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396



STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 12/29/83

REQUEST

Bill/Resolution No.: HB 396  
 Title: Audit & Financial Statement  
Regulations Rec ID 930  
 Sponsor: C&RA Committee  
 Requestor: Jay Hogan  
 Date of Request: 12/16/83

FISCAL DETAIL

Agency Affected: Community & Regional Affairs  
 Program Category Affected: Development  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
900 MISCELLANEOUS						
TOTAL OPERATING	No fiscal impact DCRA					
CAPITAL	No fiscal impact DCRA					
REVENUE	No fiscal impact DCRA					

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Mar Winegar Phone: 465-4750  
 Division: Municipal & Regional Assistance Date: 12/29/83

Approved by Commissioner: [Signature] Date: 12/29/83  
 Agency: Community and Regional Affairs

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
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Bill/Resolution No.: HB 396  
Title: Audit & Financial Statement  
Regulations      Rec ID 930

ANALYSIS:

Assumptions:

Fiscal impact is not anticipated for Community and Regional Affairs but there could be impact on certain municipalities.

Positions:

Other Expenditures:

Funding:

Section Cost Analysis:

Computations:

Economic Impact:

Impact on Local Government:

Attachments

# STATE OF ALASKA

Bill Sheffield, Governor

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSICNER

POUCH B  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700

May 25, 1983

### ANALYSIS OF IMPACT FOR HB 396

"An Act relating to certain audit and financial statement requirements."

The following are the numbers of cities or communities and the total dollars that would be affected by Sections 2 and 3 of HB 396.

#### Section 2

31 second class cities received over \$100,000 in combined funding in FY 82 under the State Revenue Sharing, Municipal Assistance, and Raw Fish Tax programs. This funding totalled \$5,016, 273. A list of these cities is attached.

#### Section 3

Legislative grants to named second class cities in the FY 83 budget which were \$100,000 or greater totalled \$17,810,000. There were 87 grants in the budget (SCSHB 148 (Fin)) which fell into this category.

There are presently 61 grants to named unincorporated communities which equal or exceed \$100,000 and they total \$14,040,185.

#### For Informational Purposes

Grants under SB 168 to unincorporated communities would not be affected by this legislation, but at the request of the House Community and Regional Affairs Committee it is provided for informational purposes. There are approximately 43 grants under this program which total \$6,881,000.

#### Summary

Section 2--31 second class cities (SRS, MA, Raw Fish)	\$5,016,273
Section 3--87 second class cities (Legislative grants)	17,810,000
61 unincorporated communities (leg. grants)...	<u>14,040,185</u>
TOTAL	\$36,866,458

  
Mark Lewis, Commissioner

# Alaska MUNICIPAL League

TELEPHONES  
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204 N. FRANKLIN ST.  
JUNEAU, ALASKA 99801

May 10, 1983

to: House C. & R.A. Committee  
from: Ginny Chitwood *Ginny*  
re: HB 396 - Audit Requirements for Second Class Cities

Summary: This bill requires all municipalities to provide for annual independent audits of the accounts and financial transactions, except second class cities receiving less than \$100,000 from revenue sharing, municipal assistance, and raw fish tax. Currently, no second class city is required to provide for an audit, but all other municipalities are. This bill also authorizes state agencies to require an independent audit of municipal grants for projects over \$100,000. The purpose of the bill is to ensure good financial procedures and accountability.

Section 1: AS 29.23.560 lists reports that municipalities must file with the Department of Community and Regional Affairs in order to be eligible for revenue sharing payments. Currently, second class cities are required to provide only statements of income and expenditures, but with this bill would be required to provide for independent audits if they receive \$100,000 or more from revenue sharing, municipal assistance, and raw fish tax.

Section 2: Chapter 48 of Title 29 is "Powers Applicable to All Municipalities". This bill amends AS 29.48.220. Post Audit to require second class cities to provide for an annual independent audit if they receive at least \$100,000 from the following sources:

- AS 29.88 - Revenue Sharing, Municipal Tax Resource Equilization  
(the main, formula part of revenue sharing)
- AS 29.89 - Revenue Sharing, State Aid for Miscellaneous Purposes  
(roads, hospitals & health facilities, etc.)
- AS 29.90 - Revenue Sharing, State Aid for Hospital Construction
- AS 29.95 - Revenue Sharing, Administration  
(minimum entitlements & cost of living differentials)
- AS 43.20.016 - Sharing of Corporate Income Tax Revenue with  
Municipalities (Municipal Assistance Fund)
- AS 43.75.130 - Refund to Local Governments of Fisheries Taxes  
(Raw Fish Tax)

Section 3: This section of the bill amends the law to allow state agencies to require an audit of a grant for a capital improvement project if over \$100,000 is provided through AS 37.05.315 - Grants to Municipalities, AS 37.05.316 - Grants to Named Recipients, or AS 37.05.317 - Grants to Unincorporated Communities.

# Alaska State Legislature

Barbara Lacher, Chairman  
Mae Tischer, Vice-Chairman  
Randy Phillips  
Milo Fritz  
Don Clocksin  
Jack McBride  
Mike Szymanski



Room 104  
State Capitol  
Juneau, Alaska 99811

Pouch V  
Juneau, Alaska 99811

## House of Representatives Committee on Community & Regional Affairs

TO: Committee on Community and Regional Affairs  
FROM: Staff  
DATE: May 10th, 1983  
RE: House Bill 396

HB 396 was introduced by the Committee on Community and Regional Affairs upon the request of the Administration.

The intent of the proposed legislation is to require second class cities that receive more than \$100,000 from various state funding sources including capital project grants, state revenue sharing, municipal aid and the raw fish shared tax, to have an independent financial audit performed annually.

Present law provides second class cities the option of preparing a financial statement or an independent audit.

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

POUCH B  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700

May 9, 1983

POSITION PAPER

RE: HB 396  
SPONSOR: House Community and Regional Affairs

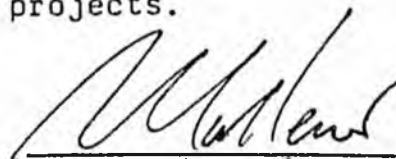
Program Effects of the Bill

This bill would require second class cities receiving more than \$100,000 in combined funding under the State Revenue Sharing, Municipal Assistance and the Raw Fish Shared Tax programs to prepare an annual independent audit. The bill would also allow state agencies to require an independent audit of a capital improvement project funded under AS 37.05.315-37.05.317 if the grant exceeds \$100,000.

Comments

The standard of requiring second class cities to provide certified annual income and expenditure statements in lieu of a complete independent audit was enacted when the level of State aid to municipalities was substantially less. With increased appropriations to the Municipal Assistance Program and the establishment of minimum entitlements under the State Revenue Sharing there is justification for increased accountability. An audit could, in fact, pay for itself through improvements in recordkeeping and efficiency.

Similarly, projects funded under AS 37.05.315-37.05.317 which exceed \$100,000 may need to be audited to insure proper accountability of the State funds. The Department would recommend at least giving the State the option of requiring an audit for these large grant projects.



Mark Lewis, Commissioner

STATE OF ALASKA  
FISCAL NOTE

Revision Date \_\_\_\_\_, 1983

I. REQUEST

Bill/Resolution No.: HB 396  
 Title: Audit & Financial Statement Require.  
 Sponsor: HCR  
 Requestor: HCR

II. FISCAL DETAIL

Agency Affected: Dept. of C & RA  
 Program Category Affected: Development  
 BRU, Program of Subprogram(s) Affected: Local Government Assistance Program

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

III. SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

IV. ANALYSIS: Attach a separate page for any Analysis

Prepared By: Richard Rainery *RR* Phone: 465-4703  
 Division: Commissioner's Office Date: 5/9/83  
 Approved by Commissioner: *Walter* Date: 5/9/83  
 Department: Dept. of Community and Regional Affairs

Distribution:

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3/8/83