

S

B

7

3

5

Alaska State Legislature

SENATOR
ARLISS STURGULEWSKI

COMMITTEES
CHAIRMAN
Legislative Budget & Audit

Community & Regional Affairs
Finance
Resources



Senate

2957 SHELDON JACKSON
ANCHORAGE, ALASKA 99504
DISTRICT 10-H

While In Juneau
POUCH V
JUNEAU, ALASKA 99811
(907) 465-3818

ANALYSIS BY SPONSOR

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

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

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

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

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

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

POSITION PAPER

Requested by: Senate Community & Regional Affairs

Subject: SB 735 "An Act Relating to Organization Grants and Transitional Assistance"

Departmental Position: Support

Remarks:

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

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

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

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

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

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

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

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SB 735

Title "An Act relating to municipal government"

Requested by Rules committee by request of Legislative Date January 20, 1982

Council

II. FISCAL DETAIL

Agency Affected Department of Community and Regional Affairs

Program Category Affected Community Development

BRU, Program, Or Subprogram(s) Affected Local Government Assistance

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

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

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
GENERAL FUND		405	255	430	255	430
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87
FULL TIME		0	0	0	0	0
PART TIME						
TEMPORARY						

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

SEE ATTACHED

IV. DATE March 15, 1982

PREPARED BY Terry E. Earley

AGENCY C&RA/ Local Government Assistance

Original: Legislative Finance

PHONE 465-4730

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

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

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

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