

H B

5 5 8

# CSHB 558 (FIN) Re revenue sharing  
& municipal assistance

4/17 Asked Sam Cook for sectional  
analysis

4/24 Asked AML (Scott Burgess) for position  
paper. In Favor

✓ 2nd DC+RT (Jennifer Tate) bill was  
scheduled for 2nd, 4/29

STATE OF ALASKA  
THE LEGISLATURE

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

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May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

5 CRA 4-29-86 3:38pm

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

4/17/86

Date 4/29/86

Mr. President

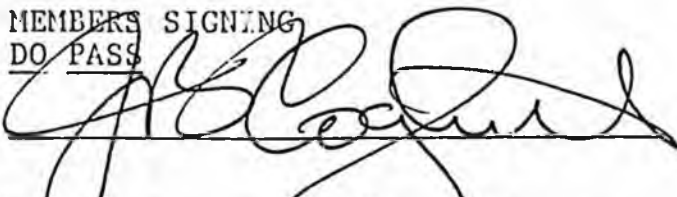
The Committee on C&RA considered CSHB 558(Fin)

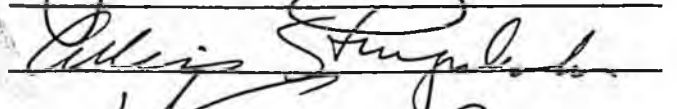
relating to time periods to be used for administering the tax equalization program and the municipal assistance program; efd.

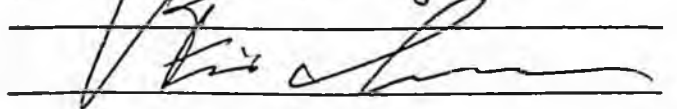
and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for \_\_\_\_\_
- new title
- same title and recommends \_\_\_\_\_
- and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to \_\_\_\_\_ Committee

MEMBERS SIGNING  
DO PASS







\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

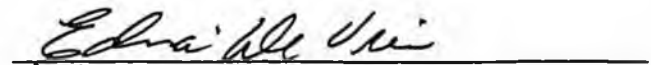
MEMBERS HAVING  
OTHER RECOMMENDATIONS


\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

  
Chairman

  
Chairman recommendation



Official Business

# Alaska State Legislature

## Senate

### Committee on Community and Regional Affairs

Senator Edna DeVries, Chairman  
Members  
Senator Ferguson, Vice Chairman  
Senator Coghill  
Senator Sturgulewski  
Senator V. Fischer

Pouch V  
Juneau, Alaska 99811

COMMITTEE MEETING -- April 29, 1986

CS HB 558 (Fin) -- An Act relating to time periods to be used for administering the tax equalization program and the municipal assistance program; efd.

CS HB 312 (Fin) -- An Act establishing the Dude Creek Critical Habitat Area.

CS HB 647 (Fin) am -- An Act establishing requirements (CONT'D FROM 4-24-86) for warning placards; establishing requirements and limiting liability for municipal reporting programs for hazardous materials and hazardous waste; efd.

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CS HB 558 (Fin) would change DC&RA procedures for the collection of data and calculation of revenue sharing entitlements and provide for earlier disbursement to municipalities.

CS HB 312 (Fin) was considered by the Committee on March 6. A proposed C&RA Committee Substitute, agreed to by Rep. Goll, deleting all mental health land from the legal description of the habitat area has been prepared.

Hearing on CS HB 647 (Fin) will continue for consideration of a CS work draft and draft amendment, and to receive testimony from Sam Neal, State Fire Marshall, and Jim Sweeney, Municipality of Anchorage, by teleconference.

Materials attached are:

- (1) Section analysis from LAA, Legal Svcs., dtd 4-18-86 on CS HB 558 (Fin).
- (2) DC&RA Position Paper dtd 2-26-86 on HB 558.
- (3) Ltr from Commissioner Notti, DC&RA to Sen. DeVries dtd 4-23-86 with 4 atchs. on HB 558.
- (4) Memo from Rep. Goll to Sen. DeVries dtd 4-7-86 with attached map on CS HB 312 (Fin).
- (5) Ltr from Commissioner Wunnicke, DNR, to Sen. DeVries dtd 4-21-86 with attachment on CS HB 312 (Fin).
- (6) A CS work draft and amendment on CS HB 647 (Fin) am, (Requirements; hazardous materials and waste.)

Offered: 4/1/86  
Referred: Rules

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2

CS FOR HOUSE BILL NO. 558 (Finance)

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to time periods to be used for  
7 administering the tax equalization program and the  
8 municipal assistance program; and providing for an  
9 effective date."

10

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

11

\* Section 1. AS 29.60.010 is amended to read:

12

Sec. 29.60.010. STATE EQUALIZATION OF TAX RESOURCES FOR MUNICI-

13

PAL SERVICES. (a) During each fiscal year the department shall  
14 compute an equalization entitlement for municipal services provided by  
15 a taxing unit for payment the following fiscal year.

16

(b) The equalization entitlement computed for a taxing unit is  
17 based on the population, relative ability to generate revenue, and  
18 local tax burden of the taxing unit and is determined by the applica-  
19 tion of the formula

20

Entitlement = P x R

21

where P = population, and

22

R = millage rate equivalent, determined by dividing the

23

sum of the locally generated revenue of the taxing unit by one-tenth  
24 of one percent of the full and true value of assessed property of the  
25 taxing unit determined under AS 29.60.030(d); however, the per capita  
26 property value used under this subsection may not be less than 15  
27 percent of the statewide average per capita full and true assessed  
28 property value.

29

(c) For purposes of this section, locally generated revenue

1 (1) includes

2 (A) the actual revenue derived from the levy and  
3 collection of local taxes in the taxing unit for municipal ser-  
4 vices [DURING THE PRECEDING FISCAL YEAR OF THE TAXING UNIT];

5 (B) motor vehicle payments received by the municipal-  
6 ity [DURING THE PRECEDING FISCAL YEAR] under AS 28.10.431;

7 (C) revenue from fees, rentals, leases, penalties,  
8 licenses or permits received [DURING THE PRECEDING FISCAL YEAR]  
9 by the municipality for a function or service over which it has  
10 control, including revenues derived from parks and recreation  
11 services, mass transit, offstreet parking, and garbage and solid  
12 waste disposal services;

13 (D) special assessments received [DURING THE PRECEDING  
14 FISCAL YEAR]; and

15 (E) payments received by a municipality from a utility  
16 that are in place of taxes levied and collected by the municipal-  
17 ity;

18 (2) excludes

19 (A) revenue derived from the levy and collection of  
20 municipal taxes and appropriated for the operating expenses and  
21 debt service of utilities;

22 (B) revenue from interest earned on investments and  
23 from the sale and lease of land or equipment; and

24 (C) all other revenue from whatever service derived;

25 (3) is calculated on the basis of the actual revenue re-  
26 ceived during the fiscal year of the taxing unit preceding the year in  
27 which the department's determination of the millage rate equivalent is  
28 made under AS 29.60.030.

29 \* Sec. 2. AS 29.60.030(a) is amended to read:

1 (a) The department may require a municipality to return a certi-  
2 fication, signed by the municipal treasurer or manager and the mayor,  
3 that provides an estimate of the locally generated revenue received by  
4 the municipality during the [PRECEDING] fiscal year preceding the year  
5 in which the department's determination of the millage rate equivalent  
6 is made under (c) of this section.

7 \* Sec. 3. AS 29.60.030(c) is amended to read:

8 (c) As early as possible, but not later than January [DECEMBER]  
9 15 of each year, the department shall make a [FINAL] determination of  
10 the millage rate equivalent of each taxing unit to use to compute and  
11 distribute equalization entitlements under AS 29.60.010 - 29.60.080  
12 for the following state fiscal year. The department shall base the  
13 determination on audits, financial statements, and other financial  
14 reports prepared and submitted by a municipality. The department  
15 shall adjust the locally generated revenue reported by a municipality  
16 to exclude the municipal revenue claimed that does not qualify for  
17 inclusion in or recognition as locally generated revenue for municipal  
18 purposes under AS 29.60.010(c)(1). The adjustment shall be made by  
19 deducting from total revenue claimed by the municipality the amount of  
20 the department's estimate of revenue that is not recognized for munic-  
21 ipal purposes.

22 \* Sec. 4. AS 29.60.040 is amended to read:

23 Sec. 29.60.040. REPORTS. A payment of an equalization entitle-  
24 ment may not be made to a municipality under AS 29.60.010 - 29.60.080  
25 until the municipality has submitted its certificate of estimated  
26 revenue and its financial report to the department for the fiscal year  
27 preceding the year in [FOR] which the department's determination of  
28 the millage rate equivalent is made under AS 29.60.30 [EQUALIZATION  
29 ENTITLEMENT IS SOUGHT], together with the municipality's [A] budget

1 for the [MUNICIPALITY'S CURRENT] fiscal year for which an entitlement  
2 is sought. The financial report must [SHALL] include a listing of  
3 general revenue collected from taxes levied and assessed and any other  
4 revenue that, in the opinion of the municipal officials, is eligible  
5 for inclusion in computations of the locally generated revenue of the  
6 taxing unit.

7 \* Sec. 5. AS 29.60.290(a) is amended to read:

8 (a) A municipality qualifying for an entitlement under AS 29.-  
9 60.010 - 29.60.080 or 29.60.100 - 29.60.180 shall receive a minimum  
10 payment of \$25,000 plus an area cost-of-living differential for each  
11 fiscal year if

12 (1) the municipality has conducted a regular election  
13 during the fiscal year preceding the year in [FOR] which the depart-  
14 ment's determination of the municipality's millage rate equivalent is  
15 made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS AUTHORIZED BY  
16 AS 29.60.010 - 29.60.080 OR 29.60.100 - 29.60.180] and has reported  
17 the results of the election to the commissioner;

18 (2) regular meetings of the governing body are held in the  
19 municipality during the fiscal year preceding the year in [FOR] which  
20 the department's determination of the municipality's millage rate  
21 equivalent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS  
22 AUTHORIZED BY AS 29.60.010 - 29.60.080 OR 29.60.100 - 29.60.180] and a  
23 record of the proceedings is maintained;

24 (3) a municipal budget has been adopted for the fiscal year  
25 during which payment of an entitlement is authorized by AS 29.60.010 -  
26 29.60.080 or 29.60.100 - 29.60.180 and an audit or financial statement  
27 for the [PRECEDING] fiscal year preceding the year in which the de-  
28 partment's determination of the municipality's millage rate equivalent  
29 is made under AS 29.60.030 has been prepared and furnished to the

1 department in accordance with AS 29.20.640(a); and

2 (4) local ordinances adopted by the municipality have been  
3 codified in accordance with AS 29.25.050.

4 \* Sec. 6. AS 29.60 is amended by adding a new section to article 3 to  
5 read:

6 Sec. 29.60.310. TIME OF PAYMENT. The department shall make  
7 payments under AS 29.60.010 - 29.60.300 no later than July 31, based  
8 upon the entitlement calculations made during the preceding fiscal  
9 year.

10 \* Sec. 7. AS 29.60.350(b) is amended to read:

11 (b) The department shall distribute money from the municipal  
12 assistance fund to each municipality on an annual basis as provided in  
13 AS 29.60.360 and 29.60.370. A municipality may not receive payment  
14 until it submits to the department a resolution approved by the gov-  
15 erning body of the municipality that requests the money. Distribution  
16 of money from the municipal assistance fund to all municipalities [A  
17 MUNICIPALITY WITH A FISCAL YEAR BEGINNING ON JANUARY 1] shall be made  
18 on February 1 of the state fiscal year for which the appropriation to  
19 the fund is made. [DISTRIBUTION OF MONEY FROM THE MUNICIPAL ASSIS-  
20 TANCE FUND TO ALL OTHER MUNICIPALITIES SHALL BE MADE ON JUNE 1 OF THE  
21 STATE FISCAL YEAR FOR WHICH THE APPROPRIATION TO THE FUND IS MADE.] A  
22 municipality that incorporates after December 31 of a state fiscal  
23 year is not eligible for a distribution under this section until the  
24 following state fiscal year.

25 \* Sec. 8. AS 29.60.030(b) is repealed.

26 \* Sec. 9. Notwithstanding the provisions in secs. 1 - 8 of this Act,  
27 the Department of Community and Regional Affairs and municipalities seeking  
28 payments under AS 29.60.010 - 29.60.370 for the state fiscal year ending  
29 June 30, 1987, shall follow the procedures set out in those sections before

1 amendment by this Act. The Department of Community and Regional Affairs  
2 shall follow the deadlines and procedures established by this Act for the  
3 state fiscal year ending June 30, 1988.

4 \* Sec. 10. This Act takes effect July 1, 1986.

BILL SHEFFIELD, GOVERNOR

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

February 26, 1986

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949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508  
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POSITION PAPER


RE: House Bill 558

SPONSOR: Rules Committee by request of the Governor

PROGRAM EFFECTS: This bill would alter procedures for collection of data and calculation of revenue sharing entitlements and would allow earlier disbursement of entitlements to municipalities and other recipients of revenue sharing and municipal assistance.

DEPARTMENTAL POSITION: The department strongly supports this legislation. The department worked closely with the Governor's Task Force on State Shared Revenues which recommended this legislation to the Governor. The legislation would have two major benefits for municipalities and other recipients of assistance under these programs. First, it would provide greater predictability to the entitlement process. Currently, a municipality must plan its budget without an accurate idea of its entitlement for the budget year. Under the proposed legislation, the department will have the necessary municipal data to provide relatively accurate estimates to communities for budget preparation based upon proposed or adopted levels of appropriation. Second, the proposed legislation will allow the department to disburse funds much earlier in the fiscal year than is currently the practice. Under the current system, a prepayment of about half the entitlement is made in September or October, with a final payment ideally in March. Under the proposed system, payments could be made as early as the first or second week in July of the new fiscal year, giving municipalities additional flexibility in fiscal affairs as well as the opportunity to earn interest on the funds.

The legislation would improve the program administratively by utilizing verified data elements in entitlement calculations instead of estimates as is now the practice. By spreading the revenue sharing payment process out over three years (the year of data collection, the year of calculation and the year of payment) the program will reduce errors due to incomplete or inaccurate information resulting from overly restrictive deadlines.

  
Emil Notti, Commissioner

BILL SHEFFIELD, GOVERNOR

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

April 23, 1986

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The Honorable Edna DeVries  
Alaska State Senate  
P.O. Box V  
Juneau, AK 99811

APR 25 1986

Dear Senator DeVries:

RE: HB 558

I have taken the liberty of preparing an informational packet regarding HB 558, relating to time periods for distribution of state revenue sharing and municipal assistance payments, for you and members of the Senate Community and Regional Affairs Committee.

This bill is an attempt to get the most from each dollar spent. The increased predictability and earlier payments provided under this bill will mitigate to some extent the effects of lower state shared revenues for municipalities and other recipients of funds under these programs. This bill is designed to address one of the biggest complaints about the State Revenue Sharing Program, its lack of predictability. Additionally, the bill provides for payment of revenue sharing and municipal assistance funds much earlier in the fiscal year than under the current law.

The unpredictability in the State Revenue Sharing Program has two elements. First, recipients of revenue sharing do not know what amount of funding they will receive until well into their fiscal year. Second, the payment schedule is uncertain because of complications which arise in the calculation process. This two-fold lack of predictability disrupts the ability of municipalities to adequately plan their fiscal affairs.

This lack of predictability is largely the result of the program structure. Currently entitlements are calculated on the basis of information collected from the municipal fiscal year preceding the state fiscal year in which calculations and payments are made. Because of the compression of the calculation and payment function into one year, there is no way to predict entitlements with any degree of accuracy.

Senator DeVries  
April 23, 1986  
Page Two

In order to address this problem, the Governor's Task Force on State Shared Revenues recommended the calculation and payment functions be separated into two separate years. A detailed discussion of the proposal is contained in the task force report at pages 12 - 19, which I have attached to this letter as Attachment 1. A chart, summarizing the current revenue sharing time table and the proposed revenue sharing time table under this bill is also enclosed as Attachment 2.

Because the Department will have the data necessary to calculate revenue sharing entitlements the year before payment, we will be able to give out reasonably accurate estimates of the amount of payment to each recipient before their fiscal year starts, usually in time for use in budget preparation by the municipality. An additional benefit is that revenue sharing payments can be made at the beginning of the new state fiscal year, so that recipients will have the money earlier than at present. This allows additional financial flexibility and the possibility of additional income through investment, which, in the case of communities like Anchorage may be substantial.

The bill also proposes that the payment date for municipal assistance be made February 1 for all municipalities, rather than just those on a calendar fiscal year. Currently, municipalities on a state fiscal year are not paid until June 1. The benefit to municipalities again relates to earlier receipt of payment as well as correction of what has been perceived to be an inequity in payment schedules among municipalities based upon their fiscal year.

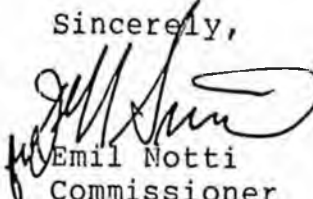
This bill received favorable attention in the House of Representatives. Favorable testimony was received by the House Community and Regional Affairs Committee from Scott Burgess of the Alaska Municipal League in support of the legislation. He also supplied a memorandum in support of the bill, a copy of which is attached (Attachment 3). Chip Dennerlein, on behalf of Mayor Knowles in his capacity as President of the Alaska Conference of Mayors at the time the proposal was released by the task force, spoke in favor of the legislation. Larry Semmons from the Kenai Peninsula Borough, testifying on behalf of the Municipal Finance Officers of Alaska, expressed the support of that organization as well. One concern raised by Mr. Semmons' testimony was the need for a date certain in the bill for disbursement of revenue sharing funds. That concern was addressed in the House Finance Committee with an amendment to provide for payment by July 31.

Senator DeVries  
April 23, 1986  
Page Three

A final enclosure is a copy of Governor Sheffield's letter of transmittal to the Speaker of the House which accompanied this bill.

If you have any further questions, the Department will gladly participate in any discussions or hearings on this bill.

Sincerely,



Emil Notti  
Commissioner

Enclosures (4)

cc: Members of the Senate Community  
and Regional Affairs Committee

A second source of impetus for modification was the desire to base payments upon a "basic needs" approach. It was felt that certain categories of "basic needs" in local government services should be identified and payments should be determined on that basis. To a great extent, this may be seen to be a return to the categorical program which the equalization program replaced in 1981. Past analysis had indicated that this categorical approach biased the program in favor of wealthier, more populous communities which could afford to provide more services than poorer, less populous ones. Further, complaints were made that local governments should make the decisions about what services should be funded at the local level, rather than have the State mandate these services through the categories chosen to be eligible to receive funding. Additionally, proving eligibility for specific categories and monitoring expenditures for eligible services placed excessive administrative burdens upon the state and local governments.

On August 14, 1985, the Alaska Conference of Mayors met in Fairbanks to discuss these and other fiscal issues of interest to local governments. It was determined at that meeting that any changes in the formulas for municipal assistance and revenue sharing were unacceptable under the current financial and political climate of the state, and this determination was subsequently transmitted to the Task Force.

The combination of these factors has led the Task Force to recommend that no change be made to the distribution formulas utilized by the Municipal Assistance and State Revenue Sharing Programs.

#### B. Predictability and Stability

One of the biggest complaints about the current State Revenue Sharing Program is its lack of predictability. This complaint is twofold: first, recipients do not know what the exact level of payment will be until well into their fiscal year, and secondly, the payment schedule is uncertain. This uncertainty and lack of predictability creates problems in the planning and budgeting process and general disruption of the fiscal affairs of municipalities. This problem is largely a result of the way the program is structured.

from The Governor's Task

Force on State Shared

Revenues, Dec. 9, 1985

1. Current Time Table.

Revenue Sharing entitlements are determined by a variety of data elements. A municipality's population, locally generated revenues, and property values are used to determine its Municipal Tax Resource Equalization entitlement. Miles of roads, hospital and health facility beds and so on are used to determine a recipient's Miscellaneous Services entitlement. These data elements are determined as of the following dates:

Population - the July 1 immediately preceding application;

locally generated revenues - total for the municipality's fiscal year preceding the year of application;

full and true property values - the January 1 of the year preceding the calendar year of application; and

service provision dates for State Aid for Miscellaneous Services (roads and health facilities, volunteer fire departments, unincorporated communities) - in service July 1 of the year of application.

The application deadlines are as follows:

October 1 - application and budget must be postmarked as of this date to qualify for prepayment.

November 1 - application and budget must be postmarked as of this date to qualify for payment and preserve appeal rights.

December 1 - application and budget must be postmarked as of this date to qualify for payment, but appeal rights are waived.

The administrative processes for calculating final entitlements are on the following time line:

October 15 - initial determination of municipal population and data elements.

December 15 - deadline for municipal population revision requests by municipalities and final data element determinations by department.

January 15 - deadline for appeal of data element determinations by municipalities.

February to March - resolution of appeals.

March - computer run of final entitlements.

March - final payments sent to recipients.

June 30 - deadline for submission of audits/certified financial statements.

The time lag from the measurement of these elements to final payment under the current system amounts to the following, assuming a March final payment date:

Population: July 1 to March 30 = 9 months.

Locally generated revenues (for state fiscal year municipalities): fiscal year ending June 30 to March 30 = 9 months.

Full and true property value: January 1 of year preceding calendar year of application to March 30 = 27 months.

Service provision: July 1 to March 30 = 9 months.

Prepayments are sent out as soon as possible after receipt of the completed application and budget. Final payments should go out in March; however, in the last two fiscal years, because of extended deadlines and a Legislative Budget and Audit Committee audit, 90 percent provisional payments were issued in March and final payments were not made until May. Additionally, an audit or certified financial statement for the fiscal year preceding the year of application must be submitted before a final payment may be released. Obviously, if the audit or financial statement is not submitted by the time of the final entitlement computer run, the Department is unable to compare estimated revenues claimed in the application with the audited or certified figures. This has led in the past to the necessity of assessing corrective prior year adjustments in subsequent years which are not only administratively burdensome to the state, but may be devastating to a recipient which had grossly over-estimated locally generated revenues.

## 2. Prior Year Data Proposal.

The most promising proposal considered by the Task Force which would address these issues and retain the current revenue sharing formula is the use of "prior year" data. In its simplest terms, this proposal would allow the Department to use certain data from the year preceding the one currently utilized. By so doing, the data necessary to make the calculations to determine recipients' final entitlements would be available much earlier than at present so that the Department could 1) notify recipients of their expected entitlements in a timely manner to allow proper budgeting and financial planning, and 2) disburse the money much earlier in the fiscal year, perhaps as early as the first week in July.

Under this proposal, data would be determined for the entitlement year as of the following dates:

Population - October 1 of the year preceding the entitlement year.

Locally generated revenues (for municipalities on the state fiscal year) - the fiscal year ending June 30 preceding the year before the entitlement year.

Full and true value - January 1 of the fiscal year preceding the year before the entitlement year.

Service provision date - October 1 of the year preceding the entitlement year.

Application deadlines would be altered as well. There would no longer be a need for a prepayment deadline, although there may still be two deadlines, one to ~~preserve appeal~~ rights and one which results in waiver of appeal rights. The retention of the November 1 and December 1 deadlines would allow the following schedule:

October 15 - initial determination of population figures.

November 1 - deadline for applications for following fiscal year to preserve appeal rights.

December 1 - final deadline for applications, appeal rights waived.

January 1 - final deadline for calendar year municipalities.

January 15 - final determination of data elements and deadline for requests for population revision.

February 15 - appeal deadline.

February/March - resolution of appeals.

End of March - preliminary entitlement run.

June 1 - deadline for submission of audits/certified financial statements for preceding fiscal year covering claimed locally generated revenues.

End of June - final entitlement run.

July 1 - beginning of entitlement year.

First week of July - final payments disbursed to recipients conditioned upon submission of budget for entitlement year.

Perhaps the only drawback to utilizing the prior year data proposal is the perceived increased time lag between the measurement of data elements and the receipt of payment based upon that data. This perception may have been based upon the terminology used to designate the proposal, as "prior year data" implies an additional twelve month time lag between calculation and payment beyond the current lag. Additionally, early formulations of the proposal showed potentially significant time lags between the data calculation and final payment.

Further refinements of the proposal have tended to reduce this time lag, in some cases, significantly. The time lag between calculation of data elements to final payment under the proposed system would be as follows, assuming a July 1 payment:

Population: October 1 to July 1 = 9 months.

Locally generated revenues (for municipalities on the State fiscal year): June 30 of the fiscal year of the year preceding the year of application to July 1 = 12 months.

Full and true value: January 1 of calendar year preceding year of application to July 1 of entitlement year (succeeding year of application) = 18 months.

Service provision: October 1 to July 1 = 9 months.

This reveals the following comparison:

<u>Data Element</u>	<u>Current</u>	<u>Proposed</u>
Population	9 months	9 months
Locally Generated Revenues	9 months	12 months
Full and True Value	27 months	18 months
Service Provision	9 months	9 months

It should be noted, of course, that the current program disburses prepayments, which amount to about half the entitlement, as much as 5 months earlier than the March 30 date used to calculate time lag for the current program in the above comparison.

### 3. Analysis of Changes.

The problem of predictability is addressed in that accurate preliminary estimates of entitlements will be available to municipalities by the end of March for use in budget formulation and financial planning. Those estimates will be based upon the finalized municipal data elements and the Governor's requested budget appropriation level for the program, unless the operating budget has been passed, in which case the appropriation level will be adjusted accordingly. Payments will be available at the beginning of the fiscal year, thus relieving much of the uncertainty involved in receipt of payments. An additional advantage is that communities will have their entire payment available much earlier in the fiscal year, allowing more flexibility in financial planning, as well as the possibility of earning additional interest from the funds.

Applications will be made in the year preceding the entitlement year, rather than the entitlement year itself. Application deadlines may be retained to avoid confusion among smaller communities. It may be desirable, however, to alter the deadline for calendar year municipalities to provide for their special needs. Service provision dates will be changed from July 1 to October 1 of the application year. This will allow the entire building season to be completed for inclusion of claimed service (e.g., roads). This will allow services that could not be counted for an additional 12 months under the current system, because they were not in service until after the July 1 deadline, to be available for inclusion in the entitlement calculation if completed by October 1. Population will be determined as of October 1 to minimize the lag between population increase or decrease and payment based upon those figures. Additionally, it will allow communities to utilize summer months for census taking, if desired.

The millage rate equivalent will be determined by using the year preceding the year of application for determining locally generated revenues. That amounts to the year prior to the one currently used; however, because the final payment date will be advanced to early July rather than the end of March (or later, in cases of provisional payments), the change in lag time will be minimized. The most significant change will be in the use of the full and true value calculations. Currently, those determinations are made on the basis of data generated the January of the calendar year of the year preceding the year of application. This has been necessary in the past because the needed data is not available in time for utilization in entitlement determinations and calculations. With the new determination and calculation deadlines, full and true value data will be available from the January immediately preceding the November applications, so that the time from data generation to payment of entitlements will actually be reduced.

The format of the applications will remain the same; however, budgets need not be submitted with the application. Rather, submission of a budget will be a condition of payment in the entitlement year. No payment will be made until the Department has received the applicant's budget for the entitlement year (the applicant's fiscal year which includes July 1 of the State fiscal year in which payment is made.) An audit or certified financial statement will be required, as is now the case.

#### 4. Special Impact Fund.

Early formulations of the prior year data scheme created a longer time lag than later refinements, creating concerns that communities experiencing rapid growth would feel impacts of this growth before receiving state funds to address those impacts under the revenue sharing program. This had led to interest in the creation of a special impact fund which would be available to give special grants to those communities experiencing serious impacts from rapid growth. However, as has been shown above, there will actually be a smaller change in time lags than originally projected. That, combined with the difficulty in determining criteria for distribution of such a fund and the absence of state revenue to support such a fund, has led to a determination that such a fund is not a necessary component of the prior year data proposal.

## 5. Calendar Year Municipalities.

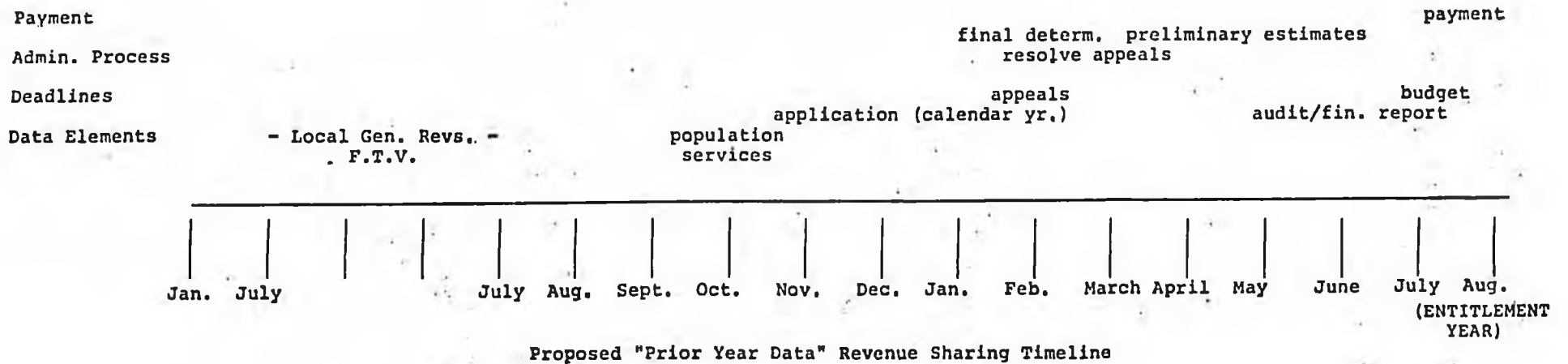
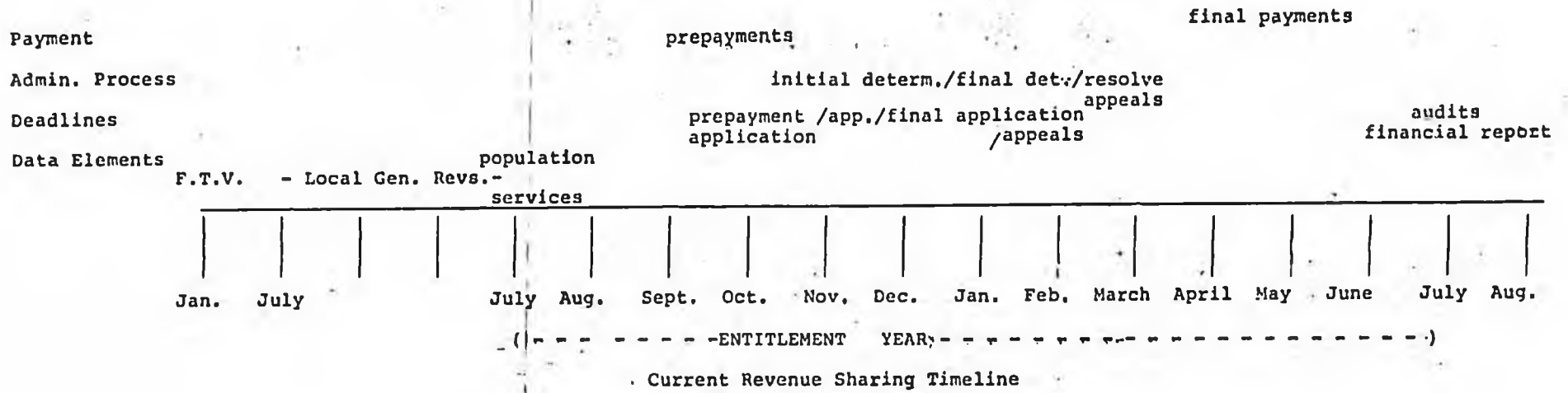
The discussion above has applied largely to municipalities on a State fiscal year. Currently, calendar year municipalities are, in a sense, already on a prior year data basis, as the locally generated revenues claimed in an application submitted by October 1 (to qualify for prepayment) come from the fiscal year of January 1 to December 31 prior to that October, so that the actual time lag from that data to the time of final payment at the end of March is at 15 months. Under the proposed system, this time lag would have increased an additional three months to early July. To ameliorate this, the application deadline for calendar year municipalities has been made January 1, allowing such a municipality to base its application on the fiscal year which ended December 1 immediately preceding application. While this may require an estimate of the revenues from that fiscal year, a timely submission of the municipality's audit or certified financial statement will allow corrections before the final entitlement computer run. This would have the effect of cutting the time lag to six months for locally generated revenues.

Because of the obvious advantages of the prior year data system and the lack of substantial cost to realize the advantages, the Task Force has recommended the Governor introduce legislation to allow implementation of this system.

## 6. Predictability of Funding.

An additional aspect of the issue of predictability of entitlements is the appropriation level for the program. Various proposals have been set forth to address this aspect of the problem. Among them have been 1) forward funding, 2) a two-year appropriation cycle for revenue sharing, and 3) legislative resolution of funding level each session for each succeeding year. The forward funding alternative is currently being pursued through legislation introduced by Senator Coghill and would seem to provide the greatest degree of certainty from one year to the next. The issue is partly addressed by the adoption of the 120 day legislative session limit. This virtually ensures that the budget will be acted upon in time for reasonably timely estimations of the appropriation level for municipal budgeting purposes. Additionally, revenue sharing has been appropriated at or about the level requested by the Governor in past years, so that the Governor's budget level further establishes a reasonable level of expectation for estimation purposes. For these reasons, the Task Force does not recommend the Governor introduce separate legislation on the subject of forward funding.

Attachment 2

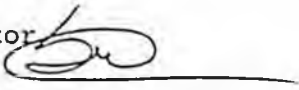




TELEPHONE  
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301  
JUNEAU, ALASKA 99801

To: Representative Peter Goll, Chairman  
Members of the House Community and Regional Affairs Committee

From: Scott A. Burgess, Executive Director 

Date: February 26, 1986

Subject: HB 558 - Prior Year Data for Revenue Sharing and Municipal Assistance

On behalf of the Alaska Municipal League, we support HB 558. While the legislation does not address the level of funding for the revenue sharing and municipal assistance programs, top AML priorities, it would make the best of the funding that is appropriated by the Legislature for those programs.

This legislation is based on the recommendations of the Governor's Shared Revenue Task Force, outlined in their report of December 9, 1985. As proposed, the legislation would appear to allow the distribution of funds in a more timely manner providing a greater degree of predictability in the level of funding, and getting the money out to the municipalities more quickly to provide for needed municipal services. Basically, this is done by basing the entitlement formula on earlier data as to population, taxes etc.

On behalf of the League and the Task Force members, I would like to thank the Governor, Commissioner Notti, Deputy Commissioner Smith, Deputy Director (MRAD) Doug Griffin and Jim Plasman for the work that resulted in the report and this piece of legislation, and for working with the Alaska Municipal League prior to submitting legislation which directly affects our membership.

Thank you.

12/25/55

BILL SHEFFIELD  
GOVERNOR*Bill Sheffield*STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

The Honorable Ben Grussendorf  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to revenue sharing and municipal assistance. The bill amends sections of AS 29.60 to compute municipal revenue sharing entitlements, and to distribute revenue sharing and municipal assistance, on a new timetable.

Each year, the Alaska legislature appropriates money for municipal revenue sharing, known as "equalization entitlements," to be distributed in the following state fiscal year. Equalization entitlements are the product of multiplying a municipality's millage rate equivalent by the municipality's population. AS 29.60.010(b). Two factors used in determining the millage rate equivalent are the municipality's locally generated revenue and property values. AS 29.60.010(c). A municipality's locally generated revenue and full and true assessed property value in one year are the foundation for computing the municipality's equalization entitlement for the next state fiscal year. However, the current system for determining revenue sharing does not give municipalities sufficient opportunity to plan ahead; a municipality must plan its budget in advance without an accurate idea of its entitlement for the following fiscal year.

Two time periods underly the existing timetable for determining entitlements and distributing payments: (1) the municipal fiscal year from which the locally generated revenue and full and true assessed property value are

derived, and (2) the succeeding state fiscal year in which both the computation and distribution of entitlements takes place. In its December 9, 1985 report, the Governor's Task Force on State Shared Revenues requested that the latter functions be separated into two years, so that computation of entitlement is done in the state fiscal year before the distribution of payments. This is informally described as the "prior year data" basis for handling revenue sharing entitlements.

To implement the prior year system, this bill amends various sections of AS 29.60 to reflect three relevant time periods: the municipal fiscal year from which revenue and property value data is collected, the state fiscal year of entitlement computation, and the state fiscal year of entitlement payment. With the computation of entitlement occurring in the fiscal year before payment, the department will be able to distribute entitlements sooner each fiscal year.

Section 1 of the bill amends AS 29.60.010(a) to reflect that computation of an equalization entitlement occurs in the state fiscal year before the fiscal year of payment. AS 29.60.010(c) is amended to state that a municipality's locally generated revenue is calculated on the basis of revenue received during the municipal fiscal year preceding the year in which the department determines the millage rate equivalent. Section 2 makes a similar change to AS 29.60.030(a).

Because the prior year system splits computation and distribution of revenue sharing into two state fiscal years, there is no longer a need for municipalities to submit preliminary data by October 15. As a result, sec. 7 of the bill repeals AS 29.60.030(b).

In sec. 3 of the bill, the deadline for the department's determination of each municipality's millage rate equivalent is changed from December 15 to January 15 of each year. AS 29.60.030(c). That statute is also amended to state that distribution of equalization entitlements occurs the state fiscal year following the January 15 computation.


AS 29.60.040 sets out the municipal reports required before payment of an equalization entitlement. Section 4 of the bill amends the statute to reflect that a municipality's financial reports should cover the fiscal year preceding the state fiscal year in which the department computes the millage rate equivalent. The municipality must submit a budget for the fiscal year for which an entitlement is sought. AS 29.60.040.

Additional requirements are currently placed on a municipality in order to qualify for revenue sharing. AS 29.-60.290. Section 5 of the bill amends AS 29.60.290(a)(1) and (2) to require that a regular election and regular meetings of the municipal governing body be held in the year preceding the year in which the department computes the millage rate equivalent. As current law requires, the municipal budget must cover the year that the entitlement will be paid, but the requisite audit or financial statement from the municipality covers the year before the department's determination of the millage rate equivalent. AS 29.60.290(a)(3).

Section 6 of the bill amends the timetable for payment of municipal assistance under AS 29.60.350. AS 29.60.350(b) currently provides two different deadlines for payment of municipal assistance depending on a municipality's fiscal year. The statute is amended to set a single date, February 1, as the deadline, instead of February 1 or June 1. AS 29.60.350(b).

Section 8 of the bill provides for a transition between the current system and the new prior year system. The existing timetable for computation and distribution would be followed in FY 1987, but the bill's new timetable would apply to FY 1988. The switch to a prior year system will require the use of the same locally generated revenue data in two consecutive fiscal years, which is unavoidable. Section 9 of the bill provides for a July 1, 1986 effective date, giving the department the authority to prepare in FY 1987 for implementation of the new system.

Sincerely,

  
Bill Sheffield  
Governor

*2/10*

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date : 2/6/86

REQUEST

Bill/Resolution No. : \_\_\_\_\_  
 Title An act relating to revenue sharing  
& municipal assistance; & providing  
for an effective date.  
 Sponsor : Rules/Governor  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

FISCAL DETAIL

Agency Affected : \_\_\_\_\_  
 BRU : Municipal Revenue Sharing  
 \_\_\_\_\_  
 Components : State Revenue Sharing &  
Municipal Assistance

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING : (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : James H. Plasman *James H. Plasman*  
 Division : Municipal & Regional Assistance

Phone : 465-4750  
 Date : 2/6/86

Approved by Commissioner : *Amie West*  
 Agency : Community & Regional Affairs

Date : 2/6/86

Distribution (by Agency preparing fiscal note) :

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



Official Business

# Alaska State Legislature

## Senate

### Committee on Community and Regional Affairs

*Staff*

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

#### M E M O R A N D U M

April 29, 1986

TO: Senator DeVries  
FROM: Trudie Alford, Aide  
SUBJ: New Material for Committee Meeting Today

The attached letters were received after the committee packets were prepared for the C&RA Committee Meeting.

- (a) Ltr from James B. Gottstein dtd 4-22-86 on HB 312.
- (b) Memorandum from Scott A. Burgess, Executive Director, Alaska Municipal League, dtd 4-29-86 on HB 558.

cc: Senator Ferguson  
Senator Sturgulewski  
Senator Vic Fischer  
Senator Coghill

JAMES B. GOTTSTEIN

ATTORNEY AT LAW

406 G STREET, SUITE 206  
ANCHORAGE, ALASKA 99501  
19071274-7686

178 312 100

April 22, 1986

Senator Edna DeVries  
Pouch V  
Juneau, Alaska 99811

Re: CSHB 312 (Fin)

Dear Senator DeVries:

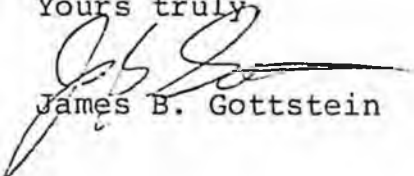
On April 21, 1986 I received your April 16, 1986 letter requesting I provide you with legal descriptions of Mental Health lands within the proposed Dude Creek Critical Habitat Area. You should properly address this request to the Department of Natural Resources. It is my understanding that some 3,443 acres of 4,100 acres initially proposed for the Dude Creek Critical Habitat Area are Mental Health lands.

I am sorry that your Senate Majority Caucus made the decision it did, because Representative Goll, the Department of Natural Resources, myself and David Walker had all worked out an approach to enable the Dude Creek Critical Habitat Area to proceed with the original acreage proposed.

I would like to point out, however, that it is critical that the Interim Mental Health Trust Lands Commission be adequately funded to perform the required appraisals and audits on Mental Health lands. Otherwise, Mental Health lands could be in limbo for many years.

As always, I am available for any questions or comments.

Yours truly,

  
James B. Gottstein

cc: Representative Goll  
Bob Arnold  
David Walker

JBG/tvd


# Alaska MUNICIPAL League

TELEPHONE  
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301  
JUNEAU, ALASKA 99801

APR 29 1986

To: Senator Edna DeVries, Chair  
Members of the Senate Community and Regional Affairs Committee

From: Scott A. Burgess, Executive Director 

Date: April 29, 1986

Subject: HB 558 - Prior Year Data for Revenue Sharing and Municipal Assistance

On behalf of the Alaska Municipal League, we support HB 558. While the legislation does not address the level of funding for the revenue sharing and municipal assistance programs, top AML priorities, it would make the best of the funding that is appropriated by the Legislature for those programs.

This legislation is based on the recommendations of the Governor's Shared Revenue Task Force, outlined in their report of December 9, 1985. As proposed, the legislation would appear to allow the distribution of funds in a more timely manner providing a greater degree of predictability in the level of funding, and getting the money out to the municipalities more quickly to provide for needed municipal services. Basically, this is done by basing the entitlement formula on earlier data as to population, taxes etc.

On behalf of the League and the Task Force members, I would like to thank the Governor, Commissioner Notti, Deputy Commissioner Smith, Deputy Director (MRAD) Doug Griffin and Jim Plasman for the work that resulted in the report and this piece of legislation, and for working with the Alaska Municipal League prior to submitting legislation which directly affects our membership.

Thank you.

STATE OF ALASKA 1986 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date : 2/6/86

**REQUEST**

Bill/Resolution No. : HB 558  
 Title : An act relating to revenue sharing & municipal assistance; & providing for an effective date.  
 Sponsor : Rules/Governor  
 Requestor : \_\_\_\_\_  
 Date of Request : \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected : \_\_\_\_\_  
 BRU : Municipal Revenue Sharing  
 \_\_\_\_\_  
 Components : State Revenue Sharing & Municipal Assistance

**EXPENDITURES/REVENUES : (Thousands of Dollars)**

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>

CAPITAL						
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REVENUE						
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**FUNDING : (Thousands of Dollars)**

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS :**

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

**ANALYSIS :** Attach a separate page if necessary

Prepared by : James H. Plasman  
 Division : Municipal & Regional Assistance

Phone : 465-4750  
 Date : 2/6/86

Approved by Commissioner : \_\_\_\_\_  
 Agency : Community & Regional Affairs

Date : 2/6/86

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

April 18, 1986

APR 18 1986

SUBJECT: Administration of the tax equalization program and the municipal assistance program (CSHB 558(Fin))

TO: Senator Edna DeVries, Chair  
Community and Regional Affairs Committee

FROM: Tamara Brandt Cook *TBC*  
Director  
Division of Legal Services

Section 1. The tax equalization entitlements computed during a fiscal year will be paid the following fiscal year. Under existing law payments are computed and paid during the same fiscal year.

Sec. 2. This permits the Department of Community and Regional Affairs to require an estimate of locally generated revenue for the year preceding the year in which the determination of the millage rate equivalent is made.

Sec. 3. By January 15, the department is required to make a determination of the millage rate equivalent to be used in computing an entitlement for the following year. Under existing law the determination is made by December 15 of the year and is to be used to compute the entitlements for that year.

Sec. 4. A municipality is required to submit its estimated revenue for the fiscal year preceding the year in which the department's determination of the millage rate equivalent is made together with the municipality's budget for the fiscal year for which the entitlement is sought.

Sec. 5. The various actions required to be accomplished by a municipality in the year preceding the year in which payment of an entitlement is authorized under existing law are now required to be accomplished during the year preceding the year in which the department determines the municipality's millage rate equivalent.

Senator Edna DeVries

Page 2

April 18, 1986

Sec. 6. The department is required to make revenue sharing payments no later than July 31, based on calculations made during the preceding fiscal year.

Sec. 7. Distributions from the municipal assistance fund are to be made on February 1 of the fiscal year for which the appropriation to the fund is made. Under existing law distributions are made on February 1 only for municipalities with fiscal years beginning on January 1. Distributions to other municipalities are made on June 1.

Sec. 8. The provision requiring an initial determination of the millage rate equivalent of each taxing unit to be used for computing equalization entitlements is repealed.

Sec. 9. Revenue sharing and municipal assistance payments for the fiscal year ending June 30, 1987 are to be made in accordance with laws before amendment under this bill. The procedures set out in the bill will be used beginning fiscal year 1988.

Sec. 10. The bill takes effect July 1, 1986.

TBC:mkr  
m4/138

Offered: 4/1/36  
Referred: Rules

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 558 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to time periods to be used for  
7 administering the tax equalization program and the  
8 municipal assistance program; and providing for an  
9 effective date."

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

11 \* Section 1. AS 29.60.010 is amended to read:

12 Sec. 29.60.010. STATE EQUALIZATION OF TAX RESOURCES FOR MUNICI-  
13 PAL SERVICES. (a) During each fiscal year the department shall  
14 compute an equalization entitlement for municipal services provided by  
15 a taxing unit for payment the following fiscal year.

16 (b) The equalization entitlement computed for a taxing unit is  
17 based on the population, relative ability to generate revenue, and  
18 local tax burden of the taxing unit and is determined by the applica-  
19 tion of the formula

20 Entitlement = P x R

21 where P = population, and

22 R = millage rate equivalent, determined by dividing the  
23 sum of the locally generated revenue of the taxing unit by one-tenth  
24 of one percent of the full and true value of assessed property of the  
25 taxing unit determined under AS 29.60.030(d); however, the per capita  
26 property value used under this subsection may not be less than 15  
27 percent of the statewide average per capita full and true assessed  
28 property value.

29 (c) For purposes of this section, locally generated revenue

1 (1) includes

2 (A) the actual revenue derived from the levy and  
3 collection of local taxes in the taxing unit for municipal ser-  
4 vices [DURING THE PRECEDING FISCAL YEAR OF THE TAXING UNIT];

5 (B) motor vehicle payments received by the municipal-  
6 ity [DURING THE PRECEDING FISCAL YEAR] under AS 28.10.431;

7 (C) revenue from fees, rentals, leases, penalties,  
8 licenses or permits received [DURING THE PRECEDING FISCAL YEAR]  
9 by the municipality for a function or service over which it has  
10 control, including revenues derived from parks and recreation  
11 services, mass transit, offstreet parking, and garbage and solid  
12 waste disposal services;

13 (D) special assessments received [DURING THE PRECEDING  
14 FISCAL YEAR]; and

15 (E) payments received by a municipality from a utility  
16 that are in place of taxes levied and collected by the municipal-  
17 ity;

18 (2) excludes

19 (A) revenue derived from the levy and collection of  
20 municipal taxes and appropriated for the operating expenses and  
21 debt service of utilities;

22 (B) revenue from interest earned on investments and  
23 from the sale and lease of land or equipment; and

24 (C) all other revenue from whatever service derived;

25 (3) is calculated on the basis of the actual revenue re-  
26 ceived during the fiscal year of the taxing unit preceding the year in  
27 which the department's determination of the millage rate equivalent is  
28 made under AS 29.60.030.

29 \* Sec. 2. AS 29.60.030(a) is amended to read:

1 (a) The department may require a municipality to return a certi-  
2 fication, signed by the municipal treasurer or manager and the mayor,  
3 that provides an estimate of the locally generated revenue received by  
4 the municipality during the [PRECEDING] fiscal year preceding the year  
5 in which the department's determination of the millage rate equivalent  
6 is made under (c) of this section.

7 \* Sec. 3. AS 29.60.030(c) is amended to read:

8 (c) As early as possible, but not later than January [DECEMBER]  
9 15 of each year, the department shall make a [FINAL] determination of  
10 the millage rate equivalent of each taxing unit to use to compute and  
11 distribute equalization entitlements under AS 29.60.010 - 29.60.080  
12 for the following state fiscal year. The department shall base the  
13 determination on audits, financial statements, and other financial  
14 reports prepared and submitted by a municipality. The department  
15 shall adjust the locally generated revenue reported by a municipality  
16 to exclude the municipal revenue claimed that does not qualify for  
17 inclusion in or recognition as locally generated revenue for municipal  
18 purposes under AS 29.60.010(c)(1). The adjustment shall be made by  
19 deducting from total revenue claimed by the municipality the amount of  
20 the department's estimate of revenue that is not recognized for munic-  
21 ipal purposes.

22 \* Sec. 4. AS 29.60.040 is amended to read:

23 Sec. 29.60.040. REPORTS. A payment of an equalization entitle-  
24 ment may not be made to a municipality under AS 29.60.010 - 29.60.080  
25 until the municipality has submitted its certificate of estimated  
26 revenue and its financial report to the department for the fiscal year  
27 preceding the year in [FOR] which the department's determination of  
28 the millage rate equivalent is made under AS 29.60.30 [EQUALIZATION  
29 ENTITLEMENT IS SOUGHT], together with the municipality's [A] budget

1 for the [MUNICIPALITY'S CURRENT] fiscal year for which an entitlement  
2 is sought. The financial report must [SHALL] include a listing of  
3 general revenue collected from taxes levied and assessed and any other  
4 revenue that, in the opinion of the municipal officials, is eligible  
5 for inclusion in computations of the locally generated revenue of the  
6 taxing unit.

7 \* Sec. 5. AS 29.60.290(a) is amended to read:

8 (a) A municipality qualifying for an entitlement under AS 29.-  
9 60.010 - 29.60.080 or 29.60.100 - 29.60.180 shall receive a minimum  
10 payment of \$25,000 plus an area cost-of-living differential for each  
11 fiscal year if

12 (1) the municipality has conducted a regular election  
13 during the fiscal year preceding the year in [FOR] which the depart-  
14 ment's determination of the municipality's millage rate equivalent is  
15 made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS AUTHORIZED BY  
16 AS 29.60.010 - 29.60.080 OR 29.60.100 - 29.60.180] and has reported  
17 the results of the election to the commissioner;

18 (2) regular meetings of the governing body are held in the  
19 municipality during the fiscal year preceding the year in [FOR] which  
20 the department's determination of the municipality's millage rate  
21 equivalent is made under AS 29.60.030 [PAYMENT OF AN ENTITLEMENT IS  
22 AUTHORIZED BY AS 29.60.010 - 29.60.080 OR 29.60.100 - 29.60.180] and a  
23 record of the proceedings is maintained;

24 (3) a municipal budget has been adopted for the fiscal year  
25 during which payment of an entitlement is authorized by AS 29.60.010 -  
26 29.60.080 or 29.60.100 - 29.60.180 and an audit or financial statement  
27 for the [PRECEDING] fiscal year preceding the year in which the de-  
28 partment's determination of the municipality's millage rate equivalent  
29 is made under AS 29.60.030 has been prepared and furnished to the

1 department in accordance with AS 29.20.640(c); and

2 (4) local ordinances adopted by the municipality have been  
3 codified in accordance with AS 29.25.050.

4 \* Sec. 6. AS 29.60 is amended by adding a new section to article 3 to  
5 read:

6 Sec. 29.60.310. TIME OF PAYMENT. The department shall make  
7 payments under AS 29.60.010 - 29.60.300 no later than July 31, based  
8 upon the entitlement calculations made during the preceding fiscal  
9 year.

10 \* Sec. 7. AS 29.60.350(b) is amended to read:

11 (b) The department shall distribute money from the municipal  
12 assistance fund to each municipality on an annual basis as provided in  
13 AS 29.60.360 and 29.60.370. A municipality may not receive payment  
14 until it submits to the department a resolution approved by the gov-  
15 erning body of the municipality that requests the money. Distribution  
16 of money from the municipal assistance fund to all municipalities [A  
17 MUNICIPALITY WITH A FISCAL YEAR BEGINNING ON JANUARY ] shall be made  
18 on February 1 of the state fiscal year for which the appropriation to  
19 the fund is made. [DISTRIBUTION OF MONEY FROM THE MUNICIPAL ASSIS-  
20 TANCE FUND TO ALL OTHER MUNICIPALITIES SHALL BE MADE ON JUNE 1 OF THE  
21 STATE FISCAL YEAR FOR WHICH THE APPROPRIATION TO THE FUND IS MADE.] A  
22 municipality that incorporates after December 31 of a state fiscal  
23 year is not eligible for a distribution under this section until the  
24 following state fiscal year.

25 \* Sec. 8. AS 29.60.030(b) is repealed.

26 \* Sec. 9. Notwithstanding the provisions in secs. 1 - 8 of this Act,  
27 the Department of Community and Regional Affairs and municipalities seeking  
28 payments under AS 29.60.010 - 29.60.370 for the state fiscal year ending  
29 June 30, 1987, shall follow the procedures set out in those sections before

1 amendment by this Act. The Department of Community and Regional Affairs  
2 shall follow the deadlines and procedures established by this Act for the  
3 state fiscal year ending June 30, 1988.

4 \* Sec. 10. This Act takes effect July 1, 1986.  
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