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ALASKA

STATE LEGISLATURE

MEMORANDUM

November 4, 1982

TO: Billy Berrier  
Director, Division of Legal Services

FROM: Senator Don Bennett

Please draft for me, for pre-filing, an appropriately updated bill that would duplicate the benefits to municipalities and unincorporated communities contained in HCS CSSB 168 (Fin) from 1981-chapter 60 Session Laws of 1981-with these exceptions:

1. The amount of money in Sections 1(b) and 2(b) will be \$1,500.

2. The population determination in Section 3(a) will be based on the annual population determination performed by the Department of Community and Regional Affairs.



STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SB 103 Date on Bill: February 2, 1983  
 Title: Act relating to State aid for municipalities and unincorporated communities  
 Sponsor: by Bennett  
 Requestor: Senate C & R A Committee

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital		656,989.5	-0-	-0-
Operating		376.0	406.1	438.6
Total	-0-	660,749.5	406.1	438.6

b. Revenues:

Revenue	-0-	-0-	-0-	-0-
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2. Source of funds to offset fiscal impact of bill: State General Funds

3. Assumptions: In the 12th Legislature, SB 168 appropriated funds adequate to pay \$750 per capita for Department of Administration grants to municipalities and DCRA grants to unincorporated communities. The Department of Administration administered 151 grants, which averaged state-wide 8 projects per grant. Obviously, local involvement was high in the municipal planning activity, and there was a strong stimulus to local construction. Additionally, most municipalities used a portion of their grant to fund social services programs which would otherwise have been foregone unless paid by local revenues. Using the February 7, 1983 Population Determination by Commissioner Mark Lewis, the Department of Administration census for this bill will be not less than 437,993. Multiplying this population by the \$1,500 per capita legislation will cost \$656,989,500 for the Capital appropriation plus the \$376,000 operating costs incurred by the Department. A bill of this fiscal magnitude must obviously be considered as an alternative to the Governor's Municipal CIP Budget rather than an addendum.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor.

Prepared By: Kenneth R. Ryals *Kent* Phone: 465-2277  
 Division: Administrative Services Date: February 14, 1983

Approved by Commissioner: David Rudd Date: 2/23/83  
 Department: Administration

Reviewed by OMB: \_\_\_\_\_ Date: \_\_\_\_\_  
 Phone: \_\_\_\_\_

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/8/83

# STATE OF ALASKA

Bill Sheffield, Governor

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

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

February 17, 1983

### POSITION PAPER

RE: SB 103  
SPONSOR: Senator Bennett

#### PROGRAM EFFECTS

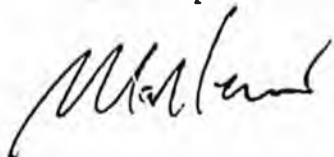
This bill would distribute \$1500 per capita to every community in the state (both incorporated and unincorporated communities). The Department of Administration would distribute funds to municipalities and the Department of Community and Regional Affairs would handle the unincorporated communities.

#### COMMENTS

While the Department recognizes the need for capital improvements in the communities of the state, we feel the administration supported capital improvement process that involves the Communities, the Legislature and the Administration is preferable. It is our feeling that the per capita program outlined in this bill would not fully address the needs of small communities. During the operation of the Aid to Unincorporated Communities program (SB 168) the Department encountered several problems that should be considered along with this bill.

- 1) SB 168 and this bill both require that the Department deal with "an incorporated entity or a federally chartered entity...". While this ensures that the Department deals with a legally established entity it ignores traditional native governments. Although we are not aware of a legal way to include these traditional councils, we do feel that the problem warrants attention.
- 2) Another major problem revolves around the population question. SB 168 required use of 1980 census populations and this bill would require the Department to annually determine the population of these unincorporated communities. In the case of the 1980 Census figure many "Communities" in Alaska were not identified by the Census Bureau. That left us in a position of trying to determine what the population of those communities might have been.

This bill requires an annual population determination in the unincorporated communities; this is not currently being done by any state agency and would be relatively expensive. Is it the intention of the sponsor to have this requirement continue even though the grants appear to be one time appropriations? If that is the intent then additional fiscal impact would result.



POSITION PAPER  
FEBRUARY 17, 1983  
PAGE 2

3) Further, the SB 168 program was a first experience in government and grants administration for many of these unincorporated communities. That experience emphasized the need for technical assistance in these communities. It also dramatically illustrated that the Department's staff resources were inadequate to respond to those needs.

4) One additional concern that has surfaced over the past couple of years revolves around operation and maintenance of facilities constructed in unincorporated communities. These communities do not have any sort of taxing authority and must rely on state grants or private donations for such expenses. It seems logical that consideration of operation & maintenance costs should be included in discussions of this bill.

STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SB 103 Date on Bill: 2/2/83  
 Title: Relating to State Aid to Municipalities & Unincorporated Communities  
 Sponsor: Senator Bennett  
 Requestor: Senate Community & Regional Affairs Committee

1. Estimated fiscal impacts on: Department of Community & Regional Affairs

a. Expenditures:

(Thousands of Dollars)

			FY 83	FY 84	FY 85	FY 86		
Capital				19,500.0				
Operating				380.1				
Total				19,880.1				

b. Revenues:

Revenue								
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2. Source of funds to offset fiscal impact of bill:

Sponsor did not indicate.

3. Assumptions:

There are 13,000 people currently living in unincorporated communities of 25 or over. This statement of fiscal impact deals only with those communities and those people and does not apply to the municipal portion of the bill administered by another Department.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It does not represent the policy of the Sheffield Administration or the final estimate of fiscal impact.

Prepared By: Terry Earley Phone: 465-4739  
 Division: Local Government Assistance Date: 2/9/83  
 Approved by Commissioner: [Signature] Date: 2/18/83  
 Department: Community & Regional Affairs

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
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2/8/83

# STATE OF ALASKA

Bill Sheffield, Governor

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

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

### Fiscal Analysis SB 103

13,000 est. population of eligible unincorporated communities.  
13,000 x \$ 1500 = \$19,500,000

#### Administration

The Division of Local Government Assistance administers the current \$1000 per capita program to unincorporated communities and in doing so has learned some hard lessons. Those lessons taught us that there is a severe need for technical assistance in the unincorporated communities. Before this type of a program can be successful, additional staff is required to provide necessary training. Although the need and the desire for programs and services this money would bring exist, the expertise in dealing with community projects and services does not. A new community building or a new land fill can do very little good without the human resources to manage them after completion.

Based on the division's experience with unincorporated communities the following is our estimate of additional administrative costs resulting from this type of program.

#### Fairbanks Field Office

2 LGS IV's RG 19(Salaries and Fringes)	\$105,268
Office Space	\$ 9,000
Telephone	\$ 1,360
Travel	\$ 12,000
One time items(office furniture, etc.)	\$ 1,800
TOTAL	\$129,428

#### Bethel Field Office

1 LGS IV RG 19(salary and fringes)	\$62,386
Office space	\$ 4,500
Telephone	\$ 650
Travel	\$ 6,000
One time items(office furniture etc.)	\$ 900
TOTAL	\$74,436

FISCAL ANALYSIS SB 103  
PAGE 2

Anchorage Office

1 LGS IV RG 19(salary and fringes)	\$ 49,264
1 Project Assistant RG 16(salary and fringes)	\$ 39,901
1 Administrative Assistant RG 12(salary and fringes)	\$ 30,602
1 Clerk Typist III RG 8(salary and fringes)	\$ 24,089
Office space	\$ 18,000
Telephone	\$ 4,800
Travel	\$ 6,000
One time items(office furniture etc.)	\$ 3,600
TOTAL	<u>\$176,256</u>

Total Administrative Costs \$19,880,120

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

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

March 8, 1983

POSITION PAPER

*KP for Mark Lewis*  
RE: CSSB 103

SPONSOR: Senate Community & Regional Affairs

PROGRAM EFFECTS

This bill would distribute \$400 per capita to every community in the state (both incorporated and unincorporated communities).

COMMENTS

The Department recognizes the need for Capital improvements in the communities of the state. We feel this approach is a good one as part of an overall Capital improvement plan. This type of a program would provide communities with local control of their capital projects. This local control is felt to be desirable by the Department.

- 1) SB 168 and this bill both require that the Department deal with "an incorporated entity or a federally chartered entity...". While this ensures that the Department deals with a legally established entity it ignores the traditional native governments. Although we are not aware of a legal way to include these traditional councils, we do feel that the problem warrants attention.
- 2) Another major problem revolves around the population question. SB 168 required use of 1980 census populations and this bill would require the Department to annually determine the population of these unincorporated communities. In the case of the 1980 Census figure many "Communities" in Alaska were not identified by the Census Bureau. That left us in a position of trying to determine what the population of these communities might have been.

This bill requires an annual population determination in the unincorporated communities; this is not currently being done by any state agency

The cost of instituting this new population program is included in the statement of fiscal impact.

Postion Paper  
March 8, 1983

- 3) Further, the SB 168 program was a first experience in government and grants administration for many of these unincorporated communitites. That experience emmphasized the need for technical assistance in these communities. It also dramatically illustrated that the Department's staff resources were inadequate to respond to those needs. The statement of fiscal impact that accompanies this bill would go along way toward satisfying that need.
- 4) Many of the Department of Administration problems are solved by the audit provisions of this bill. Many more will be solved if sufficient administrative personnel are added.

STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: CS For SB 103 Date on Bill: 3/2/'83  
 Title: State Aid For Municipalities & Unincorporated Communities  
 Sponsor: Community & Regional Affairs  
 Requestor: Community & Regional Affairs

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital		227,099.4		
Operating		668.4		
Total				

b. Revenues:

Revenue				
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2. Source of funds to offset fiscal impact of bill:

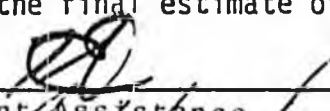
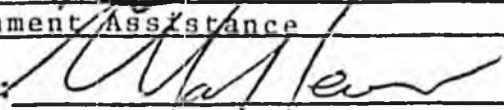
Sponsor Did Not Indicate.

3. Assumptions:

See Attached.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Terry Early  Phone: 465-4730  
 Division: Local Government Assistance Date: 3/7/'83  
 Approved by Commissioner:  Date: 3/7/'83  
 Department: Community & Regional Affairs

5. Distribution:

Original to Legislative Finance  
 Copy to OMB  
 Copy to Sponsor  
 Copy to Requestor

2/15/83

# STATE OF ALASKA

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

### DIVISION OF LOCAL GOVERNMENT ASSISTANCE

Bill Sheffield, Governor

REPLY TO:

- POUCH BH  
JUNEAU, ALASKA 99811  
(907) 465-4707
- 225 CORDOVA STREET, BLDG. B  
ANCHORAGE, ALASKA 99501  
(907) 264-2201
- P.O. BOX 348  
BETHEL, ALASKA 99559  
(907) 543-3475
- P.O. BOX 41  
NOME, ALASKA 99762  
(907) 443-5457
- P.O. BOX 280  
KOTZEBUE, ALASKA 99752  
(907) 442-3675
- 1514 CUSHMAN RM. 211  
FAIRBANKS, ALASKA 99701  
(907) 452-7126

### FISCAL ANALYSIS OF CS SB 103

#### MUNICIPAL AID

446,414 estimated population of Municipalities  
13,000 estimated population of Unincorporated communities

446,414	@ \$400 X COLA =	\$221,899,400
13,000	@ \$400 X COLA =	<u>5,200,000</u>

TOTAL GRANTS \$227,099,400

#### Administration

This bill actually proposes four (4) changes to existing procedures.

First, it would transfer the existing Municipal Grants Program from the Department of Administration to the Department of Community and Regional Affairs. We do not believe it is the intention of the sponsor to transfer any existing grants and we have not reflected any transfer in this fiscal note.

Second is the establishment of a Municipal Aid Program within the Department of Community and Regional Affairs. This would be similar to the Municipal Aid Program established by SB 168 within the Department of Administration. After reviewing their experiences we are hopeful of learning from these efforts. This statement of fiscal impact is based on what we have learned from them.

Third is the reestablishment of the Aid to Unincorporated Communities Program, which this Department administered as a result of SB 168. In administering the SB 168 program, the Department learned some hard lessons. Those lessons taught us that there is a severe need for technical assistance in the unincorporated communities. Before this type of a program can be successful, additional staff is required to provide necessary training.

Although the need and the desire for programs and services this money would bring exist, the expertise in dealing with community projects and services does not. A new community building or a new land fill can do very little good without the human resources to manage them after completion.

Finally, this bill would require the Department to annually determine the population of municipalities and unincorporated communities. This would increase the number of communities that the Department would have to determine the population for annually by approximately 100. Due to the fact that that requirement is different from the Grants Programs it will be treated separately.

Barrow Office

LGS IV RG 19 (Salaries & Fringes)	\$ 62,386
Office Space	4,500
Telephone	650
Travel	6,000
One Time Items	<u>900</u>
	\$ 74,436

Dillingham Field Office

LGS III RG 17 (Salaries & Fringes)	\$ 54,610
Office Space	4,500
Telephone	650
Travel	6,000
One Time Items (Office Furniture, etc.)	<u>900</u>
	\$ 66,660

Fairbanks Field Office

LGS III RG 17 (Salaries & Fringes)	\$ 45,976
Office Space	4,500
Telephone	650
Travel	6,000
One Time Items (Office Furniture, etc.)	<u>900</u>
	\$ 58 026

Bethel Field Office

LGS III RG 17 (Salary & Fringes)	\$ 54,610
Office Space	4,500
Telephone	650
Travel	6,000
One Time Items (Office Furniture, etc.)	<u>900</u>
	\$ 66,660

Anchorage Office

LGS IV RG 19 (Salary & Fringes)	\$ 49,264
2 Grants Administrator/Auditors RG 17 (Salaries & Fringes)	85,503
1 Project Assistant RG 16 (Salary & Fringes)	39,901
1 Administrative Assistant RG 13 (Salary & Fringes)	30,602
1 Clerk Typist III RG 8 (Salary & Fringes)	24,089
Office Space	27,000
Telephone	4,800
Travel	24,000
One Time Items (Office Furniture, etc.)	<u>5,400</u>
	\$290,559

Juneau Office

1 Accounting Technician RG 12 (Salary & Fringes)	\$ 30,602
Office Space	4,500
Telephone	650
Travel	6,000
One Time Items (Office Furniture, etc.)	<u>900</u>
	\$ 42,652

Population Estimation

LGS II RG 15 (Salary & Fringes)	\$ 37,179
Clerk Typist III RG 8 (Salary & Fringes)	24,089
Office Space	9,000
Telephone	1,300
Travel	6,000
One Time Items (Office Furniture, etc.)	<u>1,800</u>
	\$ 69,368

TOTAL ADMINISTRATIVE COSTS	<u>\$668,361</u>
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Submitted by M. Clyde Stoltzfus  
Copper Center, Alaska

Testimony for a Hearing on SB 103

Thank you very much for the opportunity to speak to some of the issues I feel are important considerations in programs such as the one addressed in SB 103. The general concept of SB 103, that of per capita revenue sharing, is, I think, a laudable concept. However, my experience in the unincorporated communities with SB 168 taught me that a good concept in legislation does not necessarily equate to a good program at the local level.

In basically well-intended legislation that goes amok at the local level, the missing element, or at least, the element which causes the subversion of legislative intent is the administering agency. That is to say, often well-intended legislation does not take into account the administration of the program, and, consequently, the administering agency develops its own procedure, which may or may not mirror the intent of the legislation.

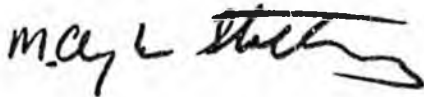
As I previously mentioned, my experience is with the administration of SB 168. It was my understanding that, in part, SB 168 was designed to encourage people within a community in the unincorporated area to work together toward common goals. In fact, the administration of that program created friction and division within affected communities that may take many years to heal.

It is this problem -- the division of communities previously considered a distinct unit into separate units under the administration of SB 168 -- that is my concern today with SB 103. I feel the legislators must address this issue specifically in legislation or their efforts to unite communities, in some instances, may well be defeated. This is especially true in communities where there has been no previous experience with defining their population base. In other words, to make this legislation an effective tool in developing communities accountable for their own needs, this legislation must clearly address the definition of a community. In my opinion, defining boundaries for a community which has not established boundaries is a political decision which most agencies are not equipped to handle.

To illustrate my concern in the SB 168 example, one community in the Copper River Basin could not agree on the uses for SB 168 monies. To solve this problem, the administering agency, Department of Community and Regional Affairs, decided to draw a boundary through the community and thus create two communities. For the agency, the division of this

community provided an easy way out. But, for local community leaders, it created a nightmare and left much bitterness between the two segments of a previously homogeneous community. To alleviate this problem, it is my opinion that language which stipulates the accepted means for defining a communities boundaries should be inserted into the unincorporated section of this legislation. This language could be based on such things as census boundaries, fire service boundaries, or election districts. Any one or any combination of these would give at least some guidance to the agency charged with the administration of this legislation to follow. At the very least, this legislation should state that only previously existing boundaries should be used to define a community.

Respectfully submitted,



M. Clyde Stoltzfus  
Box 119  
Cepper Center, Alaska



BILL ZYBACH  
Special Assistant  
To The Mayor

p.o. box 1267 520 fifth ave.  
fairbanks, alaska 99707  
907-452-4761

Re Committee regarding Senate Bill 103.

Senate Bill 103 is one of the most important and critical measures for the rational development of capital projects by local government. Not only does the legislation help meet the capital requirements as mandated through the constitutional amendment on the budget which passed last November, it addresses what we believe is the intent of that vote - to provide development of infrastructure. SB 103 provides the best possible means of developing our community's basic capital needs through local determination. Our community has set up a systematic approach to the development of capital projects on both the short term and the long term. This system is currently being implemented and will include thorough public participation, participation by our legislators, local government leaders, experts, public and private agencies and interest groups concerned with capital project development. Senate Bill 103 provides a funding mechanism to implement our local capital planning process as well as the planning efforts of many communities throughout the state. It also provides the opportunity for each legislator to lend support to the various local communities and constituencies they represent via the local planning process.

We are also pleased with the development of this piece of legislation for it indicates that there is an intent to develop a system which will provide local communities with a better planning tool - a tool which they can use for planning purposes. The most disruptive factor in the planning process is not being able to anticipate levels of funding from year to year. We believe this type of legislation is a step in the right direction toward identifying funding sources and we hope to further develop mechanisms for estimating a

reasonable amount of income from the state. We want to be realistic in this process, too, and we understand that a funding mechanism that is set up such as this in Senate Bill 103 may be funded at different levels from time to time to recognize different economic conditions. We would hope that if this legislation is passed that a system of projecting appropriations for one or two years in advance will be developed.

Our community fully support SB 103.

STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SB 103 Date on Bill: February 2, 1983  
 Title: Act relating to State aid for municipalities and unincorporated communities  
 Sponsor: by Bennett  
 Requestor: Senate C & R A Committee

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital		656,989.5	-0-	-0-
Operating		376.0	406.1	438.6
Total	-0-	660,749.5	406.1	438.6

b. Revenues:

Revenue	-0-	-0-	-0-	-0-
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2. Source of funds to offset fiscal impact of bill: State General Funds

3. Assumptions: In the 12th Legislature, SB 168 appropriated funds adequate to pay \$750 per capita for Department of Administration grants to municipalities and DCRA grants to unincorporated communities. The Department of Administration administered 151 grants, which averaged state-wide 8 projects per grant. Obviously, local involvement was high in the municipal planning activity, and there was a strong stimulus to local construction. Additionally, most municipalities used a portion of their grant to fund social services programs which would otherwise have been foregone unless paid by local revenues. Using the February 7, 1983 Population Determination by Commissioner Mark Lewis, the Department of Administration census for this bill will be not less than 437,993. Multiplying this population by the \$1,500 per capita legislation will cost \$656,989,500 for the Capital appropriation plus the \$376,000 operating costs incurred by the Department. A bill of this fiscal magnitude must obviously be considered as an alternative to the Governor's Municipal CIP Budget rather than an addendum.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor.

Prepared By: Kenneth R. Ryals *Kerr* Phone: 465-2277  
 Division: Administrative Services Date: February 14, 1983

Approved by Commissioner: *[Signature]* Date: *[Signature]*  
 Department: Administration

Reviewed by OMB: \_\_\_\_\_ Date: \_\_\_\_\_  
 Phone: \_\_\_\_\_

5. Distribution:  
 Original to Legislative Finance  
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SB 103  
Position Paper

Fiscal propriety demands that the State maintain project monitoring capability to ensure that the grant funds are spent for the project, and are managed according to Borough or Municipal fiscal procedures. Accordingly, a minimal State operating budget impact will be felt with the passage of each special appropriation under AS 37.05.315-37.05.319, such as this specific bill proposes. I should point out at this time that local governments have recognized their similar responsibilities when awarding grants to local social service providers, etc. Municipalities charge an administrative overhead fee of one to three point eight percent per grant. The Department of Administration requests that the specific grant appropriation language acknowledge a State agency overhead factor of up to .5% (one half of one percent) as Department of Administration operating costs for all special appropriations awarded under AS 37.05.315.

The Department questions the historical practice promoted under AS 37.04.315 and wonders if the Department of Community and Regional Affairs might be of better assistance to local governments through its Local Government Assistance program. Whereas the Department of Administration functions as a centralized control agency for all other Executive Branch agencies, the Department of Community and Regional Affairs is specifically charged with the responsibility of assisting local government in maximizing services to citizens.

Prepared by: *Timothy R. Ryals* Date: 2/24/83

Commissioner's Office Review by: *David Russell* Date: 2/24/83

W O R K D R A F T

Original sponsor: Sackett and Ferguson

IN THE SENATE

BY

CS FOR SENATE BILL NO. 37 (C&RA)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to state aid for municipalities and other recipients; and providing for an effective date."

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

\*Section 1. AS 29.88.010(c)(1)(C) is amended to read:

(C) revenue from fees, rentals, leases, penalties, licenses or permits received during the preceding fiscal year (BY THE MUNICIPALITY FOR A FUNCTION OR SERVICE OVER WHICH IT HAS CONTROL, INCLUDING REVENUES DERIVED FROM PARKS AND RECREATION SERVICES, MASS TRANSIT, OFFSTREET PARKING, AND GARBAGE AND SOLID WASTE DISPOSAL SERVICES);

\*Sec. 2. AS 29.88.010(c)(1)(D) is amended to read:

(D) special assessments received during the preceding fiscal year; [AND]

\*Sec. 3. AS 29.88.010(c)(1) is amended by adding a new subparagraph to read:

(F) electric and telephone cooperative taxes received by the municipality under AS 10.25.570;

\*Sec. 4. AS 29.88.032 is amended by adding a new section to read:

Sec. 29.88.032. STATE AID TO UNINCORPORATED COMMUNITIES.

(a) The Department of Community and Regional Affairs shall pay to each unincorporated community an entitlement of \$50,000 each fiscal year to be used for a public purpose.

"(b) The Department of Community and Regional Affairs with advice from the Department of Law shall determine whether there is in each unincorporated community an incorporated nonprofit entity or a Native village council that will agree to receive and spend the entitlement.

(c) If there is no qualified incorporated nonprofit entity or Native village council in an unincorporated community that is willing to receive money under an entitlement, the entitlement for that unincorporated community may not be paid. If there is more than one qualified entity in an unincorporated community, the Department of Community and Regional Affairs shall select the entity that the department finds most qualified to receive and spend the money.

(d) After selecting an entity under (b) of this section the Department of Community and Regional Affairs shall provide public notice of the selection. The notice shall indicate that the selection is preliminary and other qualified entities may be nominated to receive the entitlement by filing a petition with the department. A petition must be signed by a number of voters of the unincorporated community equal to or greater than 15 percent of those who voted during the last general election in the community. The department shall provide a sample petition upon request.

(d) If the Department of Community and Regional Affairs receives within 30 days after notice is provided under (b) of this section a sufficient petition nominating an entity other than the entity selected by the department, the department shall hold an election with the assistance of the director of elections to determine which entity shall receive the entitlement. The election shall be held within 90 days after notice is provided under (b) of this section. The department shall provide public notice of the date of the election.

(e) All voters who reside within the boundaries established for the purposes of determining the population of the unincorporated community are qualified to vote in an election held under this section. The name of the entity selected by the Department of Community and Regional Affairs under (b) of this section and the name of each entity nominated under (c) of this section shall be placed on the ballot. The department shall pay the entitlement for that year to the entity receiving the greatest number of votes.

(f) The Department of Community and Regional Affairs may not pay money under an entitlement to a Native village council unless the council waives immunity from suit for claims arising out of activities of the council related to the entitlement. A waiver of immunity from suit under this subsection must be on a form provided by the Department of Law. Neither this subsection nor any action taken under it enlarges or diminishes the governmental authority or jurisdiction of a Native village council."

(g) In this section "unincorporated community" means a place in the unorganized borough that is not incorporated as a city and in which 25 or more persons reside as a social unit.

\*Sec. 5. AS 29.88.035 is amended to read:

Sec. 29.88.035. Tax equalization account. The tax equalization account is established. Money to carry out the provisions of this chapter shall be allocated by the department to the account. The amount allocated to the account shall be fully distributed by the department as payments to municipalities to fulfill each municipality's share authorized under AS 29.88.010 and to unincorporated communities to fulfill each unincorporated community's share authorized under AS 29.88.032. If the amount allocated to the account is not sufficient to pay all entitlements under AS 29.88.010 and AS 29.88.032, after payment of minimum entitlements under AS 29.95.020, the [The] amount allocated to the account shall be distributed by the department pro rate among eligible municipalities.

\*Sec. 6. AS 29.89.030 (a) (1) is amended to read:

(1) to a municipality that [WHICH] has the power to provide hospital facilities and services and that [WHICH] exercises that power, [\$1,000 PER BED FOR EACH BED ACTUALLY USED FOR PATIENT CARE, LIMITED TO THE NUMBER OF BEDS PROVIDED FOR IN THE CONSTRUCTION DESIGN OF THE HOSPITAL, OR] \$250,000 a hospital for those hospitals with 10 or more beds, or \$50,000 a hospital for those hospitals with less than 10 beds [, AS THE MUNICIPALITY MAY ELECT]; money received under this

W O R K D R A F T

paragraph may be used only for hospitals and shall be apportioned among qualifying hospitals as the municipality determines;

1 \*Sec. 7. AS 29.89.030(a)(3) is amended to read:

2 (3) to a municipality in which a health facility is op-  
3 erated, \$2,000 per bed for each bed actually used for patient care,  
4 limited to the number of beds provided for in the construction design  
5 of the health facility, or \$8,000 per health facility as the munic-  
6 ipality determines; money received under this paragraph may be used  
7 only for health facilities and shall be apportioned among qualifying  
8 health facilities as the municipality determines.

9 \*Sec. 8. AS 29.89.070(a) is amended to read:

10 (a) Payments to a municipality or other eligible recipient  
11 under AS 29.89.020 - 29.89.040 [29.89.030] shall reflect area cost-of-  
12 living differentials. Payments shall be based upon the sum of per capita,  
13 per mile and per bed or facility grants due each municipality or other  
14 recipient multiplied by the appropriate area cost-of-living differen-  
15 tial. The area cost-of-living differential for each recipient shall be  
16 determined annually by election district under the provisions of  
17 AS 39.27.030. Application of the area cost-of-living differential may  
18 not result in distribution of an amount less than the amount of the  
19 payment determined without application of this section.

20 \*Sec. 9. AS 29.95.010(b) is amended to read:

21 (b) Money in the miscellaneous services account established in  
22 AS 29.89.080 that [WHICH] exceeds the amount required to fully fund  
23 distributions authorized by AS 29.89 shall be reallocated to the tax  
24 equalization account established in AS 29.88.035 and distributed  
25 according to the provisions of AS 29.95.030 [AS 29.88].

26 \*Sec. 10. AS 29.95.010(c) is amended to read:

27 (c) Money in the hospital construction assistance account  
28 established in AS 29.90.020 that [WHICH] exceeds the amount required to  
29 fully fund distributions authorized by AS 29.90 shall be reallocated  
30 to the tax equalization account established in AS 29.88.035 and dis-  
31 tributed according to the provisions of AS 29.95.030 [AS 29.88].

\*Sec. 11. AS 29.95.020 is repealed and reenacted to read:

AS 29.95.020. (a) During each fiscal year a (A) municipality qualifying for an entitlement under AS 29.88 shall receive a minimum payment of \$100,000 plus an area cost of-of-living differential or the amount it received under AS 29.88, AS 29.95.020, and AS 43.20.016 during the fiscal year ending June 30, 1982, whichever is greater, (\$25,000 PLUS AN AREA COST-OF-LIVING DIFFERENTIAL FOR EACH FISCAL YEAR) if(:

(1) the municipality has conducted a regular election under AS 29.28.010 - 29.28.050 during the fiscal year preceding the year for which payment of an entitlement is authorized by AS 29.88 or AS 29.89 and has reported the results of the election to the commissioner of the Department of Community and Regional Affairs;

(2) regular (COUNCIL) meetings of the governing body are held in the municipality in accordance with the requirements of AS 29.23.060 and AS 29.23.210 during the fiscal year preceding the year for which payment of an entitlement is authorized by AS 29.88 or AS 29.89 and a record of the proceedings is maintained;

(3) a municipal budget has been adopted for the fiscal year during which payment of an entitlement is authorized by AS.29.88 (OR AS 29.89) and an audit or financial statement for the preceding fiscal year has been prepared and furnished to the Department of Community and Regional Affairs in accordance with AS 29.23.560(a); and

(4) local ordinances adopted by the governing body of the municipality have been codified in accordance with AS 29.48.180;

(5) the municipality <sup>with a population of more than 2000,</sup> has spent at least 50 percent of the money it received under this section during the previous fiscal year to provide for at least three of the following:

(A) municipal administration;

(B) police protection;

(C) fire protection;

(D) pollution control;

(E) solid waste collection and disposal;

(F) land use planning;

(G) parks and recreation

(H) street maintenance;

(I) hospitals;

(J) health facilities;

(K) airports;

(L) wharves and harbors;

(M) libraries, museums and cultural facilities. ]

(b) An unincorporated community qualifying for an entitlement under AS 29.88 shall receive a minimum payment of \$50,000 plus an area cost-of-living differential for each fiscal year.

(c) [b] The area cost-of-living differential payable to each municipality and unincorporated community under this section shall be determined annually by election district under the provisions of AS 39.27.030. Except as provided in AS 29.95.030, application of the area cost-of-living differential may not result in a payment which is less than the minimum payment determined under (a) or (b) of this section. For purposes of this subsection, the election districts used are those designated by the proclamation of reapportionment and redistricting of December 7, 1961, and retained for the house of representatives by proclamation of the governor September 3, 1965.

(d) [c] The Department of Community and Regional Affairs shall pay to each municipality and unincorporated community eligible to receive a minimum payment under this section an amount equal to the difference between the minimum payment determined under (a), (b) and (c) [and (b)] of this section and the sum of the amounts payable for the same fiscal year under AS 29.88 and AS 29.89.

(e) [d] A payment under this section may be prorated and reduced under AS 29.95.030.

(f) [e] Payments under this section shall be made from the money allocated to the tax equalization account established in AS 29.88.035.

\*Sec. 12. AS 29.95.030 is repealed and reenacted to read:

Sec. 29.95.030. DISTRIBUTION AND PRORATION OF PAYMENTS. If the amount of money allocated to the tax equalization account established in AS 29.88.035 is not sufficient for all payments authorized under AS 29.88, AS 29.95.020, the Department of Community and Regional Affairs shall distribute minimum payments to all municipalities and unincorporated communities under AS 29.95.020. After minimum payments have been distributed, money remaining in the account shall be adjusted and distributed under AS 29.88 to municipalities that qualify for more than the amount of the minimum payment. If the amount of money allocated to the tax equalization account is not sufficient for minimum payments to all municipalities and unincorporated communities, the Department of Community and Regional Affairs shall adjust the payments distributed under AS 29.95.020 and distribute no money under AS 29.88. Payments shall be adjusted by prorating amounts payable by a factor that, when applied, reduces all payments in equal proportion.

\*Sec. 13. AS 29.88.020(b), AS 29.89,050, and AS 43.20.016 are repealed.

\*Sec. 14. This Act takes effect July 1, 1983.

# MEMORANDUM

# State of Alaska

TO: Peter McDowell  
Director  
Office of Management and Budget

DATE: February 22, 1983

FILE NO:

TELEPHONE NO: 465-3600

FROM: Joe Geldhof *JWG*  
Assistant Attorney General  
Department of Law

SUBJECT: State Grant Account-  
ability

This will follow up on my previous correspondence of February 11, 1983 regarding problems the Department of Law perceives with state grant accountability. The Department of Law considers this matter sufficiently serious to warrant additional study. Steps should be taken to coordinate grant procedures including the monitoring and auditing of grants.

The state currently makes numerous grants to a wide variety of entities. These range from municipalities and unincorporated governmental units to non-profit organizations. Because we have opposed direct appropriations to nongovernmental entities, several ingenious methods for providing money to various entities have been devised. We believe that direct appropriations without substantial oversight by a state agency violate the "public purpose" doctrine of the Alaska Constitution.

State statutes were recently amended to provide a mechanism for dispensing money to specified entities through the various state agencies. Numerous state agencies including the Departments of Transportation, Administration, Community and Regional Affairs, Health and Social Services and the Department of Public Safety all administer grants. In our opinion, the current procedures for grant administration lack coordination and consistency. The state should consider development of a consistent grant format in conjunction with a unified grant administration program, possibly under the auspices of a single agency. A sensible grant administration program should also include a reasonable method for auditing state grants and investigating possible misuse of grant monies.

Perhaps an example will illustrate some of the problems which currently exist in this area. During a previous legislative session, the City of Kotzebue successfully obtained an appropriation for the renovation of a roof at the Senior Citizens Center in Kotzebue. A grant was made for this renovation which appeared in the Department of Transportation budget. In addition

a similar grant appeared in the Municipal Grant Program which is administered by the Department of Administration. DOT paid for the roof renovation. Subsequently the City of Kotzebue received payment under Municipal Grant Program. We are informed that the second grant was used for additional improvements to the building. This matter is currently the subject of investigation by the Department of Administration.

The Department of Law also perceives several other problems with grant administration. Currently, recouping funds which are misspent is difficult because the state does not have the ability to withhold future appropriations conditioned on a failure to repay previously misspent funds. Passage of legislation providing for set off against future appropriations would greatly benefit collection efforts in situations like the Kotzebue roof case.

The state must also develop a consistent policy for grant administration to federally recognized unincorporated governmental entities. These entities should waive the defense of sovereign immunity and other procedural claims as a condition of grant reception in our opinion. In the absence of these waivers, liability of the state is unreasonably compromised.

Finally, the state increasingly makes grants to private non-profit entities for capital construction projects. We have argued that it is a violation of the "separation of powers" doctrine for the legislature to designate grant recipients. This is an executive function. Also, in many instances the state has no guarantee that the non-profit entity will continue to exist. In order to pass muster with the letter and spirit of the "public purpose" provision in the Constitution, the state must receive reasonable assurances that the entities will provide services to the public for a reasonable period of time. At the very least, the state should obtain a secured interest in any capital project. While the state does not need to operate a facility funded with capital funds, the project should revert to state ownership if the non-profit entity ceases to function.

Several lawsuits related to grant administration are currently pending. We believe these cases underscore the need for some reform in this general area. It is our belief that a series of meetings convened by your office among the various agencies currently involved with these programs would eliminate the problems to a considerable degree and allow OMB to begin formulating a coherent policy concerning grants. The Department of Law would be delighted to send representatives with specific knowledge of grant program abuses to any meeting you may convene.

JG:vrb

cc. Norman C. Gorsuch  
Attorney General  
Ronald W. Lorensen

SENATE BILL 103

"State Aid for Municipalities." Bennett.

Municipal entitlement of \$1500 per capita. For cities of more than 1,000 can be used only for social services or capital projects. Less than 1,000 can also be used for operating expenses.

Notes:

1. Attorney - Tam Cook

ALASKA

STATE LEGISLATURE

MEMORANDUM

November 4, 1982

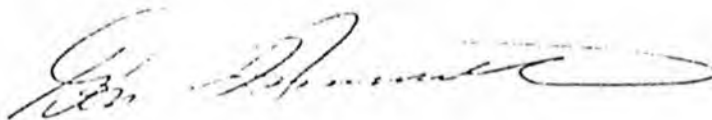
TO: Billy Berrier  
Director, Division of Legal Services

FROM: Senator Don Bennett

Please draft for me, for pre-filing, an appropriately updated bill that would duplicate the benefits to municipalities and unincorporated communities contained in HCS CSSB 168 (Fin) from 1981-chapter 60 Session Laws of 1981-with these exceptions:

1. The amount of money in Sections 1(b) and 2(b) will be \$1,500.

2. The population determination in Section 3(a) will be based on the annual population determination performed by the Department of Community and Regional Affairs.



STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SB 103 Date on Bill: February 2, 1983  
 Title: Act relating to State aid for municipalities and unincorporated communities  
 Sponsor: by Bennett  
 Requestor: Senate C & R A Committee

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital		656,989.5	-0-	-0-
Operating		376.0	406.1	438.6
Total	-0-	660,749.5	406.1	438.6

b. Revenues:

Revenue	-0-	-0-	-0-	-0-
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2. Source of funds to offset fiscal impact of bill: State General Funds

3. Assumptions: In the 12th Legislature, SB 168 appropriated funds adequate to pay \$750 per capita for Department of Administration grants to municipalities and DCRA grants to unincorporated communities. The Department of Administration administered 151 grants, which averaged state-wide 8 projects per grant. Obviously, local involvement was high in the municipal planning activity, and there was a strong stimulus to local construction. Additionally, most municipalities used a portion of their grant to fund social services programs which would otherwise have been foregone unless paid by local revenues. Using the February 7, 1983 Population Determination by Commissioner Mark Lewis, the Department of Administration census for this bill will be not less than 437,993. Multiplying this population by the \$1,500 per capita legislation will cost \$656,989,500 for the Capital appropriation plus the \$376,000 operating costs incurred by the Department. A bill of this fiscal magnitude must obviously be considered as an alternative to the Governor's Municipal CIP Budget rather than an addendum.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor.

Prepared By: Kenneth R. Ryals *Kent* Phone: 465-2277  
 Division: Administrative Services Date: February 14, 1983

Approved by Commissioner: David Rudd *D. Rudd* Date: 2/23/83  
 Department: Administration

Reviewed by OMB: \_\_\_\_\_ Date: \_\_\_\_\_  
 Phone: \_\_\_\_\_

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

# STATE OF ALASKA

Bill Sheffield, Governor

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

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

February 17, 1983

### POSITION PAPER

RE: SB 103  
SPONSOR: Senator Bennett

#### PROGRAM EFFECTS

This bill would distribute \$1500 per capita to every community in the state (both incorporated and unincorporated communities). The Department of Administration would distribute funds to municipalities and the Department of Community and Regional Affairs would handle the unincorporated communities.

#### COMMENTS

While the Department recognizes the need for capital improvements in the communities of the state, we feel the administration supported capital improvement process that involves the Communities, the Legislature and the Administration is preferable. It is our feeling that the per capita program outlined in this bill would not fully address the needs of small communities. During the operation of the Aid to Unincorporated Communities program (SB 168) the Department encountered several problems that should be considered along with this bill.

- 1) SB 168 and this bill both require that the Department deal with "an incorporated entity or a federally chartered entity...". While this ensures that the Department deals with a legally established entity it ignores traditional native governments. Although we are not aware of a legal way to include these traditional councils, we do feel that the problem warrants attention.
- 2) Another major problem revolves around the population question. SB 168 required use of 1980 census populations and this bill would require the Department to annually determine the population of these unincorporated communities. In the case of the 1980 Census figure many "Communities" in Alaska were not identified by the Census Bureau. That left us in a position of trying to determine what the population of those communities might have been.

This bill requires an annual population determination in the unincorporated communities; this is not currently being done by any state agency and would be relatively expensive. Is it the intention of the sponsor to have this requirement continue even though the grants appear to be one time appropriations? If that is the intent then additional fiscal impact would result.

POSITION PAPER  
FEBRUARY 17, 1983  
PAGE 2

3) Further, the SB 168 program was a first experience in government and grants administration for many of these unincorporated communities. That experience emphasized the need for technical assistance in these communities. It also dramatically illustrated that the Department's staff resources were inadequate to respond to those needs.

4) One additional concern that has surfaced over the past couple of years revolves around operation and maintenance of facilities constructed in unincorporated communities. These communities do not have any sort of taxing authority and must rely on state grants or private donations for such expenses. It seems logical that consideration of operation & maintenance costs should be included in discussions of this bill.

STATE OF ALASKA  
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SB 103 Date on Bill: 2/2/83  
 Title: Relating to State Aid to Municipalities & Unincorporated Communities  
 Sponsor: Senator Bennett  
 Requestor: Senate Community & Regional Affairs Committee

1. Estimated fiscal impacts on: Department of Community & Regional Affairs

a. Expenditures:

(Thousands of Dollars)

			FY 83	FY 84	FY 85	FY 86		
Capital				19,500.0				
Operating				380.1				
Total				19,880.1				

b. Revenues:

Revenue								
---------	--	--	--	--	--	--	--	--

2. Source of funds to offset fiscal impact of bill:


Sponsor did not indicate.

3. Assumptions:

There are 13,000 people currently living in unincorporated communities of 25 or over. This statement of fiscal impact deals only with those communities and those people and does not apply to the municipal portion of the bill administered by another Department.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It does not represent the policy of the Sheffield Administration or the final estimate of fiscal impact.

Prepared By: Terry Earley  Phone: 465-4730  
 Division: Local Government Assistance Date: 2/9/83

Approved by Commissioner:  Date: 2/18/83  
 Department: Community & Regional Affairs

5. Distribution:

- Original to Legislative Finance
- Copy to OMB
- Copy to Sponsor
- Copy to Requestor

2/8/83

# MEMORANDUM

# State of Alaska

TO: Peter McDowell  
Director  
Office of Management and Budget

DATE: February 22, 1983

FILE NO:

TELEPHONE NO: 465-3600

FROM: Joe Geldhof *JWG*  
Assistant Attorney General  
Department of Law

SUBJECT: State Grant Account-  
ability

This will follow up on my previous correspondence of February 11, 1983 regarding problems the Department of Law perceives with state grant accountability. The Department of Law considers this matter sufficiently serious to warrant additional study. Steps should be taken to coordinate grant procedures including the monitoring and auditing of grants.

The state currently makes numerous grants to a wide variety of entities. These range from municipalities and unincorporated governmental units to non-profit organizations. Because we have opposed direct appropriations to nongovernmental entities, several ingenious methods for providing money to various entities have been devised. We believe that direct appropriations without substantial oversight by a state agency violate the "public purpose" doctrine of the Alaska Constitution.

State statutes were recently amended to provide a mechanism for dispensing money to specified entities through the various state agencies. Numerous state agencies including the Departments of Transportation, Administration, Community and Regional Affairs, Health and Social Services and the Department of Public Safety all administer grants. In our opinion, the current procedures for grant administration lack coordination and consistency. The state should consider development of a consistent grant format in conjunction with a unified grant administration program, possibly under the auspices of a single agency. A sensible grant administration program should also include a reasonable method for auditing state grants and investigating possible misuse of grant monies.

Perhaps an example will illustrate some of the problems which currently exist in this area. During a previous legislative session, the City of Kotzebue successfully obtained an appropriation for the renovation of a roof at the Senior Citizens Center in Kotzebue. A grant was made for this renovation which appeared in the Department of Transportation budget. In addition

a similar grant appeared in the Municipal Grant Program which is administered by the Department of Administration. DOT paid for the roof renovation. Subsequently the City of Kotzebue received payment under Municipal Grant Program. We are informed that the second grant was used for additional improvements to the building. This matter is currently the subject of investigation by the Department of Administration.

The Department of Law also perceives several other problems with grant administration. Currently, recouping funds which are misspent is difficult because the state does not have the ability to withhold future appropriations conditioned on a failure to repay previously misspent funds. Passage of legislation providing for set off against future appropriations would greatly benefit collection efforts in situations like the Kotzebue roof case.

The state must also develop a consistent policy for grant administration to federally recognized unincorporated governmental entities. These entities should waive the defense of sovereign immunity and other procedural claims as a condition of grant reception in our opinion. In the absence of these waivers, liability of the state is unreasonably compromised.

Finally, the state increasingly makes grants to private non-profit entities for capital construction projects. We have argued that it is a violation of the "separation of powers" doctrine for the legislature to designate grant recipients. This is an executive function. Also, in many instances the state has no guarantee that the non-profit entity will continue to exist. In order to pass muster with the letter and spirit of the "public purpose" provision in the Constitution, the state must receive reasonable assurances that the entities will provide services to the public for a reasonable period of time. At the very least, the state should obtain a secured interest in any capital project. While the state does not need to operate a facility funded with capital funds, the project should revert to state ownership if the non-profit entity ceases to function.

Several lawsuits related to grant administration are currently pending. We believe these cases underscore the need for some reform in this general area. It is our belief that a series of meetings convened by your office among the various agencies currently involved with these programs would eliminate the problems to a considerable degree and allow OMB to begin formulating a coherent policy concerning grants. The Department of Law would be delighted to send representatives with specific knowledge of grant program abuses to any meeting you may convene.

JG:vrb

cc: Norman C. Gorsuch  
Attorney General  
Ronald W. Lorensen

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

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

Fiscal Analysis SB 103

13,000 est. population of eligible unincorporated communities.  
13,000 x \$ 1500 = \$19,500,000

Administration

The Division of Local Government Assistance administers the current \$1000 per capita program to unincorporated communities and in doing so has learned some hard lessons. Those lessons taught us that there is a severe need for technical assistance in the unincorporated communities. Before this type of a program can be successful, additional staff is required to provide necessary training. Although the need and the desire for programs and services this money would bring exist, the expertise in dealing with community projects and services does not. A new community building or a new land fill can do very little good without the human resources to manage them after completion.

Based on the division's experience with unincorporated communities the following is our estimate of additional administrative costs resulting from this type of program.

Fairbanks Field Office

2 LGS IV's RG 19(Salaries and Fringes)	\$105,268
Office Space	\$ 9,000
Telephone	\$ 1,360
Travel	\$ 12,000
One time items(office furniture, etc.)	\$ 1,800
TOTAL	\$129,428

Bethel Field Office

1 LGS IV RG 19(salary and fringes)	\$62,386
Office space	\$ 4,500
Telephone	\$ 650
Travel	\$ 6,000
One time items(office furniture etc.)	\$ 900
TOTAL	\$74,436

Anchorage Office

1 LGS IV RG 19(salary and fringes)	\$ 49,264
1 Project Assistant RG 16(salary and fringes)	\$ 39,901
1 Administrative Assistant RG 12(salary and fringes)	\$ 30,602
1 Clerk Typist III RG 8(salary and fringes)	\$ 24,089
Office space	\$ 18,000
Telephone	\$ 4,800
Travel	\$ 6,000
One time items(office furniture etc.)	\$ 3,600
TOTAL	<u>\$176,256</u>

Total Administrative Costs \$19,880,120

STATE OF ALASKA

Bill Sheffield, Governor

PO BOX 8  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-4700

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

March 8, 1983

POSITION PAPER

*LP for Mark Lewis*  
RE: CSSB 103

SPONSOR: Senate Community & Regional Affairs

PROGRAM EFFECTS

This bill would distribute \$400 per capita to every community in the state (both incorporated and unincorporated communities).

COMMENTS

The Department recognizes the need for Capital improvements in the communities of the state. We feel this approach is a good one as part of an overall Capital improvement plan. This type of a program would provide communities with local control of their capital projects. This local control is felt to be desirable by the Department.

- 1) SB 168 and this bill both require that the Department deal with "an incorporated entity or a federally chartered entity...". While this ensures that the Department deals with a legally established entity it ignores the traditional native governments. Although we are not aware of a legal way to include these traditional councils, we do feel that the problem warrants attention.
- 2) Another major problem revolves around the population question. SB 168 required use of 1980 census populations and this bill would require the Department to annually determine the population of these unincorporated communities. In the case of the 1980 Census figure many "Communities" in Alaska were not identified by the Census Bureau. That left us in a position of trying to determine what the population of these communities might have been.

This bill requires an annual population determination in the unincorporated communities; this is not currently being done by any state agency

The cost of instituting this new population program is included in the statement of fiscal impact.

Postion Paper  
March 8, 1983

- 3) Further, the SB 168 program was a first experience in government and grants administration for many of these unincorporated communitites. That experience emmphasized the need for technical assistance in these communities. It also dramatically illustrated that the Department's staff resources were inadequate to respond to those needs. The statement of fiscal impact that accompanies this bill would go along way toward satisfying that need.
- 4) Many of the Department of Administration problems are solved by the audit provisions of this bill. Many more will be solved if sufficient administrative personnel are added.

PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: CS For SB 103 Date on Bill: 3/2/'83  
 Title: State Aid For Municipalities & Unincorporated Communities  
 Sponsor: Community & Regional Affairs  
 Requestor: Community & Regional Affairs

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital		227.099.4		
Operating		668.4		
Total				

b. Revenues:

Revenue				
---------	--	--	--	--

2. Source of funds to offset fiscal impact of bill:

Sponsor Did Not Indicate.

3. Assumptions:

See Attached.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Terry Early Phone: 465-4730  
 Division: Local Government Assistance Date: 3/7/'83  
 Approved by Commissioner: [Signature] Date: 3/7/'83  
 Department: Community & Regional Affairs

5. Distribution:

Original to Legislative Finance  
 Copy to OMB  
 Copy to Sponsor  
 Copy to Requestor

2/15/83

# STATE OF ALASKA

Bill Sheffield, Governor

REPLY TO:

- POUCH BH  
JUNEAU, ALASKA 99811  
(907) 465-4707
- 225 COHDOVA STREET, BLDG. B  
ANCHORAGE, ALASKA 99501  
(907) 264-2201
- P.O. BOX 348  
BETHEL, ALASKA 99559  
(907) 543-3475
- P.O. BOX 41  
NOME, ALASKA 99762  
(907) 443-5457
- P.O. BOX 280  
KOTZEBUE, ALASKA 99752  
(907) 442-3675
- 1514 CUSHMAN RM. 211  
FAIRBANKS, ALASKA 99701  
(907) 452-7126

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

### DIVISION OF LOCAL GOVERNMENT ASSISTANCE

#### FISCAL ANALYSIS OF CS SB 103

##### MUNICIPAL AID

446,414 estimated population of Municipalities  
13,000 estimated population of Unincorporated communities

446,414	@ \$400 X COLA =	\$221,899,400
13,000	@ \$400 X COLA =	<u>5,200,000</u>

TOTAL GRANTS \$227,099,400

##### Administration

This bill actually proposes four (4) changes to existing procedures.

First, it would transfer the existing Municipal Grants Program from the Department of Administration to the Department of Community and Regional Affairs. We do not believe it is the intention of the sponsor to transfer any existing grants and we have not reflected any transfer in this fiscal note.

Second is the establishment of a Municipal Aid Program within the Department of Community and Regional Affairs. This would be similar to the Municipal Aid Program established by SB 168 within the Department of Administration. After reviewing their experiences we are hopeful of learning from these efforts. This statement of fiscal impact is based on what we have learned from them.

Third is the reestablishment of the Aid to Unincorporated Communities Program, which this Department administered as a result of SB 168. In administering the SB 168 program, the Department learned some hard lessons. Those lessons taught us that there is a severe need for technical assistance in the unincorporated communities. Before this type of a program can be successful, additional staff is required to provide necessary training.

Although the need and the desire for programs and services this money would bring exist, the expertise in dealing with community projects and services does not. A new community building or a new land fill can do very little good without the human resources to manage them after completion.

Finally, this bill would require the Department to annually determine the population of municipalities and unincorporated communities. This would increase the number of communities that the Department would have to determine the population for annually by approximately 100. Due to the fact that that requirement is different from the Grants Programs it will be treated separately.

Barrow Office

LGS IV RG 19 (Salaries & Fringes)	\$ 62,386
Office Space	4,500
Telephone	650
Travel	6,000
One Time Items	<u>900</u>
	\$ 74,436

Dillingham Field Office

LGS III RG 17 (Salaries & Fringes)	\$ 54,610
Office Space	4,500
Telephone	650
Travel	6,000
One Time Items (Office Furniture, etc.)	<u>900</u>
	\$ 66,660

Fairbanks Field Office

LGS III RG 17 (Salaries & Fringes)	\$ 45,976
Office Space	4,500
Telephone	650
Travel	6,000
One Time Items (Office Furniture, etc.)	<u>900</u>
	\$ 58 026

Bethel Field Office

LGS III RG 17 (Salary & Fringes)	\$ 54,610
Office Space	4,500
Telephone	650
Travel	6,000
One Time Items (Office Furniture, etc.)	<u>900</u>
	\$ 66,660

Anchorage Office

LGS IV RG 19 (Salary & Fringes)	\$ 49,264
2 Grants Administrator/Auditors RG 17 (Salaries & Fringes)	85,503
1 Project Assistant RG 16 (Salary & Fringes)	39,901
1 Administrative Assistant RG 13 (Salary & Fringes)	30,602
1 Clerk Typist III RG 8 (Salary & Fringes)	24,089
Office Space	27,000
Telephone	4,800
Travel	24,000
One Time Items (Office Furniture, etc.)	<u>5,400</u>
	\$290,559

Juneau Office

1 Accounting Technician RG 12 (Salary & Fringes)	\$ 30,602
Office Space	4,500
Telephone	650
Travel	6,000
One Time Items (Office Furniture, etc.)	<u>900</u>
	\$ 42,652

Population Estimation

LGS II RG 15 (Salary & Fringes)	\$ 37,179
Clerk Typist III RG 8 (Salary & Fringes)	24,089
Office Space	9,000
Telephone	1,300
Travel	6,000
One Time Items (Office Furniture, etc.)	<u>1,800</u>
	\$ 69,368

TOTAL ADMINISTRATIVE COSTS	<u>\$668,361</u>
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Submitted by M. Clyde Stoltzfus  
Copper Center, Alaska

Testimony for a Hearing on SB 103

Thank you very much for the opportunity to speak to some of the issues I feel are important considerations in programs such as the one addressed in SB 103. The general concept of SB 103, that of per capita revenue sharing, is, I think, a laudable concept. However, my experience in the unincorporated communities with SB 168 taught me that a good concept in legislation does not necessarily equate to a good program at the local level.

In basically well-intended legislation that goes amok at the local level, the missing element, or at least, the element which causes the subversion of legislative intent is the administering agency. That is to say, often well-intended legislation does not take into account the administration of the program, and, consequently, the administering agency develops its own procedure, which may or may not mirror the intent of the legislation.

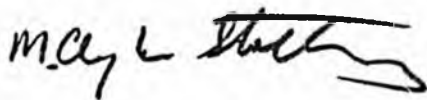
As I previously mentioned, my experience is with the administration of SB 168. It was my understanding that, in part, SB 168 was designed to encourage people within a community in the unincorporated area to work together toward common goals. In fact, the administration of that program created friction and division within affected communities that may take many years to heal.

It is this problem -- the division of communities previously considered a distinct unit into separate units under the administration of SB 168 -- that is my concern today with SB 103. I feel the legislators must address this issue specifically in legislation or their efforts to unite communities, in some instances, may well be defeated. This is especially true in communities where there has been no previous experience with defining their population base. In other words, to make this legislation an effective tool in developing communities accountable for their own needs, this legislation must clearly address the definition of a community. In my opinion, defining boundaries for a community which has not established boundaries is a political decision which most agencies are not equipped to handle.

To illustrate my concern in the SB 168 example, one community in the Copper River Basin could not agree on the uses for SB 168 monies. To solve this problem, the administering agency, Department of Community and Regional Affairs, decided to draw a boundary through the community and thus create two communities. For the agency, the division of this

community provided an easy way out. But, for local community leaders, it created a nightmare and left much bitterness between the two segments of a previously homogeneous community. To alleviate this problem, it is my opinion that language which stipulates the accepted means for defining a community's boundaries should be inserted into the unincorporated section of this legislation. This language could be based on such things as census boundaries, fire service boundaries, or election districts. Any one or any combination of these would give at least some guidance to the agency charged with the administration of this legislation to follow. At the very least, this legislation should state that only previously existing boundaries should be used to define a community.

Respectfully submitted,



M. Clyde Stoltzfus  
Box 119  
Cepper Center, Alaska

fairbanks north star borough



BILL ZYBACH  
Special Assistant  
To The Mayor

p.o. box 1267 520 fifth ave.  
fairbanks, alaska 99707  
907-452-4761

Re Committee regarding Senate Bill 103.

Senate Bill 103 is one of the most important and critical measures for the rational development of capital projects by local government. Not only does the legislation help meet the capital requirements as mandated through the constitutional amendment on the budget which passed last November, it addresses what we believe is the intent of that vote - to provide development of infrastructure. SB 103 provides the best possible means of developing our community's basic capital needs through local determination. Our community has set up a systematic approach to the development of capital projects on both the short term and the long term. This system is currently being implemented and will include thorough public participation, participation by our legislators, local government leaders, experts, public and private agencies and interest groups concerned with capital project development. Senate Bill 103 provides a funding mechanism to implement our local capital planning process as well as the planning efforts of many communities throughout the state. It also provides the opportunity for each legislator to lend support to the various local communities and constituencies they represent via the local planning process.

We are also pleased with the development of this piece of legislation for it indicates that there is an intent to develop a system which will provide local communities with a better planning tool - a tool which they can use for planning purposes. The most disruptive factor in the planning process is not being able to anticipate levels of funding from year to to year. We believe this type of legislation is a step in the right direction toward identifying funding sources and we hope to further develop mechanics for estimating a

reasonable amount of income from the state. We want to be realistic in this process, too, and we understand that a funding mechanism that is set up such as this in Senate Bill 103 may be funded at different levels from time to time to recognize different economic conditions. We would hope that if this legislation is passed that a system of projecting appropriations for one or two years in advance will be developed.

Our community fully support SB 103.

Bill Sheffield, Governor

**DEPARTMENT OF LAW**

OFFICE OF THE ATTORNEY GENERAL

POUCH K - STATE CAPITOL  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-3600

February 10, 1983

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

Re: Residential tax exemption  
Our file: 366-430-83

Dear Senator Gilman:

You have inquired whether a residential tax exemption may be passed by municipal voters directly by initiative. AS 29.53.025(a) provides for such an exemption "by ordinance ratified by the voters at a regular or special election." (Emphasis added.) Put another way, must there first be council or assembly action which the voters might ratify, or may the voters simply create the exemption directly, by initiative?

In its current form, AS 29.53.025(a) casts a long shadow across the notion of municipal tax exemption by initiative. The problem is the word "ratified," and its reference to "ordinance."

As one court has put it, "[r]atification refers to ... the adoption of a past act or transaction as his own act...." First National Bank v. Allen, 14 So. 335, 337 (Ala. 1893). Virtually all ratification cases reference an antecedent contract, transaction, or other act which is confirmed, adopted, or sanctioned by the ratifier.

The Massachusetts Supreme Judicial Court faced a similar situation in Revere Water Co. v. Inhabitants of the Town of Winthrop, 78 N.E. 497 (Mass. 1906). Though the case is distinguishable in one or two important respects, what the court said is instructive:

The word "ratified" as used in the statute [requiring voter approval] plainly means that when the selectmen issue the warrant they are supposed to have taken appropriate precedent action, otherwise there is no proposal of purchase in existence which can be made the subject of ratification, and which by the ratifying act thereupon becomes and existing contract.

Honorable Don Gilman  
Alaska State Legislature  
366-430-83

February 10, 1983  
Page #2

Id. at 501.

It may well be argued that the legislature intended that municipal tax exemption be a two-step process, i.e., that the assembly first bring its expertise and judgment to bear to draft, debate, and enact a bill, after which the voters would act affirmatively to adopt the bill passed by the assembly. On the other hand, it could, with conviction and force, be argued that the heart and sense of AS 29.53.025(a) is the voter approval provision, and that assembly action was not intended to be a condition precedent to direct voter action.

As rough as the fit may be, we believe that the court cases cited above require assembly action first, followed by voter approval. If a different process is preferred, we would be happy to assist you in drafting an amendment to AS 29.53.025(a).

Sincerely yours,

NORMAN C. GORSUCH  
ATTORNEY GENERAL

By: *Thomas M. Jahnke*  
Thomas M. Jahnke  
Assistant Attorney General

TMJ/pjg

STATE OF ALASKA  
THE LEGISLATURE

FOUCH V. STATE CAPITOL  
JUNEAU, ALASKA 99811  
907-465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 10, 1983

SUBJECT: Optional tax exemption questions  
(Work Order No. 13-0721)

TO: Senator Donald E. Gilman

FROM: Richard C. Folta *RCF*  
Legislative Counsel

The following is in response to your inquiry of February 7th, on optional property tax exemptions.

(1) No, the exemption tax option would be subject to initiative. Article XI, section 7 of the Alaska Constitution provides for the restrictions against the use of the initiative, one of which is "appropriations" initiatives. A tax exemption which operates to limit tax revenues, cannot be considered an appropriation, in my opinion. (The Thomas V. Bailey case, 595 P.2d 1 is the Alaska case which discusses the appropriation restriction on initiatives by the people.) The tax exemption limits the tax revenues collectable by the municipality, but cannot be defined any closer than that to appropriations. In the Thomas case, the giving away of land in the homestead initiative was construed by the Court to be really an appropriation measure restricted by the constitution.

(2) There could be a substantial impact on the bonding ability of a municipality, since the full faith and credit of a municipality is pledged for the payment of principal and interest on general obligation bonds (AS 29.58.180). The passage of an initiative for the exemption could decrease the municipality's ability to bond since the tax base is reduced. There may be an instance where an initiative for the exemption could impair existing indebtedness and thus be subject to legal attack.

RCF:ljb

# Alaska State Legislature

SENATOR  
DON GILMAN

Juneau Ph.  
(907) 465-4934



HOME ADDRESS  
P.O. BOX 630  
KENAI, ALASKA 99611  
(907) 283-4162

DURING SESSION  
POUCH V  
JUNEAU, ALASKA 99811

## State Senate

February 7, 1983

### Memorandum

To: Billy G. Berrier  
Director  
Division of Legal Services

From: Senator Don Gilman

Thank you for the response by Richard C. Folta to our recent inquiry (Work Order No. 13-0721). This concerned whether the optional \$100,000 property tax exemption proposed by SB 65 is libel to placement on municipal ballots by elections.

Based on that response, I would like to inquire on two other points.

- 1) Because any limitation on a municipality's ability to tax affects its ability to appropriate, could this exemption be ruled not subject to initiative on the municipal level because it affects a municipality's ability to appropriate?
- 2) If, as indicated in the first response, the exemption may be placed on the ballot by initiative, what effect would this have on the bonding ability of municipalities? In particular, what effect would this have on their ability to pledge full faith and credit?

STATE OF ALASKA  
THE LEGISLATURE

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

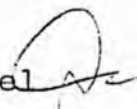
LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 3, 1983

SUBJECT: Optional exemption bill subject to referendum  
(Work Order No. 13-0721)

TO: Senator Donald E. Gilman

FROM: Richard C. Folta  
Legislative Counsel 

If SB 65, allowing for an optional exemption for certain real property from municipal taxation, becomes law, would it be subject to a referendum by the people of Alaska? The answer to your question as I understand it, is yes.

Article XI, section 1, of the Alaska Constitution provides that the people may propose and enact laws by the initiative, and approve or reject acts of the legislature by the referendum. In Municipality of Anchorage v. Frohne, 568 P.2d 3 (1977), the Court held that the subject of the petition must constitute such legislation as the legislative body to which it is directed has the power to enact. The power is liberally construed.

Local or special legislation is exempted from both petitions. Wolf v. Alaska State Housing Authority, 514 P.2d 233.

The subject matter of SB 65 is clearly general legislation in that it affects all of the people in a municipality, not just some. It is not required legislation, like AS 29.53.-020 which mandates certain exemptions. It is an optional exemption. The legislature has the power to legislate tax exemptions.

In summary, SB 65 is subject to a ballot by the people if it passes.

RCF:ljb



Official Business

# Alaska State Legislature

## Senate

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 1, 1983

Billy G. Berrier  
Director  
Division of Legal Services  
Legislative Affairs Agency  
Pouch Y  
Juneau, AK 99811

Dear Mr. Berrier:

Attached is a copy of Senate Bill 65. This bill establishes an optional property tax exemption for a portion of the value of residential property.

We request an opinion on whether, if this bill becomes law, the optional exemption it creates would be subject to being placed on the ballot by petition.

Sincerely,

A handwritten signature in cursive script that reads "Don".

Don Gilman  
State Senator



Official Business

# Alaska State Legislature

## Senate

Pouch V  
State Capitol  
Juneau, Alaska 99811

February 1, 1983

Norman Gorsuch  
Attorney General  
Department of Law  
Pouch K  
Juneau, AK 99811

Dear Mr. Gorsuch:

Attached is a copy of Senate Bill 65. This bill establishes an optional property tax exemption for a portion of the value of residential property.

We request an opinion on whether, if this bill becomes law, the optional exemption it creates would be subject to being placed on the ballot by petition.

Sincerely,

A handwritten signature in cursive script that reads "Don".

Don Gilman  
State Senator

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

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

Position Paper

Re: SB 65

Sponsor: Paul Fischer

Program Effects

This bill would raise the optional municipal real property tax exemption, permitted by statute, from the current \$10,000 to \$100,000.

Comments

The Department is in favor of increased control at the local government level. This Bill would expand that local control. To the extent that municipalities might exempt residential property under the proposed language, taxes would increase on commercial properties. In municipalities which have a substantial amount of oil and gas property, that increase would result in a proportionate decrease in State collected revenues.

Passage of this Bill could result in a small minority of taxpayers paying the majority of local property taxes if the increased optional exemption was employed by the community. This shift of tax burden could result in a weakening of local government. If the populace has no monetary stake in their local government, their interest and participation may well wane. From a standpoint of maintaining local interest and control other methods of tax relief may be preferable.