all categories, the unit per capita approach tied to a determined dollar value would permit subsequent adjustment of the program not by amendment of specific categories (as in the present program) but by simple amendment of the one figure. In other words, when the dollar amount is altered at any subsequent date, the change would be applicable to all entitlement categories set forth in (a)(1) of this section.

Within (a)(1), the following categories do not appear in the current program and are additions to the program in this bill:

- |                          |         |
|--------------------------|---------|
| (I) Solid waste disposal | 2 units |
| (J) Ambulance            | 2 units |

Additionally, where the current program provides assistance for pollution control -- air or water, but not separately for each -- this bill establishes each as a separate category:

- |                             |         |
|-----------------------------|---------|
| (C) Water pollution control | 2 units |
| (K) Air pollution control   | 2 units |

Again, where, in the current program, there is a "general" transportation category providing assistance for any one of the following services, but no additional assistance for a second and subsequent service provided, this bill creates three separate categories and provides separate unit credit for each:

- |                                 |         |
|---------------------------------|---------|
| (F) Small boat harbor and ports | 5 units |
| (G) Mass transit                | 5 units |
| (H) Airport                     | 5 units |

The remaining categories of the bill -- police protection, fire protection, land use planning and parks and recreation -- are comparable to like categories in the existing program.

TO: Representative Lisa Rudd  
January 21, 1977  
Page 3

Note that, in sec. 30(a)(2) of the bill, it is no longer to be required that the exact population of the municipality serve as the basis of computation of per capita entitlements under the program, but that the population of the municipality rounded upward to the nearest hundred should be used. There is no rounding provision specified in the current program.

Subsection 30(b) of the bill authorizes payments on the basis of services provided by a municipality to persons residing outside the boundaries of the municipalities. This is especially significant in the case of cities in the unorganized borough where certain services may reach beyond corporate limits. In order to receive additional unit count credit for persons residing outside the municipality, an applicant would have to demonstrate provision of services under contract within a defined area. The provision is applicable to each of the eleven categories of entitlement set forth in sec. 30(a)(1). The current program does not require evidence of a contract for service, but authorizes payments for persons outside municipalities only in the category of fire protection [AS 43.18.010(a)(2)(B)].

Subsection (c) of the bill authorizes payments for services which are provided on a less-than-areawide (that is, non-areawide) basis within the municipality, where service areas or differential tax zones have been established. It restricts the use of funds received by category to areawide and non-areawide use, respectively, depending upon the nature and extent of the particular service which generated the payment.

Sec. 40(a) of the bill is taken wholesale from existing AS 43.18.010(h)(1) - (4), as enacted in the 1976 session (sec. 2, Ch. 268, SLA 1976). Distinction is made between hospitals which are operated and supported by a local government and those which are within the boundaries of a local government but which are not owned and operated by the municipality, with financial assistance directed to each.

Sec. 40(b) of the bill, relating to assistance for hospital construction, changes in one marked respect the language of the current program found in AS 43.18.010(j). Where the current provision authorizes assistance for hospitals and health facilities construction of which started after January 1, 1968, the provision of the bill would extend support for construction only to facilities the construction of which had started before January 1, 1976.

The definitions of 'hospital' and 'health facility' of sec. 40(c) of the bill derive from comparable definition in the current program, found in AS 43.18.010(i)(1) and (2).

TO: Representative Lisa Rudd  
January 21, 1977  
Page 4

Sec. 50 of the bill, extending assistance on a dollar per capita (rather than per unit) basis to volunteer fire departments of the unorganized borough derives from current AS 43.18.010(a)(2)(B). Please note that the authority for the promulgation of regulations setting qualifying standards for organization and service of new volunteer fire departments is shifted, in the bill, from the fire marshal to the department of community and regional affairs.

Sec. 60 of the bill authorizes payment of area cost-of-service differentials. It is taken from AS 43.18.012 of the current program with minor changes of wording to assure that recipients in all sections -- minimum grants, basic grants, hospitals and health facilities, volunteer fire departments, and road maintenance -- enjoy the benefits of the differential.

Sec. 70 of the bill adds new language that does not appear per se in the current program. The section, as drafted, was intended to provide a means by which the department could ascertain local tax effort through the submission of necessary reports. Tax effort, however, is not the basis by which the amount of shared revenue assistance is determined in the bill. Because other statutory provisions [AS 29.23.560(a)(2) and (b) and AS 29.48.220] currently require the preparation and submission of certain kinds of reports by local governments as a condition of receipt of shared revenues, and because a budget serves as a useful check for the department in determining whether a local government is actually providing the service, retention of the concept of sec. 70 -- if not the specific language -- may prove beneficial.

Sec. 80 of the bill is a combination of AS 43.18.010(c) and (k) of the current program, with two amendments: in the bill, at page 7, lines 3 and 4, "50 percent of the amount paid per capita for mass transit under this chapter" replaces "50 per cent of the amount paid per capita for transportation facilities and services under (a) (6) of this section" in current law; the final clause of the section (lines 4 - 7) making provision for assistance for water and air pollution appears as entirely new language in the bill.

Sec. 90(1) of the bill, setting additional limitation on the expenditure of funds for non-areawide services in boroughs, follows, in principle, current AS 43.18.010(e). Sec. 90(2) of the bill, addressing police protection services, is carried forward verbatim from current AS 43.18.010(g)

Sec. 100 of the bill carries forward from the current statutes the provisions for shared revenue assistance in the category of road maintenance, retaining the same rate for "regular" road maintenance (\$1500 per mile) and for maintenance of so-called "ice roads" or seasonal roads maintained across frozen waterways (\$900 per mile). The language of the bill is taken verbatim from current AS 43.18.010(b).

TO: Representative Lisa Rudd  
January 21, 1977  
Page 5

Sec. 110 of the bill likewise derives from current law (AS 43.18.040). The 1976 legislature added the language appearing in the second sentence of the section, having reference to minimum service standards. The minimum standards provision is significant in light of the fact that HB 70 does not carry forward from present law any other statutory provisions defining minimum services standards relating to police protection [AS 43.18.010(a)(1)], fire protection [AS 43.18.010(a)(2) (A)], pollution control [AS 43.18.010(a)(3)], or land use planning [AS 43.18.010(a)(4)]. Rather, in the absence of these statutory definitions of minimum qualifying services, the department would be required to make the determination by regulation. The department has adopted such standards as required by current AS 43.18.040: see 19 AAC 30.020.

Sec. 120 of the bill permits expenditure of funds received under this program by a municipality for a public purpose for which the municipality otherwise enjoys authority to expend funds. In other words, except in the instance of health facilities and hospitals (sec. 40 of the bill), funds received on account of provision of a particular service need not be expended for that particular service. This section follows, in principle, similar provisions of the current program [AS 43.18.010(b) and AS 43.18.010(h)(4)].

Sec. 130 of the bill, comparable to AS 43.18.045 added by the 1976 legislature, assures that, in the event of unification, consolidation, or merger of local governments, the successor local government receives at least the amount of shared revenues under the program to which the merged or unified municipalities would have been individually entitled.

Sec. 140 of the bill includes two definitions applicable to the program. Note especially the exceptional language involving second class cities in organized boroughs: as I read the language, the effect of the definition precludes such newly-incorporated cities from participating in the revenue sharing program.

Section 2. This section repeals the existing revenue sharing program.

Section 3. This section appears to be intended to serve as a "hold harmless" provision, guaranteeing by way of a minimum payment to local governments at least that amount which the local government was entitled to receive on the basis of the FY 1976 program, as administered under AS 43.18 repealed in sec. 2 of this act.

The remaining sections relate to amendment of the Alaska business license tax provisions and are beyond the scope of the memorandum.

TO: Representative Lisa Rudd  
January 21, 1977  
Page 6

\* \* \*

I would direct attention to several provisions of the current program which are not carried over into this bill. One of those -- the removal of standards of service for certain categories -- has already been mentioned. Others include, notably, the removal of any reference to legislative purpose or intent [AS 43.18.030(a)] and the requirement that local governments advise taxpayers of the value of the assistance provided by this and another program expressed in terms of millage rate [AS 43.18.030(b)]. Also lost is the provision of current AS 43.18.010(h)(5) which requires the certification of the commissioner of health and social services prior to disbursement of funds for health facility and hospital purposes.

\* \* \*

I trust this provides an initial overview of the similarities and differences between the bill and the existing program. Please contact me should you want additional work performed.

JBC:hjd

Attachment

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

REQUEST

Bill/Resolution No. House Bill No. 70

Title Municipal Revenue Sharing and the Alaska Business License Act

Requested by House Finance Date 2/9/77

II. FISCAL DETAIL

Agency Affected Community and Regional Affairs

Program Category Affected Local Government Assistance

Budget Request Unit(s) Affected Municipal Services Revenue Sharing Program

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		8,579.8				
<b>TOTAL</b>		<b>8,579.8</b>				

FUNDING (Thousands of Dollars)

GENERAL FUND		8,579.8				
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

STATE OFFICE BUILDING

POUCH SA - JUNEAU 99811

JAY S. HAMMOND, GOVERNOR

February 2, 1977

The Honorable Lisa Rudd  
Chairwoman  
House Community and Regional  
Affairs Committee  
Alaska State Legislature  
Room 620 - Court Building  
Juneau, Alaska

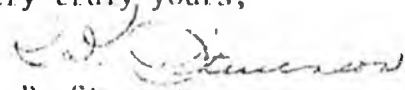
Re: House Bill No. 70

Dear Representative Rudd:

House Bill No. 70, an Act relating to municipal revenue sharing and the Alaska Business License Act was introduced in the House on January 19, 1977 and was referred to the House Community and Regional Affairs and Finance Committees.

For the consideration of the House Community and Regional Affairs Committee, I am enclosing copies of Fiscal Notes prepared by Mr. P. A. Wall, Director, Administrative Services Division, Department of Revenue concerning the proposed legislation.

Very truly yours,

  
R. D. Stevenson  
Special Assistant

cc: The Honorable Steve Cowper  
Chairman  
House Finance Committee  
Alaska State Legislature  
Juneau, Alaska

P. A. Wall, Director  
Administrative Services Division  
Department of Revenue  
Juneau, Alaska

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. HB 70 Act Relating to \_\_\_\_\_  
 Title Municipal Revenue Sharing & Alaska Business License Act  
 Requested by House Community & Regional Affairs Comm. Date January 20, 1977

II. FISCAL DETAIL  
 Agency Affected \_\_\_\_\_ Revenue \_\_\_\_\_  
 Program Category Affected \_\_\_\_\_ General Government \_\_\_\_\_  
 Budget Request Unit(s) Affected \_\_\_\_\_ Administration & Support \_\_\_\_\_

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

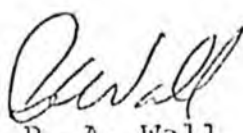
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No additional cost is associated with this Act.

IV. DATE January 30, 1977 PREPARED BY  P. A. Wall  
 AGENCY Revenue  
 PHONE 465-2313  
 Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named) \_\_\_\_\_

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

*clarity effective date*

I. REQUEST

Bill/Resolution No. HB 70 Act Relating to  
Title Municipal Revenue Sharing and the Alaska Business License Act  
Requested by House Community & Regional Affairs Comm. Date January 20, 1977

*Postponed.*

II. FISCAL DETAIL

Agency Affected \_\_\_\_\_ Revenue \_\_\_\_\_  
Program Category Affected Community Development  
Budget Request Unit(s) Affected Shared Taxes

*presently it is a system to raise taxes for raising local taxes*

EXPENDITURES (Thousands of Dollars)

	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES							
200 TRAVEL							
300 CONTRACTUAL							
400 COMMODITIES							
500 EQUIPMENT							
600 LAND & STRUCTURES							
700 GRANTS, CLAIMS, ETC.		10,000.0	8,500.0	8,200.0	8,500.0	8,500.0	8,500.0

*TOTAL gross receipts 18 mil. → 20 mil 1977 80% - 85% to get shared etc. 15% are reported in G.F. 1976  
15% to municipality remained in G.F.*

FUNDING (Thousands of Dollars)

GENERAL FUND	10,000.0	8,500.0	8,200.0	8,500.0	8,500.0	8,500.0
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

*50% does not shared contract Mr. Wall - Total indiv. tax 32% directly pipeline*

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The effective date of July 1, 1977 for Section 4 shall be changed to January 1, 1980 as Section 4 relates to Sections 5-10.  
If the effective date of January 1, 1980 is realized, Gross Receipts revenues will not continue after 12/31/79. The continued revenue sharing provision of this act will require an additional authorization of \$4,250,000 from the General Fund for FY 80 and \$8,500,000 each FY thereafter. The Tax on Banks (\$1,800,000 in 1975) will continue to be shared under the act.

\$9,000,000 of Annual Gross Receipts income to the General Fund (income not shared) will be eliminated.

*8,500 could be reported  
HB 70 locks us in so 1978 - starts January 1st not shared  
O'Wall*

IV. DATE January 30, 1977 PREPARED BY P. A. Wall  
AGENCY Revenue  
PHONE 465-2313  
Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA  
TENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 70 Act Relating to Municipal  
Title Revenue Sharing and the Alaska Business License Act.  
Requested by House Community & Regional Affairs Committee Date January 20, 1977

II. FISCAL DETAIL

Agency Affected Revenue  
Program Category Affected General Government  
Budget Request Unit(s) Affected Audit

EXPENDITURES (Thousands of Dollars)

	FY 77	FY 78	FY 79	FY 80	FY 81	FY 82
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The effective date of July 1, 1977 for Section 4 should be changed to January 1, 1980 as Section 4 relates to Sections 5-10. The Statute reference on page 10, lines 27 & 28 should be AS 43.18.090. Recommend that on page 10, line 9, after the word "payable" that the remainder of the sentence be deleted and the following inserted, "at the same time and under the same conditions as the federal tax."

A cost decrease will occur when the total Gross Receipts tax impact ends. This will not occur for at least a year after the tax is abolished as final returns must be received, audited and shared. Decrease will consist of 1 position, forms and postage costs.

IV. DATE January 30, 1977 PREPARED BY *Wall*  
AGENCY Revenue  
PHONE 465-2313

Original: Legislative Finance  
cc: Budget and Management  
Prime Sponsor (First Legislator Named)

STATE  
of ALASKA**MEMORANDUM**

TO: Judith Pinero  
Staff Representative for  
Rep. Rudd  
Room 620, Court Building

DATE : January 21, 1977

FROM: Mike McCormick *me*  
Chief, Audit Services  
Audit Division

SUBJECT: House Bill No. 70

You have inquired as to the dollar impact of House Bill 70. The bill has not been referred to the Audit Division for an assessment of the fiscal impact. As soon as it is we will issue the usual statement. In the meantime, the following will give an indication of the impact.

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Total revenue for fiscal year ending June 30, 1976 from AS 43.70		\$ 19,077,400
No. of licenses issued	30,286	
Less estimated number of no fee license (professional)	<u>606</u>	
Estimated number of taxable licenses issued	29,680	
X \$25.00 fee		<u>742,000</u>
Approximate revenues from gross receipts portion AS 43.70 for fiscal year ending June 30, 1976		\$ <u>18,335,400</u>
Estimated revenue from business license and gross receipts For:		
1977	20,430,000	
1978	17,422,500	

It should be noted that the impact for the revenue loss will be 60 per cent at the local level and 40 per cent at the State level due to the revenue sharing aspects of the law.

I believe these figures will give you a feel for the fiscal impact. I did not want to hold your request for the detailed analysis which the Department will issue.

Please contact me at 465-2321 if there are any further questions.

MMcC: mh

JANUARY 21, 1977

TO: LISA

FROM: JUDITH

RE: Revenue Sharing / Alaska Business License Act

Contacted Department of Revenue, Mike McCormick, Division of Audit and he can give us an estimated loss of revenue based on 1976 intake from licenses. Because that could be done fairly rapidly I requested that, and told him that the more difficult forecast to 1980 would probably still be needed in order to get the best picture. After we take a look at what he submits based on 1976, I informed him that I would get back to him the first of next week - 1/24.



*December 11, 1975*

*Sen. Chance and I  
for the State*

December 8, 1975

Senator Genie Chance  
310 "K" Street  
Suite 701  
Anchorage, Alaska 99501

Dear Senator Chance:

I am pleased to enclose with this letter two pieces of proposed legislation which represent the recommendations of this interim committee in the area of shared revenues with municipalities. The proposed legislation is the product of a number of meetings of the committee in the months since the adjournment of the legislature plus two public hearings. One of these public hearings was held in conjunction with the October convention of the Alaska Federation of Natives, in order to receive bush community viewpoints. The other hearing was held in conjunction with the October conference of the Alaska Municipal League. In addition, suggestions and constructive criticism were requested by mail and received from a wide variety of cities and communities throughout the State of Alaska.

It was considered crucial, since revenue sharing has been created solely for the purpose of assisting municipalities in the funding of needed local services, that the final product of the committee take maximum note of the views and suggestions of the various municipalities across the state. The enclosed bill represents what the committee considers to be the most beneficial and most feasible of those suggestions.

Perhaps some review might be in order concerning the need for revision of the current shared revenue program. Although the program in concept currently enjoys the unanimous and enthusiastic support of every municipality in the state, the following were considered deficiencies which new legislation could correct.

REPRESENTATIVE  
**MIKE MILLER**  
ALASKA STATE LEGISLATURE  
P.O. Box 1494  
JUNEAU, ALASKA 99802  
HOME PHONE 586.3067  
LEGISLATIVE PHONE 465.3739

HOUSE MAJORITY LEADER  
VICE CHAIRMAN, LEGISLATIVE COUNCIL  
VICE CHAIRMAN, STATE AFFAIRS COMMITTEE  
MEMBER, RULES COMMITTEE  
MEMBER, COMMITTEE ON COMMITTEES

First, it was felt that a "foundation" approach might be useful in the field of revenue sharing--"foundation" approach meaning a formula with a foundation amount similar in concept to that utilized in the school foundation statutes. The beauty of such an approach is that whenever a legislature wishes to raise the foundation amount (to recognize increase in the cost of doing business) it is necessary merely to amend one word in the statutes. Absent the foundation approach it is necessary, whenever you wish to recognize the increase in the cost of doing business, to go into the statutes and revise the per capita dollar figure for each of the various categories in which shared revenue assistance is given to municipalities. This is both cumbersome and, in practice, inequitable. Some categories tend to get raised, others do not and the system can easily get out of balance.

It was felt, too, that the amount of shared revenues being designated for small communities was much too small. It was recognized that the present purely per capita approach just did not offer the very small communities enough money to assist in any meaningful way in meeting the obligations of local government. It was recognized that whether a second class city had 25 residents, or 75 residents, or 125 residents there was nonetheless an irreducible minimum cost of doing business, and that that minimum was just as great for very small villages as it was for medium sized second class cities. It was, therefore, considered desirable that a minimum grant base be established for these communities and it was further considered desirable that the base amount agreed upon be as generous as possible in order that the benefits of government on the local level be economically feasible for the communities.

Another deficiency in the current statutes was the lack of the requirement for standards and criteria by which the Department of Community and Regional Affairs could determine whether communities were actually entitled to shared revenues in the various categories under which they were seeking aid. This deficiency has long been recognized by the Department of Community and Regional Affairs and has been recognized additionally by the Legislative Budget and Audit staff. This is not to say that the shared revenue monies allotted to the communities should be required to be spent in the categories designated--far from it. It was and still is the consensus of the committee and of the municipalities that local discretion should continue in the spending of shared revenue receipts. It was felt, however, that in order to receive shared revenue monies in, for example the fire department category it should be demonstrated that the community can meet minimum standards in that category.

December 8, 1975  
Senator Genie Chance  
Page #3

Finally, there was a question projected by some communities as to whether the use of categories in sharing state revenues was even appropriate. It was thought perhaps more appropriate simply to allocate available dollars to the municipalities and let each local government establish its own priorities without regard to existing municipal services.

In order to correct these deficiencies the committee drafted three alternate pieces of legislation for consideration by the committee and the municipalities of Alaska. With considerable--and greatly appreciated--assistance from the University of Alaska/Anchorage, we were able to develop extensive data showing the practical results (i.e., the dollars to be received) for each community in the state under the various alternatives. We developed similar data based on proposed legislation already in the house (legislation which, incidentally, had been previously endorsed by the Alaska Municipal League) and also on a simple per capita allocation of funds to municipalities. Four of these five total alternative were specifically noncategorical in approach. All of the alternatives and all of the data were presented to delegates of the Alaska Federation of Natives Convention and delegates to the Alaska Municipal League Conference. In addition, this material was mailed to virtually every municipality, large and small, in the state with requests for evaluations and suggestions.

I think it would be fair to say that prior to the hearings and meetings there was a strong feeling among the larger communities, in particular, that revenue sharing should be based on tax effort. The feeling was that those who tax themselves the most should receive the most additional state aid. This was the principle thrust of the existing proposed legislation which the Alaska Municipal League had previously endorsed. The committee recognized this concept in two of the alternatives they proposed, but built in additional factors including the availability of tax resources plus tax effort in relation to those resources. Interestingly, when all the facts--in the form of state-wide computerized readouts--were laid before the communities a very noticeable modification of opinion became apparent during the hearings and in countless conversations afterward. Committee members noted a discernible reluctance on the part of communities, large and small, to terminate the categorical approach. What was needed, several elected officials indicated, was a bill which more or less continued the "tried and true" categorical approach, in the present revenue sharing system but which also incorporated the "foundation approach".

Basically, then, this is the bill which the interim subcommittee has proposed:

First, the bill does create a municipal "foundation approach" to revenue sharing. It does so by allocating varying numbers of units to various categories of municipal services and then multiplying those units times population, and then multiplying this product times a "foundation" base figure. For this bill the committee established a foundation base at \$1.00. In future years if the cost of doing business goes up, for instance 11%, the legislature may, if it chooses, raise the foundation amount by simply changing the figure \$1.00 to \$1.11.

In establishing categories and establishing unit values within each category, the committee did indeed stick by the "tried and true" categories of past years. Police protection, for instance, which in previous years earned communities shared revenue at the rate of \$12.00 per capita will earn units within the foundation formula at the rate of 12 units. Fire protection is 7.5 units (as opposed to \$7.50 per capita under the present system). Additional ingredients include air or water pollution control (2 units), land use planning (2 units), parks and recreation (5 units). Two important changes have been made in the categorical designations. Under present law a community can receive \$5.00 per capita for operating either a small boat harbor/ port or for operating mass transit or for operating an airport. In the proposed bill 5 units can be accumulated in each of these categories. The second important difference is the addition of solid waste disposal as a new category, which in the proposed bill will be valued at 2 units.

The proposed legislation establishes a \$25,000 minimum grant for municipalities whose low per capita standing would otherwise earn them only small amounts of revenue. The committee felt the \$25,000 figure was a generous but nonetheless fair amount. It was interesting to note that at neither public hearing was there any criticism of this amount. At one meeting of the committee, a single individual did observe that he thought the figure was pretty high for the very smallest communities. He did not, however, seek to have the committee change the amount.

Additional features of the bill include the following:

Special start-up grants have been established in various categories for municipalities who do not currently offer such services as police protection, fire protection, air

and water pollution control, land use planning, parks and recreation, small boat harbors/ports, air ports or mass transit systems. The Department of Community and Regional Affairs is specifically charged with creating minimum standards of service in the various categories for which municipalities can receive revenue sharing. Revenue sharing for hospitals remains virtually the same as under current law except that responsibility for administering this section is transferred to the Department of Health and Social Services. Additionally, in the area of health, a paragraph specifies that no hospital or health facility shall be eligible for revenue sharing unless the facility has received a Certificate of Need from a municipality or the state. This paragraph anticipates that "Certificate of Need" legislation will be passed in this session of the legislature. Another interim committee is studying the whole broad area of health facilities so this section may undergo substantial modification when that interim committee completes its deliberations. Shared revenues for road maintenance remains virtually the same as current law. A very important feature of the new legislation is that if a new second class city is created in an organized borough after passage of this law, the city would not be eligible for the \$25,000 minimum grant. This feature is designed to preclude small gatherings of 25 people or more from incorporating simply to take advantage of the \$25,000 revenue sharing opportunity. Finally, a very important feature of the proposed legislation is the clause which guarantees each municipality that it will not receive less money than it is receiving under the current statutes.

There, of course, are many additional features to the legislation, but this summary covers most of the major changes.

As noted earlier, the committee is submitting two bills for introduction and for consideration by the legislature. One is quite large and comprehensive and is described in the report above. The other bill consists of only one paragraph and this paragraph constitutes one of the many provisions of the larger bill.

The provision, drafted at the request of the Department of Community and Regional Affairs, simply mandates that the department create minimum standards and criteria to qualify municipalities for grants in each category of shared revenue. If the major bill should run into difficulties and if passage does not seem assured, then it is recommended that the legislature consider and enact the oneparagraph small piece of "clean-up" legislation.

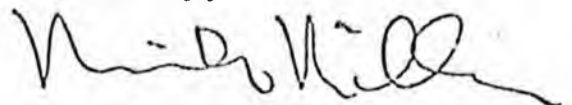
December 8, 1975  
Senator Genie Chance  
Page #6

The fiscal impact of the legislation will be to raise the state shared revenue allocation from a current level of about \$15 million to a level of approximately \$20 million--if the bill is fully funded. The raise, of course, comes from creating the \$25,000 minimum grants to small cities, from creating a new category (solid waste) and from separating the now-combined port/harbor-airport-mass transit category into three separate categories.

This report would not be complete without making special acknowledgement of the work of the several individuals and agencies. The committee is extremely appreciative of the hours of work, both during committee sessions and out of session, by Dr. Garth Jones and P. J. Hill, both of the University of Alaska/Anchorage. The vast volume of computerized data that both Dr. Jones and Mr. Hill provided was crucial in the final deliberations and directions of the committee.

Similarly, we would like to give a special thanks to Mr. Rich Wilson and Mr. Sam Coxson, both of the City of Anchorage who helped in obtaining and analyzing the data, and who attended most of the sessions and hearings of the committee and contributed greatly to the deliberations. We are indebted as well to the Alaska Federation of Natives who made time available for us during the annual AFN convention in Anchorage, and the Alaska Municipal League who similarly made time available during its annual conference in that same city. The League, as well, was most helpful to the committee in circularizing its membership and alerting municipalities of Alaska to the work of the committee. Finally, I would like to acknowledge the fine work of the staff of the Legislative Affairs Agency, and Bill Berrier in particular, plus the membership of the interim committee. Interest was lively, suggestions were broad and imaginative and attitudes were positive throughout the course of the committee's deliberations. It has been a pleasure to chair this committee and of course all of us on the committee stand ready to answer any questions which you or other members of the legislature might have concerning the recommended legislation. Thank you for your own fine support of the committee.

Sincerely,



Mike Miller, Chairman, Interim  
Committee on Shared Revenues  
with Municipalities

MM:smh

Enclosures

## Revenue Sharing - HB 70

extension: revision of current RS -

25 mil as opposed to 17 mil. -

- Mike Miller Purpose

a) Was shared revenue performing useful function?

b) Under current RS program one would have to make incremental (minor) adjustments to account for cost of living increases -

c) need to establish a formula - foundation - converting categorical approach to formula which sets up units (see p. 2) ( $\$1 \times \text{population}$ )

block grants with no restriction - letting - what are restrictions? Miller's response pg 6. details only restrictions. Also pointed out section allowing smaller communities (2<sup>nd</sup> class gov't) to try to provide incentive (ie 2 units)

Illuminate what changes were the result of prior

\* [Breakdown grants & where they have gone -] letting

## Levy and Computation of License fee -

- (a) by maintaining \$55 flat fee is additional fees based on a one-half of one % of the gross receipts in excess of \$20,000 (exception all gross volume in excess of \$100,000 a yr. is taxed at rate of  $\frac{1}{4}$  of 1% : What impact will this have upon effect Jan. 1, 1980?

License for privilege of taking orders through mail (c) is <sup>it</sup> not ~~base~~ conceivable then that gross volume may not be included if delivery is made elsewhere - ~~any~~ way of knowing impact

- (d) under sec. 306b of this chapter

43.70.040. Review and Determination of License TAX

43.70.110. Repeal of definition "gross receipts"

Note: All money collected by the department (licensing) shall be deposited in the general fund. Dept. of Revenue shall refund to each org. borough and each city of any class 60% of the money collected in the local gov't.

Mick McCormick - (1-21) 11:05

- revenue loss would be based on 1976<sup>A</sup> he will compute and send to us today
- possibility of a projection out to 1980 is conceivable -
- editorial comment -

Palmer - 1<sup>st</sup> week in February - for fiscal note

2-7 - combine license tax

Lee Shape - legislative response - establishment of set of both burden and priorities  
meeting dollar amount (sub section 30-1) reflection of legislative recognition of increasing dollar costs -  
- units & dollars as he sees it match up &  
new sections transportation & hospitals did fee up some additional monies.

Mr. Berry - supported repeal of gross business license tax & RS bill / 100% endorsement of Alaska Municipal League.

? How will this result in decrease in property taxes - local gov't feels that property taxes have been kept down.

Palmer - RS recog. contribution to state from municipality by existing programs and does not come close to covering (Ad hoc after ~~repacking~~ a service not as start-up)  
Not incentive to provide and operate a program - the monies are just not substantial enough

Hospital Section - "as the municipality may elect"  
in terms of bed dollars

- Ms. Smith's career after language - confusion
- Also Fair Mardal clause in conjunction with CFA who has authority to make that determination
- Section 1140 paragraph 2 line 11 p. 9.  
municipalities inside bureau incorporating in order to attain RS (don't want to encourage the

040. enacted in 76 -  
still remains - debate

2-8 - Palmer - (cont.) fiscal effects  
reduced by Governor (\$17 mil. 5)

new legislation that would provide new categories -

HB 70 - slightly over 25 mil -

Larger municipalities that would benefit due to new categories -

- Question: work figures / available by community  
Able to fund 95.78% - for this current year program ready to send out checks (2 weeks)  
This year provisioning - allow it to carry over to following year.

Mr. Burns:

- \* Move for letter of intent - Merle Snider
- \* Draft to clarify the language - Smith to get specific
- \* Amendment PASSED - Rudd

~~1/18~~

2-9 Sally Smith -

Proposed CS for 2-10 by Barrier

2-10 Look into this particular paragraph