

1980

INTERIM

2 PROJECTS



Official Business


Alaska State Legislature

Senate Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99611

May 20, 1980

TO: Myrt Charney, Executive Director
Legislative Affairs

FROM: Senator Arliss Sturgulewski 
Chairman, Community and Regional Affairs Committee

The Senate Community and Regional Affairs Committee proposes to undertake a project, starting at the end of the second session of the Eleventh Legislature, which would forward the work of the House and Senate Joint Interim Committees completed during the interim between the first and the second session of the Eleventh Legislature. This work will serve to knit together the various threads of studies and policy analysis that will be on-going during the time period prior to the commencement of the First Session of the Twelfth Legislature.

In addition, the Senate CRA Committee proposes to undertake a separate special study that will be beneficial to Senate members during the next session. A full project description has been developed and is attached, along with background material and the budget breakdown. The project is estimated to cost \$32,144.

I would appreciate it if you would take the necessary steps to process this request for the committee. I also would appreciate receiving, as soon as possible, specific information regarding office space and other incidental arrangements.

Your assistance is appreciated.

cc: Senator Tillion
Senator Hohman

Enclosure

PROJECT PROPOSAL

The Senate CRA Committee proposes to undertake a project, starting at the end of the Second Session of the Eleventh Legislature, which would forward the work of the Joint Committees during the previous interim and would knit together the various threads of studies and policy analysis that will be on-going during the time period prior to the start of the First Session of the Twelfth Legislature.

The project which we propose and the projects which will be taking place during the same time share several goals: a concern for realization of the constitutional goal of maximum self government and local self determination, and the recognition that the state's changing economic climate calls for exploration of alternative approaches to achieving maximum self government and local self determination through new approaches to financial and other resources.

The committee proposes to undertake the following tasks:

1. As described in the background material, the committee believes that it is important to provide legislative interface with the efforts of the Department of Community and Regional Affairs and to forward their study results by developing any appropriate legislation. In order to provide the necessary coordination and efficiency of efforts, we foresee staff work in the execution of the Department of Community and Regional Affairs project, participation in the work of the Task Force and development of any appropriate legislation. These efforts will also be connected with committee efforts regarding the financing of services in the unorganized borough.
2. Concurrently with and as a supplement to agency efforts and studies regarding the financing of services in the unorganized borough, the Senate CRA Committee proposes to evaluate this question in terms of local tax base and incentives to borough formation in terms of the effects of the building of the gasline on local governments. The legislature, in its capacity as assembly of the unorganized borough, should be aware of the effects of the building of the gasline on both state and local revenues and the potential revenues of new boroughs.

To supplement existing studies, the committee proposes to prepare a study on the effect of the gasline on local governments. We will assume that the existing statutory framework of the oil and gas properties tax remains unchanged and examine the range of possible taxes along the pipeline corridor. These assumptions will be tested against and compared with the history of taxation in organized areas such as the North Slope Borough and the Kenai Peninsula Borough. Further, we intend to explore the disparities that might be created between funding levels in the pipeline boroughs and potential boroughs and the tax bases of other areas of the state. An analysis will be prepared of the implications of the statistical information about tax bases and resources necessary for the provision of minimal governmental services. An array of alternatives will be explored that address the conclusions reached in previous sections of the project and recommendations for any appropriate legislation will be made. It is foreseen that parts of this work, especially statistical analysis, will be provided by House Research and by the staff at Legislative Finance.

This project will not only supplement the efforts described in (1) above, but will also provide additional information for future revisions of SB 348 and SB 350 and such other legislation introduced during this session as SB 488.

3. Closely related to the area of financing of local government is the way in which governmental services are structured and the relationship of local governments to the state government. These relationships are embodied in AS 29, the title governing Municipal Government. Both the House and Senate CRA Committees, recognizing the considerable public desire for a revision on Title 29, have introduced a proposal to involve a variety of local government interests in the preparation of a revision of Title 29. Funding has been separately requested for this project which would consist of funds to Legislative Legal Services, one of the major proponents of revision of Title 29, for the following:

Two groups would be selected from recommendations provided by legislators, the Department of Community and Regional Affairs, Alaska Municipal League and other interested and affected parties. The first group would be a policy advisory group composed of a variety of perspectives and interests, representing the diversity of local governments across the state, and would include a representative of the legislature. The second, a much smaller group, would be working group, composed of people who have had experience in the application of AS 29. The work group should consist of municipal attorneys, representatives of the Department of Community and Regional Affairs and the Department of Law, as well as a staff member of Legislative Legal Services; other municipal staff functions should also be represented, such as managers or clerks. While the actual technical work would be conducted by the working group, the policy group would provide overall guidance and assistance on policy questions.

Administrative and secretarial responsibility would rest in Legal Services. In order to support this project funds would be required for travel and per diem. Most local governments will be glad to contribute staff time to this project. However, for both the policy the the working group it will be necessary to provide travel funds. As often as possible, teleconferencing will be used to reduce travel needs and to expedite the process.

The Senate CRA Committee feels it would be beneficial to participate in this project to revise Title 29, especially in terms of the variety of policy issues regarding local government, borough government formation and financing of governmental services. This effort would provide coordination between the projects described in (1) and (2) above and would insure that the committee is knowledgeable and able to carry forward and explain the proposed revisions to other members of the legislature. All that will be required for this component of our proposal is staff time and travel and per diem.

4. Related to the issues and projects described above is a fourth area that has been of concern to the CRA Committee through its previous work during the interim. To summarize the background material provided in this proposal, local governments and rural people have identified a variety

of problems involving the construction of capital projects. For example, there is considerable difficulty in many areas of the state with collection of sufficient funds to provide the local match requirement placed on many projects by the state and federal governments. The Second Session of the Eleventh Legislature has seen increased interest in the funding of capital projects. Increased revenue sources have meant increased interest in using general funds for capital construction, rather than bonding processes formerly employed. At the same time, there has been considerable dissatisfaction with the performance of the Department of Transportation and Public Facility as the state's prime builder of capital projects. This dissatisfaction has been intensified by the desire to use capital projects as public works projects in order to buoy the state's economy during the current downturn. Legislative Budget and Audit is currently auditing the Department of Transportation and Public Facilities in their capacity as managers of the state's capital projects. It is anticipated that management recommendations will be presented.

Legislative action during this session has been marked by the desire to identify and fund projects. However, there have also been other initiatives which have been taken. Senate Bill 546 and House Bill 1010 propose a Capital Construction Fund which would allocate to all areas of the state an entitlement that could be used for the construction and maintenance of capital projects. There are several interesting features to this bill, including a planning provision which seeks to improve and expand upon DOTPF's Chapter 168 responsibilities. Similarly, SB 483 seeks to establish a capital planning process to improve existing DOTPF functions.

During the same time period, an audit has been performed by the Legislative Budget and Audit Committee to examine any management problems within DOTPF insofar as capital projects are concerned.

It is the purpose of this project to explore the above set of inter-related capital construction issues and concerns: capital project planning, capital project funding, and DOTPF's relationship to capital projects. A paper will be prepared which identifies existing practices and existing problems associated with those practices; alternative solutions which address those problems will be discussed and evaluated by criteria which will be set forth in the paper.

BUDGET

The following budget is based on the assumption that the Second Session of the Eleventh Legislature will complete its business in June and that Legislative Affairs Agency will be able to provide (per information from Mr. Charney) office space and telephone service.

Staff salary, including 26% benefits	\$19,404
Temporary secretarial service totalling 30 days	1,740
Travel & per diem AS 29 CRA Revenue Capital Construction	7,000
Contractual Printing	4,000
TOTAL	<u>\$32,144</u>

BACKGROUND

Alaska's Constitution establishes the policy of maximum self government for the people. This policy has been implemented through creation of boroughs and cities in urban areas and in some rural communities. However, the vast bulk of Alaska lacks any basis for self-government, and the people do not even have the means for planning and participating in the affairs of their own region. It is this problem that provided the principal focus for the interim work of the Senate and House Community and Regional Affairs Joint Local Government Study of 1979.

Legislative proposals of the Joint Committee were derived from (1) a series of studies and analyses sponsored by the committee, (2) a two-day symposium designed to define issues and problems and suggest policies and directions, and (3) a series of public hearings held throughout rural parts of the state.

The Joint Committee found wide consensus in favor of a maximum measure of self-determination and self-rule, and establishment of regional units throughout the state to provide a basis for planning and program coordination. At the same time, the people do not want to rush into formal governmental organization; nor do they want it mandated.

Accordingly, the Joint Committee has developed an evolutionary approach that will provide people in rural areas with the means for self-government without forcing anything upon them prematurely. Choices and initiatives are left with each region.

CSSB 348 and CSSB 350 are two of the bills developed by the Joint Committee. CSSB 348 divides the unorganized borough into "unorganized boroughs" using the boundaries of the Regional Educational Attendance Areas (REAs). Public hearings are held in each REA by the Commissioner of Community and Regional Affairs and provision is made for adjustment of the boundary lines.

Each unorganized borough is eligible for regional planning program funds to study the economic, social, and environmental conditions of the area and the interrelationships between governmental units along with an examination of the feasibility of borough organization. No one is required to either undertake a study or form a borough. \$21,000 plus \$25 per capita is available to each unorganized borough for each of three years for regional planning programs.

Further, Title 29 is amended allowing for the incorporation, by petition to the Local Boundary Commission, of unorganized boroughs as home rule municipalities. Adoption of a home rule charter would require a majority vote both inside and outside of incorporated municipalities. Nothing in the bill requires the incorporation of a home rule borough or borough of any class. Rather, this section broadens the options currently available to residents in the unorganized borough.

CSSB 350 addresses certain responsibilities of executive departments important to the implementation of CSSB 348. State agencies are required

to collect data and information according to unorganized borough boundaries so that regional information will be available to local people and to the legislature. Certain exemptions are permitted. State agencies are also required to conduct program planning and management according to unorganized borough boundaries to facilitate coordinated service delivery. Combinations of unorganized boroughs for program planning and management purposes are permitted. Direct service delivery costs will be made available according to unorganized borough boundaries.

The Division of Policy Development and Planning (DPDP), Office of the Governor, is required to develop a data information system to facilitate state agency data collection and retrieval. Further, DPDP is required to report to the legislature alternatives and recommendations for improving coordination in state service delivery.

During the session, there has been considerable interest in these bills. A number of people have testified at hearings or have discussed the bills with the committee or its members. Due to interest in this legislation and to the complementary effect of recent developments in coastal zone management, the DCRA is initiating a study of the unorganized borough.

The Unorganized Borough Study (UOB) will include, (1) a series of "gatherings" or individual interviews with key residents in the unorganized borough to discuss and document problems and issues with planning and other service delivery in the unorganized borough; and (2) a working task force of Alaskan and non-Alaskan experts in public administration, finance and law to propose and examine solutions to key problems related to local and regional government and planning in the unorganized borough. A key product will be the identification of planning and management options for the unorganized borough and the evaluation of each option against the following criteria:

- a. Costs and Incidence of Costs: There will be costs associated with any planning or management options. It is important that the total costs be assessed for each alternative; it is equally important to identify all entities directly and indirectly absorbing the costs.
- b. Availability of Funds: One elementary requirement for any successful planning effort is financial resources; the funds may come from grants, tax revenues, revenue sharing, or some other source, but they must be available for both the development and implementation of a plan. All alternatives for the availability of funds should be evaluated for all stages of the planning program.
- c. Availability of Staff: In line with funds, planning efforts will need and must have easy and continual access to capable staff resources for both plan development and implementation tasks.
- d. Existing or Politically Feasible Mandates: The viability of a planning structure or program for Alaska's unorganized borough is largely dependent upon a mandate for that planning program. A mandate may occur in a number of ways: a legislative act, an administrative act of the Governor, public referendum or local election, or through a state agency program or regulation.

- e. Public Acceptability: Akin to political feasibility is the need for public acceptability of a planning or management option.
- f. Quality of Service Delivery: This a multi-faceted criterion; the quality of service delivery depends on a number of things, many of which are included in the other criteria. The objective, however, is not to repeat previous analysis, but to consider whether or not the planning alternatives are based upon "logical" planning units and how they will affect other public services and service areas.
- g. Implementation Authority (planning options only): In almost all cases, a plan is only as good as its implementation. Therefore, an effective planning structure or organization must have appropriate implementation authorities and powers.

It is envisioned that this project would have a legislative liaison, employed by the legislature to monitor the study, participate in policy analysis and deal with legislation that might be developed by the task force conferences. Coordination of studies regarding service delivery that are envisioned in CSSB 350 and avoidance of duplication of legislative efforts of the interim involves a staff position funded by the legislature to follow the unorganized borough study, to assess and design in conjunction with DCRA studies to supplement or complement the unorganized borough study.

Partially as a result of the Joint Committees' work during the interim, a resolution was introduced on both the House and Senate sides, calling for a revision of AS 29. Since the time of original enactment, changes in the statutes, problems in its application, and policy questions of importance have been noted by municipal attorneys, city managers and clerks, and other municipal officials. Additionally, representatives of the unorganized areas have noted certain structural inflexibilities of AS 29 and certain unresolved policy questions, such as the function and role of IRA councils and property tax exemptions. The legislature needs to be aware of these and other policy issues and to be prepared for future discussions of these policy issues at hearings during the next session and on the floor when legislation is discussed. For more background on this subject, please see the attached memorandum of March 31, 1980 to Senator Tillion.

As a result of information received by the Joint Committees during hearings held throughout the state, the CRA Committees introduced legislation proposing a Capital Foundation Fund.

Among the items learned by the Joint Committees was that not all projects are equally needed. Experience indicates that some percentage of capital projects include ones no one wants to see built, other projects whose operation costs will be so high that local people will reject them, others for which maintenance funds are not available. Some of these projects duplicate facilities that exist; some are a source of community conflict as they are only desired by some special interest group. Many are proposed because communities want to get their economies moving; but local people do not always work in them.

While this year's capital budget is the largest in Alaska's history, we all recognize that the state has long been in the local construction

business. And the state will continue in this role because state government has greater revenues than local governments, and because there is a need throughout the state for facilities of all sorts and for public works projects to affect economic goals.

Recognizing this reality, both House and Senate Community and Regional Affairs Committees have introduced legislation (HB 1010 & SB 546) which seek to systematize the capital construction process by providing for local capital improvements planning and local determination of construction priorities. Equity concerns have led us to propose a system that is similar to revenue sharing entitlements, except that, in addition to organized areas receiving funds, unorganized areas also receive entitlements.

The Capital Foundation Fund will, by appropriation, provide funds to all areas of the state for certain capital improvements. To expend funds, each area will need to develop an areawide capital improvement plan, approved by the local assembly when there is one, and by advisory groups assisted by the Department of Community and Regional Affairs when there is no local government.

Organized boroughs, unified home rule municipalities, and unorganized boroughs are encouraged to conduct regionwide planning to avoid costly duplications of capital projects and to prioritize, on the local level, needs among communities, rather than leaving this process to state level government.

Each area, so long as appropriations are made, is certain of a source of funding for local projects. Each area will receive a formula share of the appropriation. This stability will be advantageous to local governments for planning purposes. Additionally, unlike the current situation, areas may have greater ability to use capital projects for anti-cyclic economic benefits by being in control of fund expenditures. Annual funds do not lapse and may be accumulated for locally determined purposes. Home rule municipalities and organized boroughs expend funds themselves. In unorganized areas, the Department of Transportation and Public Facilities is responsible for fund expenditures. Local governments, under the Capital Foundation Fund program, will be assured of a steady supply of state funds for capital improvements that will be directed toward locally determined project needs and can be expended at a locally determined pace.

Capital Foundation Funds may be used as the local match required for certain state and federal projects. This will be particularly significant in rural areas which do not now have a source of local match.

Capital Foundation Fund entitlements may be used for any priority established by the capital improvement plan in the following classes: libraries, cultural recreation, health and community facilities; neighborhood parks; emergency detention facilities; water, sewer, solid waste and resource recovery facilities; and a variety of transportation facilities, such as local transit facilities and equipment.

As explained in the next section of this proposal, additional work is needed regarding capital construction.

At the heart of much of the concern of rural people regarding future formation of boroughs is a concern for the ability of communities to generate sufficient revenues to sustain local government and local governmental services. One of the areas that the Joint Committee initiated work in was the area of local government funding and fiscal resources. Unfortunately, this topic was not fully explored, and the committees felt that it was inappropriate to introduce legislation at that time. However, it is clear from all the testimony received and from preliminary work done during the interim that this issue lies at the heart of steps that can be taken to foster local and regional government in the unorganized borough. The Department of Community and Regional Affairs will be studying one part of this issue in their unorganized borough study. The legislature should not only participate in that study, but we can supplement those efforts to provide a more concrete understanding of the causal connections between revenue sources and borough government formation. Some of those relationships are clearly demonstrated in the work done by Darbyshire and Associates on the feasibility of the formation of a Yukon Flats Borough. There are, however, especially in the light of building the gasline, several policy issues that require legislative attention. A discussion of several of these policy issues was prepared for the committee by consultant Vic Fischer. A copy of his report is attached to this proposal. The focus that the Senate CRA Committee feels would be most useful at this time is the one centered on the development of "pipeline" boroughs.

BILL NUMBER	DATE INTRODUCED/RECEIVED	SPONSOR(S)	REFERRED	REGARD...
SB 296	1/14/80	1/14 Stimpson	Finance	partial exemption from assessment for levy and collection of property taxes on residential property
SB 299	1/14/80	1/14 Kerttula	—	reducing max. rate of levy for property taxes by municipalities
SB 300	1/14/80	1/14 Kerttula	Labor + Mgmt.	re. to injury leave
SB 309	1/14/80	1/14 Hackney + Ziagler	Judiciary	local govt. impact statement
SB 319	1/15/80	1/15 Rules Committee by request of the L.C.	Finance	exemption from municipal property taxation
SB 324	1/15/80	1/15 " "	Finance	property tax equivalency payments to senior citizens
SB 301	1/15/80	1/15 " "	Finance	appropriation to D.C.R.A. for a senior citizens housing needs assessment
SB 321	withdrawn via			
SB 348	1/21	1/21 Rules Committee	Finance	unorganized boroughs
SB 354	1/21	1/21 Rules Comm.	Finance	eliminating 3rd class
SB 353	1/21	1/21 Rules Comm.	Finance	incorporating second class boroughs as home rule boroughs
SB 352	1/21	1/21 Rules Comm.	Finance	requiring fiscal notes for bills affecting a municipality
SB 351	1/21	1/21 Rules Comm.	Finance	State Act & government responsibilities of DPDP
SB 350	1/21	1/21 Rules Comm.	Finance	est. a series of planning for unorganized boroughs
SB 349	1/21	1/21 Rules Comm.	Finance	general obligations bonds for capital improvements for water & sewer systems
SB 342	1/18	1/22 Rules	Finance	exemption of residence of disabled VET from certain taxes
SB 360	1/24	1/24 Sumner + Hackney	Finance	fire prevention
SB 370	1/31	1/31 Colletta + Bradley	CIRA	
SB 389	2/5	2/5 Brasby, Kerttula, Hackney, Colletta, Dankerwith, Rodley, Fahrenkamp + Bennett	Finance	Senior Citizen Property Tax exemption
SB 408	2/8	2/8 Resources Committee	Finance	Village gardening funds
SB 389		2/5		

BILL NUMBER DATE-INTRODUCED/RECEIVED SPONSOR(S) REFERRED REGARDING

351 4/9
HB 947 4/14
HB 782 4/15
SB 562 4/17
SB 565 4/24
CSHB 192 (Fin) am 4/24
SCR 66 - 4/25
CSHB 562 4/26
HB 696 4/28

← 4/26 gave back 4/29

~~CSB~~
CSSB 562 (corrected) 4/29
CSHB 932 4/30
CSHB 192 am 5/2
SCSCSHB 192 "
SCSCSHB 947 5/9

SCSCSHB 947 5/2
work done 4/17 5/2

FCCSSB 549 Draft
FCCSSB 248
" 245
" 243
" 446
" 240
" 242
" 244
" 246
" 247

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CSRB 546 5/14
HCR 67 5/15
SCSCSHB 932 5/21
HB 615 5/21

BILL NUMBER	DATE INTRODUCED/RECEIVED	SPONSOR(S)	REFERRED	REGARDING	
SB 436	2/12	2/12	Verttula	Finance	grants for Solid waste exempt. from tax & levy instruments to reduce energy consumption Senior citizens tax exempt.
SB 431	2/12	2/12	Rules Comm.	Finance	
SB 427	2/12	"	Fery, Kay, Sackett, Molard, Collette, Sumner, Kerth, Lisbon, Bradley	Finance	
SB 437	2/12	2/12	Rules by req. of Gov.	Finance	changing the definitions of alternative construction costs which qualify for state financial participation general obligation bonds for waste
CS 131	2/1	2/18	CRIF		
SB 448	2/18	2/19	Hohman	Finance	Establishment of streamlined am. rule brought revenue bonds for industrial parks
SB 486	2/18	2/19	Hohman	Finance	
SB 465	2/18	2/19	Fery, Collette,	Fin.	Taxes on residential property exempt Sen. Cit. from property tax Champlain Park Strip
SB 456	2/18		Fahren, Sumner Stinson & Bradley	Fin.	
SB 453	2/18	2/19	Fahren & Bradley	Fin.	funding grants for community sports facilities const. of ski jumps options for control of Ft. St. Airport
SB 452	2/18	2/19	Rules Committee	Fin.	
SB 446	2/18	2/19	K, Collette, Kelly Sturgis, Stinson	Fin.	Community facilities maint. by local sports & rec. councils app'd to CRIF under general bond & planning accounts
SB 450	2/18	2/19	Rules Comm.	Fin.	
SB 451	2/18	2/19	Fahren, Brad, Collet., Kerth, & Fery	Fin.	app'd to CRIF under general bond & planning accounts
SB 442	2/19	2/19	IRA	Fin.	
SB 510		3/5			app'd to CRIF under general bond & planning accounts
CS SB 453		3/11			
CS SB 450		3/18			
CS SB 349		3/24			
CS SB 492		3/24			
CS SB 348		3/24			
CS SB 350		3/25			
SB 389		3/31			
CS SB 370		4/2			
SB 389		4/2			
SB 535		4/2			
SB 546		4/3			
CS SB 350		4/3			
SB 389		4/3			
SB 510		4/3			
SB 510		4/3			