

S

B

1

7

COMMITTEE REPORT
SENATE

1/18/83

FURTHER: FINANCE

Return for file

Date: _____

Mr. President:

The Committee on COMMUNITY & REGIONAL AFFAIRS has had SENATE BILL NO. 17

An Act making an appropriation to the Department of Revenue for financial assistance to municipalities; and providing for an effective date.

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

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

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN

SENATE AMENDMENT

By Sen. Community & Regional Affairs
Committee

To: _____ SENATE BILL No. 21 17
To: _____ HOUSE BILL No. _____

PAGE: 1 LINE: 13

DELETE: ~~§1984~~

ADD: 1983

SENATE AMENDMENT

By Sen. Community & Regional Affairs
Committee

To: _____ SENATE BILL No. zk 17

To: _____ HOUSE BILL No. _____

PAGE:

LINE:

DELETE: (1984)

ADD: 1983

Introduced: 1/18/83
Referred: Community and Regional
Affairs and Finance

Funding Information
General Fund \$25,100,000
Other Funds -0-
\$25,100,000

BY GILMAN, STURGULEWSKI,
KELLY, P.FISCHER & V. FISCHER

1 IN THE SENATE

2

SENATE BILL NO. 17

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act making an appropriation to the Department of
7 Revenue for financial assistance to municipalities;
8 and providing for an effective date."

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

10 * Section 1. The sum of \$25,100,000 is appropriated from the general
11 fund to the Department of Revenue for the municipal assistance fund
12 (AS 43.20.016(a)) for distribution to municipalities for the fiscal year
13 ending June 30, ¹⁹⁸³ 1984.

14 * Sec. 2. The unexpended and unobligated portion of the appropriation
15 made by this Act lapses into the general fund June 30, 1984.

16 * Sec. 3. This Act takes effect immediately in accordance with AS 01.-
17 10.070(c).

MUNICIPAL SUPPLEMENTAL - \$28.6 MILLION

SB 17

"The Alaska Municipal League supports the supplemental appropriation of \$28.6 million: \$25.1 million FY 83 Municipal Assistance Revenues to fully fund the entitlement at the amount had not the method of taxation of the petroleum industry been changed during the 1981 State legislative Session and \$3.5 million FY 83 Chapter 89 State Revenue Sharing for roads, health facilities and hospitals, volunteer fire departments in the unorganized borough, and unincorporated communities to fully fund the entitlement at the level authorized by state statutes. The League further encourages the Legislature to appropriate and the Governor to approve the supplemental appropriation by April 15, 1983 so that local governments can use the additional funding in setting mill levies."

Municipal Assistance Fund - \$25.1 Million

FY 82	\$87.4 million appropriated
FY 83	\$71.4 million appropriated
FY 83	\$96.5 million if the legislature had not changed the Oil and Gas Corporate Income Tax

When the Legislature repealed the Gross Business License Tax, a portion of which was automatically distributed to municipalities, it created the Municipal Assistance Fund as a revenue replacement for local governments. The law provided that an amount "equal to or greater than 10%" of the proceeds of the previous year's corporate income tax, both special oil and gas and also general, could be appropriated to the fund. When the Legislature repealed the special oil and gas corporate income tax and increased the severance tax in the closing days of the 1981 session, it did not make any changes to the Municipal Assistance Fund. Following the session, however, legislative leaders publicly stated that they did not intend to adversely impact local government funding and would make corrections during the next session. In the 1982 session, the Legislature amended the law, increasing the level from 10% to 30%, which is estimated to provide almost as much as the previous system, but the Legislature did not adjust the FY 83 appropriation to reflect that intent.



Revenue Sharing, Chapter 89 - \$3.5 Million

Although most of the revenue sharing funds are distributed by the general formula established in AS 29.89, there are also entitlements established in AS 29.89 - State Aid for Miscellaneous Purposes, including roads, hospitals and health facilities, volunteer fire departments in the unorganized borough, unincorporated communities, and area cost of living differentials. The allocation for this chapter was not increased to cover the large increases in eligible roads, with the result being a projected \$3.5 million shortfall and an 80% proration of funding in these categories.

Quincy Chitwood
AML

tax return for household and dependent care services necessary for his gainful employment.

(c) The commissioner of revenue shall pay the amount of a tax credit allowed by this section to a resident individual who makes a return as provided in AS 43.20.012. A credit under this section shall be paid in the manner provided in AS 43.20.030(e) for the payment of refunds and payment may not be made without an appropriation for that purpose. (§ 2 ch 1 SSSLA 1980; am § 9 ch 1 SSSLA 1980; § 2 ch 2 SSSLA 1980)

Effect of amendments. — Section 9, ch. 1, SSSLA 1980 substituted "\$100" for "\$50" in the introductory language of subsection (a).

Effective dates. — Section 12 of ch. 1 provides that this section is retroactive to January 1, 1980, and § 10 of ch. 2, pro-

vides that this section is retroactive to January 1, 1979.

Editor's notes. — For legislative findings and purpose of the enacting legislation, see § 1, ch. 1, SSSLA 1980, and § 1, ch. 2, SSSLA 1980, in the 1980 Temporary and Special Acts and Resolves.

Sec. 43.20.015. Individual tax credit.

Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

Editor's notes. — The repealed section, derived from § 1, ch. 144, SLA 1978.

For legislative findings and purpose of

repealing acts, see § 1, ch. 1, SSSLA 1980, and § 1, ch. 2, SSSLA 1980, in the 1980 Temporary and Special Acts and Resolves.

Sec. 43.20.016. Sharing of corporate income tax revenue with municipalities. (a) There is established within the Department of Revenue the municipal assistance fund. The legislature may appropriate to the fund during each fiscal year an amount equal to or greater than 30 percent of the income tax revenue received by the state under AS 43.20.011(e) and AS 43.21 for the previous fiscal year. The Department of Revenue shall distribute money from the fund to each organized borough and each city of any class on an annual basis as provided in (b) and (c) of this section. A borough or city may not receive payment under (b) or (c) of this section until it submits to the Department of Revenue a resolution approved by the governing body of the municipality that requests the funds. Distribution of money from the fund to a city or organized borough with a fiscal year beginning on January 1 shall be made on February 1 of the state fiscal year for which the appropriation to the fund is made. Distribution of money from the fund to all other cities and organized boroughs shall be made on June 1 of the state fiscal year for which the appropriation to the fund is made. A borough or city that incorporates after December 31 of a state fiscal year is not eligible for a distribution under this section until the following state fiscal year.

(b) The base amount to be distributed from the fund to each borough and city for the fiscal year shall be the amount received by the borough or city during fiscal year 1978 under AS 43.70.080, however, if the amount appropriated to the fund by the legislature under (a) of this

section is insufficient for distribution of the full base amount, the Department of Revenue shall prorate the amount available for distribution on the basis of amounts received during fiscal year 1978 under AS 43.70.080. A city incorporated within an organized borough after June 30, 1977 shall receive as a base amount a share of the amount distributed to the borough in which it is located based on the ratio of population in the city to the total population in the borough. A city incorporated outside an organized borough after June 30, 1977 shall receive as a base amount the amount received by the city in the state most closely approximating it in population at the time of its incorporation. A borough incorporated after June 30, 1977 shall receive as a base amount the amount received by the borough in the state most closely approximating it in population at the time of its incorporation.

(c) If the amount in the fund at the time of distribution exceeds the base amount to be distributed under (b) of this section, the excess amount shall be distributed to each borough and city on the basis of population. For the purpose of this subsection, the population of a city within an organized borough shall be deducted from the population of the borough. Population, for the purpose of this section, shall be as certified by the commissioner of community and regional affairs.

(d) The intent of (c) of this section is that local governments which levy property taxes reduce those levies in reasonable proportion to the amount of increased state aid received by a local government. The governing body of each local government shall furnish the tax statement describing its use of this increased state aid. (§ 2 ch 144 SLA 1978; am § 1 ch 51 SLA 1981; am § ch 86 SLA 1982)

Effect of amendments. — The 1981 amendment added the fourth through seventh sentences of subsection (a).

The 1982 amendment substituted "30 percent" for "10 percent" in the second sentence of subsection (a).

Editor's notes. — Section 6, ch. 144, SLA 1978, provides: "TRANSITIONAL RULES FOR REVENUE SHARING UNDER THIS ACT. The revenue raised under AS 43.70 [AS 43.70.020 — 43.70.120] which relates to the 1978 calendar year (including the \$25 license fee due March 1, 1978 and the fees on the total

gross receipts for 1978 which accompany returns filed in 1979 under AS 43.70.030(d)) is the source of revenue to be shared in 1979 in accordance with AS 43.70.080. The increase in the corporate income tax which goes into effect in 1979 is the source of revenue to be shared with the municipalities under AS 43.20.016 in 1980 and subsequent years. This Act does not entitle any organized borough or any city of any class to revenue under both AS 43.70.080 and AS 43.20.016, for the same period of time."

Sec. 43.20.017. Individual tax exemptions.

Repealed by § 10 ch 1 SSSLA 1980 and § 9 ch 2 SSSLA 1980.

Editor's notes. — The repealed section derived from § 1, ch. 22, SLA 1980.

For legislative findings and purpose of repealing acts, see § 1, ch. 1, SSSLA 1980, and § 1, ch. 2, SSSLA 1980, in the 1980

Temporary and Special Acts and Resolves.

In *Williams v. Zobel*, Sup. Ct. Order (File Nos. 5400-5421), P.2d (Sept. 4, 1980), the supreme court held the tax exemption [AS 43.20.017] enacted by ch.

MUNICIPAL SUPPLEMENTAL - \$28.6 MILLION

"The Alaska Municipal League supports the supplemental appropriation of \$28.6 million: \$25.1 million FY 83 Municipal Assistance Revenues to fully fund the entitlement at the amount had not the method of taxation of the petroleum industry been changed during the 1981 State legislative Session and \$3.5 million FY 83 Chapter 89 State Revenue Sharing for roads, health facilities and hospitals, volunteer fire departments in the unorganized borough, and unincorporated communities to fully fund the entitlement at the level authorized by state statutes. The League further encourages the Legislature to appropriate and the Governor to approve the supplemental appropriation by April 15, 1983 so that local governments can use the additional funding in setting mill rates."

Municipal Assistance Fund - \$25.1 Million

FY 82	\$87.4 million appropriated
FY 83	\$71.3 million appropriated
FY 83	\$96.4 million if the legislature had not changed the Oil and Gas Corporate Income Tax

When the Legislature repealed the Gross Business License Tax, a portion of which was automatically distributed to municipalities, it created the Municipal Assistance Fund as a revenue replacement for local governments. The law provided that an amount "equal to or greater than 10%" of the proceeds of the previous year's corporate income tax, both special oil and gas and also general, could be appropriated to the fund. When the Legislature repealed the special oil and gas corporate income tax and increased the severance tax in the closing days of the 1981 session, it did not make any changes to the Municipal Assistance Fund. Following the session, however, legislative leaders publicly stated that they did not intend to adversely impact local government funding and would make corrections during the next session. In the 1982 session, the Legislature amended the law, increasing the level from 10% to 30%, which is estimated to provide almost as much as the previous system, but the Legislature did not adjust the FY 83 appropriation to reflect that intent.

Revenue Sharing, Chapter 89 - \$3.5 Million

Although most of the revenue sharing funds are distributed by the general formula established in AS 29.88, there are also entitlements established in AS 29.89 - State Aid for Miscellaneous Purposes, including roads, hospitals and health facilities, volunteer fire departments in the unorganized borough, unincorporated communities, and area cost of living differentials. The allocation for this chapter was not increased to cover the large increases in eligible roads, with the result being a projected \$3.5 million shortfall and an 80% proration of funding in these categories.

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

January 27, 1983

To: Senate CRA Committee

From: Ginny Chitwood, AML Executive Director *Ginny*

Re: SB 17 - Municipal Assistance Supplemental

Apologies for the confusion over numbers at Tuesday's committee meeting. Mr. Donohue from the Department of Revenue, was reading from a table of estimates prepared by the Department in January of 1982, a copy of which is printed on the back of this memo. At that time, the Department estimated that corporate income tax receipts would have been \$1.08 billion if the oil and gas tax had not been changed (SB 524), making the 10% sharing to municipalities in 1983 \$108 million. Two months later, the Department lowered their revenue projections, decreasing the estimate under the current law from \$744 million to \$713 million and the estimate of the amount that would have been generated under the old law from \$1.08 billion to \$964 million.

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811
PHONE: (907) 465-2300

February 4, 1982

The Honorable Donald E. Gilman
Chairman
Senate Community & Regional Affairs Committee
Pouch V
Juneau, AK 99811

Re: Senate Bill No. 612

Dear Mr. Chairman:

This Bill would amend AS 43.20.016(a) to increase the portion of net income tax proceeds from 10 percent to 30 percent that the Legislature may appropriate to the Municipal Assistance Fund. While the Administration believes that the methods of providing municipal assistance should be re-examined and overhauled (and will shortly be introducing legislation to that effect), the rationale in SB 612 for increasing this formula program from 10 to 30 percent is that legislation enacted last year significantly shifted State tax revenues from the oil and gas income tax to the oil and gas severance tax.

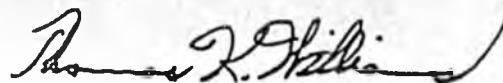
As a consequence of that revenue shift between tax types, the amount of income taxes the State will collect in the future is materially reduced. For example, in FY 83, under the old oil and gas income tax laws, the revenue to the State would have been \$1086.8 million (according to the Legislative Finance Division). Add this to the \$35 million we project for the rest of the income tax, and the total income tax revenues the State would be receiving in FY 83 would have been \$1121.8 million. With the new law, we foresee some \$304 million in income tax in FY 83 from the oil industry and the same \$35 million, making a total of \$339.0 million.

You can see that the formulary 10 percent of the revenues under the old income tax laws would be \$112.18 million, whereas with the new laws it is \$33.90 million. If the 10 percent figure were changed to 30 percent, the formulary amount under the new income tax laws would be \$101.70 million. Thus, if the formulary approach is the one that the State continues to follow (and bear in mind that the Administration believes there are better alternatives to provide for municipal revenue sharing), the increase in the percentage from 10 to 30 percent under SB 612 would very nearly restore the formulary amount of income that may be shared with the municipalities to the level it would have been had oil and gas tax revenues not been shifted away from the income tax to the severance tax.

Senator Don Gilman (SB 612)
February 4, 1982
Page 2

I hope this will be useful for your Committee in its deliberations on SB 612. Please do not hesitate to contact me if you have any further questions on the foregoing matters.

Sincerely,



Thomas K. Williams
Commissioner of Revenue

TKW:tw

cc: Senator Ed Dankworth

SB 17

Report to Committee

At Tuesday's Committee hearing (1/25/83), some confusion arose over the source of the amount of the supplemental. After discussion with Vince Wright and Carol Bruce of the Department of Revenue, they now agree with the figures provided by Ginny Chitwood of the Alaska Municipal League. Commissioner Donahue is in Anchorage, but they have consulted with him, and he also concurs.

The document provided to the Senate C&RA Committee last session by the Department of Revenue, on which Ms. Chitwood based her figures, is attached.

Alaska MUNICIPAL League

TELEPHONES
(907) 586-1325
586-6526

204 N. FRANKLIN ST.
JUNEAU, ALASKA 99801

AML 1983 POLICY PRIORITIES

Municipal Supplemental. The League supports the supplemental appropriation of (a) \$25.1 million FY 83 Municipal Assistance revenues to fully fund the entitlement at the amount had not the method of taxation of the petroleum industry been changed during the 1981 state legislative session; and (b) \$3.5 million FY 83 Section 89 State Revenue Sharing for roads, health facilities and hospitals, and volunteer fire departments to fully fund the entitlement at the level authorized by state statutes. The League further encourages the Legislature to appropriate and the Governor to approve the aforementioned supplemental appropriation by April 15, 1983 so that local governments can use the additional funding in setting their 1983 mill levies.

Educational Supplemental. The League urges the approval of a \$33.7 million education supplemental for FY 83 because of costs connected with the state take-over of BIA schools, unprecedented increases in school population throughout the state, and unanticipated reductions in the public school foundation program funding last year, and urges the approval of a \$12 million supplemental to fund the shortfall in the school construction reimbursement fund

Consolidation of Municipal Assistance and Revenue Sharing. The League endorses the consolidation of the current Municipal Assistance and State Revenue Sharing programs with adequate and predictable funding so that municipalities can continue to provide important needed services while holding down local taxes.

Water/Sewer/Solid Waste Construction Grants Program. The League strongly endorses the concept of the state paying at least 75% for sewerage, solid waste facilities, and water systems constructed by municipalities under the State of Alaska Construction Grants Program and that the replacement of out-moded systems be grant eligible in the same manner as the installation of the new systems. The League strongly supports appropriation levels to meet statewide needs, including a supplemental appropriation of \$28 million.

Fiscal Notes/State Mandates. The League supports enactment of legislation requiring preparation of notes assessing the fiscal impact on local governments of any proposed bill or regulation, including pass-through grants. The League urges passage of legislation which would require the state to reimburse municipalities for costs they incur in programs or activities mandated by the State of Alaska.

SB 17

SB 21
a
SB 15

MUNICIPAL SUPPLEMENTAL - \$28.6 MILLION

SB 17

"The Alaska Municipal League supports the supplemental appropriation of \$28.6 million: \$25.1 million FY 83 Municipal Assistance Revenues to fully fund the entitlement at the amount had not the method of taxation of the petroleum industry been changed during the 1981 State legislative Session and \$3.5 million FY 83 Chapter 89 State Revenue Sharing for roads, health facilities and hospitals, volunteer fire departments in the unorganized borough, and unincorporated communities to fully fund the entitlement at the level authorized by state statutes. The League further encourages the Legislature to appropriate and the Governor to approve the supplemental appropriation by April 15, 1983 so that local governments can use the additional funding in setting mill levies."

Municipal Assistance Fund - \$25.1 Million

FY 82	\$87.4 million appropriated
FY 83	\$71.4 million appropriated
FY 83	\$96.5 million if the legislature had not changed the Oil and Gas Corporate Income Tax

When the Legislature repealed the Gross Business License Tax, a portion of which was automatically distributed to municipalities, it created the Municipal Assistance Fund as a revenue replacement for local governments. The law provided that an amount "equal to or greater than 10%" of the proceeds of the previous year's corporate income tax, both special oil and gas and also general, could be appropriated to the fund. When the Legislature repealed the special oil and gas corporate income tax and increased the severance tax in the closing days of the 1981 session, it did not make any changes to the Municipal Assistance Fund. Following the session, however, legislative leaders publicly stated that they did not intend to adversely impact local government funding and would make corrections during the next session. In the 1982 session, the Legislature amended the law, increasing the level from 10% to 30%, which is estimated to provide almost as much as the previous system, but the Legislature did not adjust the FY 83 appropriation to reflect that intent.



Revenue Sharing, Chapter 89 - \$3.5 Million

Although most of the revenue sharing funds are distributed by the general formula established in AS 29.88, there are also entitlements established in AS 29.89 - State Aid for Miscellaneous Purposes, including roads, hospitals and health facilities, volunteer fire departments in the unorganized borough, unincorporated communities, and area cost of living differentials. The allocation for this chapter was not increased to cover the large increases in eligible roads, with the result being a projected \$3.5 million shortfall and an 80% proration of funding in these categories.

Caroline Phillips
12/11/82

Title 29 Revisions. The League encourages the Governor and Legislature to recognize the significance of the effort to revise Title 29 and the importance of maintaining this legislation in a basic form and of ensuring that the legislation contain only the fundamental elements and guidelines for a basic municipal code. The League requests other proposals which would constitute major policy revisions or innovations in the function of local government be considered in separate legislation which, if approved, would be incorporated into Title 29 once the revised basic code has been adopted.

Anti-Trust Laws. The League supports legislation at both the state and local levels placing municipalities in an equal posture with state governments with respect to federal anti-trust laws.

Subdivision Ordinance Compliance. The League urges passage of legislation which requires the State of Alaska to comply with all local subdivision ordinances and regulations in connection with state land disposal programs. The state should meet the same local requirements imposed on private citizens.