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COMMITTEE REPORT

HOUSE

FURTHER: Finance

(5)

4/20/82

Date: 4/22/82

Mr. Speaker: Community & Regional

The Committee on Affairs has had SB 735

"An Act relating to organization grants and transitional assistance for municipalities; and providing for an effective date."

under consideration and reports it back as follows:

- do pass  do not pass
- do pass with attached amendments(s)
- replace with CS for \_\_\_\_\_  same title  
 new title
- and recommends \_\_\_\_\_
- AND attaches a "Letter of Intent"  New Fiscal Note
- reports it back without recommend
- referred to the \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS

M E M B E R S H A V I N G  
NO RECOMMENDATIONS:

[Signature]

[Signature]

[Signature]

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[Signature]

**CHAIRMAN**

# HAINES BOROUGH

P.O. BOX H  
HAINES, ALASKA 99827  
(907) 766-2711

RECEIVED  
FEB 20 1982

BUDGET/AUDIT  
COMMITTEE

February 18, 1982

The Honorable Don Gilman  
Chairman - Community & Regional Affairs  
Alaska Senate  
Pouch Y  
State Capitol  
Juneau, Alaska 99811

Dear Senator Gilman and Members of CRA;

I would like to inform you and your committee that I am very much in favor of SB 736 - Home Rule Municipalities.

Since I have been Mayor of a third class borough, I have had a number of inquiries from unorganized areas requesting information concerning a third class borough. In each case they had specific problems that needed to be resolved. Some of them would not solve their problems by going third class. Thus, I feel they need a more flexible form of government to meet their needs. I believe that the home rule municipality will do this since the residents would be able to write their own charter to cover their own problems.

If we are to encourage the unorganized areas of Alaska to form an organized form of government, what better way than home rule borough. This lets the residents decide on what powers they want in their charter and allows them to add other powers when needs develop. I feel legislation of this type is very desirable and hope you will seriously consider this bill.

Sincerely yours,

*R. E. Henderson*  
R. E. Henderson  
Mayor

REH/mlp

cc: Senator Ziegler, Vice-Chairman  
Senator Colletta  
Senator Ferguson  
Senator Sturgulewski

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y - STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 9, 1982

SUBJECT: Home rule municipalities  
(Work Order No. 12-2035)

TO: Senator Arliss Sturgulewski

FROM: Tamara Brandt Cook  
Legislative Counsel

TBC

Here is the final version of the bill you requested that would allow incorporation of home rule municipalities. Please note that Sec. 17 of this bill conflicts with your bill dealing with organization grants to municipalities (Work Order No. 12-2382). Since Sec. 17 of this bill only becomes effective on passage of the municipal code revision, there is nothing more I can do with the effective date of that section to avoid conflicts with other pending legislation. The bill that becomes law last is presumed to take priority over conflicting bills that became law earlier, so if you desire the organization grants provisions of Work Order No. 12-2382 to take effect rather than the organization grant provision contained in the municipal code revision or in this bill, Work Order No. 12-2382 should be passed after both the municipal code and this bill are signed into law.

(55 735)

TBC:ljb

Enclosure

JAY S. HAMMOND, GOVERNOR

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

DIVISION OF ADMINISTRATIVE SERVICES

POUCH B  
JUNEAU, ALASKA 99811

March 16, 1982

The Honorable Don Gilman  
Alaska State Legislature  
Pouch V  
Juneau, AK 99811

Dear Senator Gilman:

Enclosed please find position papers and fiscal notes for SB 735 and SB 736

Should you have any questions concerning these notes please contact me at 465-4709.

Sincerely,



Rod Mourant, Director  
Division of Administrative Services

cc: Senator Sturgulewski  
Alaska State Legislature

Keith Specking, Legislative Assistant  
Office of the Governor

Ron Lehr, Director  
Division of Budget & Management  
Office of the Governor

Elmer Lindstrom, Fiscal Analyst  
Legislative Finance Division  
Legislative Affairs Agency

POSITION PAPERRequested by: Senate Community & Regional AffairsSubject: SB 735 "An Act Relating to Organization Grants and Transitional Assistance"Departmental Position: Support

## Remarks:

AS 29.05.180 of the proposed bill provides for organizational grants for cities based on a formula of \$50,000 the first year and \$25,000 the second year.

AS 29.05.190 of the proposed bill provides for organizational grants for boroughs based on a formula of \$300,000 the first year, \$200,000 the second year and \$100,000 the third and final year.

AS 29.05.210 of the bill would provide for transitional technical assistance in the area of tax collections.

Even before the era of great state wealth the status quo in the unorganized borough was characterized as inequitable and inefficient. Inequitable in the sense that residents are not, generally, afforded the opportunity to participate directly in the decision making process nor do they participate on an equal basis in terms of financing local services; inefficient to the extent that existing service delivery mechanisms (cities and State regional offices) often lack the necessary expertise to provide services on an efficient and responsive basis. The inequity and inefficiency of the present system are now even more pronounced in light of the attention focused on and the millions of dollars spent in the unorganized borough. More goods and services are being provided in rural Alaska without the benefit of local control and a coordinated delivery mechanism.

The solution must be a voluntary one if it is to work. To make a voluntary progression from unorganized status to organized borough status work, it must have three major incentives to make it more attractive than the status quo: 1) money, 2) a mechanism for substantial local control, and 3) transitional assistance to help get a regional government off the ground. Rural areas of the State should not be rushed into any regional governance nor should they be presented with an all-or-nothing situation.

This bill combines monetary incentive with guarantees of assistance that will make regional government more attractive to residents of the unorganized borough.

The Department has long supported increased financial and technical assistance to municipalities (including newly formed cities) during the period immediately after incorporation. That initial period is critical in the development of municipal government and the assistance provided by this bill will help newly formed governments get started.

THE LEGISLATURE OF THE STATE OF ALASKA  
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST  
 Bill/Resolution No. SB 735  
 Title "An Act relating to municipal government"  
 Requested by Rules committee by request of Legislative Date January 20, 1982  
Council

II. FISCAL DETAIL  
 Agency Affected Department of Community and Regional Affairs  
 Program Category Affected Community Development  
 BRU, Program, Or Subprogram(s) Affected Local Government Assistance  
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
100 PERSONAL SERVICES						
200 TRAVEL		5.0	5.0	5.0	5.0	5.0
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		400	250.0	425	250	425.00
TOTAL		405.0	255.0	430.0	255.0	430.0

FUNDING (Thousands of Dollars)

GENERAL FUND		405	255	430	255	430
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

FULL TIME		0	0	0	0	0
PART TIME						
TEMPORARY						

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

SEE ATTACHED

IV. DATE March 15, 1982 PREPARED BY Terry E. Earley  
 AGENCY C&RA/ Local Government Assistance  
 Original: Legislative Finance PHONE 465-4730  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)  
 33-001 (Rev. 12/81)

AS 29.05.180 of the proposed bill provides for organizational grants for cities based on a formula of \$50,000 the first year and \$25,000 the second year. The proposed funding level in this fiscal note is based on 2 cities incorporating in Fiscal 82 and 1 every other year after that time.

AS 29.05.190 of the proposed bill provides for organizational grants for boroughs based on a formula of \$300,000 the first year, \$200,000 the second year and \$100,000 the third and final year. The proposed funding level in this fiscal note assumes one borough incorporation in each of the following years: FY 83, FY 85 and FY 87.

Page 5 of the bill (AS 29.05.210) deals with transitional assistance to boroughs and establishment of taxation systems. It is not completely clear how much assistance is intended by this language. Depending on the legislative intent, the cost of setting up those tax systems could run as high as \$300,000 per borough per year. This fiscal note assumes technical assistance only and that that assistance would be provided with existing staff. The only cost based on those assumptions would add additional travel of \$5,000.

# Alaska State Legislature



Senate

SENATOR  
ARLISS STURGULEWSKI

COMMITTEES  
CHAIRMAN  
Legislative Budget & Audit  
Community & Regional Affairs  
Finance  
Resources

2957 SHELDON JACKSON  
ANCHORAGE, ALASKA 99504  
DISTRICT 10-H

While in Juneau  
FOUCH V  
JUNEAU, ALASKA 99811  
(907) 465-3818

## ANALYSIS BY SPONSOR

RE: SB 735 "An Act relating to organizational grants and transitional assistance for municipalities; and providing for an effective date."

This bill revises provisions of Title 29 relating to organizational grants to new municipalities, and to the assistance to be provided to those new local governments. This bill must be able to amend current statutes, as well as the corresponding sections of the new municipal code, if enacted. Therefore, section 1 revises the existing Title 29; sections 2 and 3, a repetition of the language in section 1, are numbered to correspond to SB 180/HB170.

Specifically, sections 1 and 2 of this bill would increase the organizational grants to cities from a minimum \$25,000 grant (except for second class cities, limited to \$10 for each person voting in the incorporation election) to a minimum \$50,000 grant, with an optional \$25,000 grant during their second year in existence.

Sections 1 and 3 also establish a separate organizational grant for boroughs, which provides \$600,000 over a three-year period. A \$300,000 organizational grant would be made to a new borough the first year, decreasing to \$200,000 the second year and \$100,000 the final year. The intent of these phased organizational grants is to allow local governments to offset state grant funds with revenue sharing funds and local revenues.

Transitional assistance to boroughs is provided in sections 1 and 3. Under this bill, the Department of Community and Regional Affairs is to determine the borough's population, and assist the new borough in establishing local assessment and tax collection capabilities. In the case of a borough that adopts sales taxes, the Department will help set up an assessment and collection mechanism. If a borough adopts a property tax, the Department will provide an initial tax assessment roll, including appraisals as required.

Sections 4, 5, 6 and 7 contain effective dates and repealers that control the implementation of this Act through current Title 29 language, and through SB 180/HB 170, if enacted.