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STATE OF ALASKA  
THE LEGISLATURE

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JUNEAU, ALASKA 99811  
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May, 1986

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS date base CM 14. In order to save space copies of minutes have not been left in the files.

Jeanie Henry

*Senate Community & Regional Affairs:*  
*March 11, 1986 : 3:35 pm*  
*March 25, 1986 : 3:43 pm*

COMMITTEE REPORT  
SENATE

FURTHER: FINANCE

2/13/86

Date 3-25-86

Mr. President

The Committee on C&RA considered SB 407  
making a special appropriation to the Department of Community and  
Regional Affairs for a grant to the North Slope Borough; 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

V. Fischer

J. [unclear]

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

MEMBERS HAVING  
OTHER RECOMMENDATIONS

1/5/ Curtis Suralovich No Rec

1/5/ J.B. Cahill No Rec

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

1/5/ Edna DeWitt  
Chairman

No Rec  
Chairman recommendation



Official Business

# Alaska State Legislature

## Senate

### Committee on Community and Regional Affairs

*Staff Cy*

Senator Edna DeVries, Chairman

Members:

Senator Ferguson, Vice Chairman

Senator Coghill

Senator Sturgulewski

Senator V. Fischer

Pouch V

Juneau, Alaska 99811

COMMITTEE MEETING -- March 25, 1986

SB 407 -- An Act making a special appropriation to the Dept. of C&RA  
for a grant to the North Slope Borough

\*SS for SB 414 -- An Act relating to municipal land entitlements

SB 448 -- An Act relating to home rule municipalities

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SB 407 was considered on March 11 and continued until explanatory data on the bill was received from Avrum Gross.

SS for SB 414 was heard on March 11 and continued until preparation of a sectional analysis by DNR had been received.

SB 448 was also heard on March 11th. The Dept. of C&RA was requested to furnish the Committee an analysis on the effects of the bill.

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Material attached:

- (1) Sectional analysis prepared by LAA Legal Services on SSSB 414.
- (2) Letter attaching sectional analysis and charts on SSSB 414 from DNR.\*
- (3) Sectional analysis prepared by LAA Legal Services on SB 448.
- (4) Letter from Commissioner Emil Notti, DC&RA on SB 448.
- (5) Letter from Jeanine Kennedy, Rural Alaska Community Action Program, Inc. on SB 448.

P.S. Mr. Avrum Gross' Office has informed Committee staff they will furnish the data requested on SB 407. This information will be delivered for inclusion in this packet for the 3/25/86 Committee Meeting as soon as it is received.

\* Also attached is the Alaska Municipal League position paper w/atch on SB 414.

*\* 2nd form sub SB 414 attached*

Introduced: 2/13/86  
Referred: Community and Regional  
Affairs and Finance

Funding Information  
General Fund \$ 385,000  
Other Funds -0-  
\$ 385,000

1 IN THE SENATE

BY FERGUSON

2

SENATE BILL NO. 407

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act making a special appropriation to the Department of Community and Regional Affairs for a grant to the North Slope Borough; and providing for an effective date."

7

8

9

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

11 \* Section 1. The sum of \$385,000 is appropriated from the general fund  
12 to the Department of Community and Regional Affairs for payment as a grant  
13 under AS 37.05.315 to the North Slope Borough for general governmental  
14 purposes, to offset loss of revenue due to a boundary change.

15 \* Sec. 2. This Act takes effect on the effective date of the incorporation  
16 of a municipality named Northwest Arctic Borough.

LAW OFFICES  
**GROSS & BURKE**  
A PROFESSIONAL CORPORATION  
424 NORTH FRANKLIN STREET  
JUNEAU, ALASKA 99801

AVRUM M. GROSS  
SUSAN A. BURKE

(907) 586-2777

March 24, 1986

MAR 24 1986

The Honorable Edna B. DeVries  
Chairperson, Senate Community and  
Regional Affairs Committee  
Alaska State Legislature  
Box V  
Juneau, Alaska 99811

Re: SB 407 - Special Appropriation to the Department  
of Community and Regional Affairs for a Grant to  
the North Slope Borough

Dear Senator DeVries:

You have asked us to provide a written explanation of Senate Bill 407, which would appropriate \$385,000 to the Department of Community and Regional Affairs for a grant to the North Slope Borough. As we testified previously to your committee, the purpose of the appropriation is to offset the anticipated loss of property tax revenues to the North Slope Borough resulting from the creation of a new Northwest Arctic Borough from lands now contained within the North Slope Borough. The appropriation represents an approximation of the proportionate share of the North Slope Borough's current outstanding bonded indebtedness that would have been paid from taxes on property that will now be located within the boundaries of the new borough.

The proportionate share of the North Slope Borough's repayments on current bonded indebtedness that is

attributable to property taxes from the area to be detached from the North Slope Borough -- approximately \$385,000 -- was calculated first by determining the ratio of the total assessed valuation of property in the area to be detached in relation to the total assessed property values in the entire North Slope Borough before detachment:

Total 1986 estimated assessed value  
in the entire North Slope Borough: \$13,100,000,000

Total 1986 estimated assessed value  
in the area to be detached: \$ 2,500,000

Ratio of detached area values to  
total NSB values:

$$\frac{\$2,500,000}{\$13,100,000,000} = 0.01908\%$$

The percentage of the detached area property values was then multiplied by the total current North Slope Borough bonded indebtedness of \$2,002,244,843:

$$\$2,002,244,843 \times 0.0001908 = \underline{\$382,028}$$

The theory underlying the necessity for this compensation is that at the time the North Slope Borough sold its current bonds both the Borough and the bondholders were able to look to the \$2,500,000 in property values located in the area to be detached for repayment of the bonds. At the time these bonds were sold, it could not have been foreseen that a substantial area of land would be detached from the North Slope Borough, particularly since detachment of lands from an existing municipality had at

The Honorable Edna B. DeVries  
March 24, 1986  
Page 3

that time never been attempted or approved in Alaska. It would therefore be unfair to the taxpayers owning property in the areas remaining in the North Slope Borough after detachment to have to pick up the additional amounts of property taxes required to pay the current bonded indebtedness that the North Slope Borough will now not be receiving from property located in the area to be detached. This is particularly true in light of the fact that the detachment was approved by the state Local Boundary Commission over the North Slope Borough's objections.

The \$385,000 in the appropriation bill is, of course, only a rough approximation of the loss of tax revenues to the North Slope Borough resulting from the detachment. The calculation of the compensation figure, for instance, includes only the current assessed values in the area to be detached, and does not include any estimates of increases in those values -- increases that are certain to occur when the zinc deposits located in the detached area begin to be developed. While it may be argued that it is the new Northwest Arctic Borough and not the state that should provide the necessary compensation to the North Slope Borough, a number of factors militate in favor of a state appropriation. First, the new borough will undoubtedly have many initial expenses attributable simply to starting up a new municipality and may also have its own bonding program

The Honorable Edna B. DeVries  
March 24, 1986  
Page 4

that it wishes to pursue. Given the fact that the new borough could not have been established without the approval of both the Local Boundary Commission and the Legislature, it seems fairer for the state to take responsibility for ensuring that the North Slope Borough is not financially injured by the decision to permit the detachment than to impose yet another financial liability on the new Northwest Arctic Borough at the outset of its existence.

Please let us know if the committee would like any further information concerning this appropriation. We believe that this appropriation represents the fairest way to redress the financial injury to the North Slope Borough caused by the detachment, and we urge the committee to take favorable action on the bill.

Sincerely,

GROSS & BURKE

By   
Susan A. Burke

SAB:yw

cc: Sen. Frank Ferguson  
Sponsor of SB 407

March 11, 1986

SB 407

5

Ferguson - B this on behalf of NS Borough  
and their mayor -

Gross - Not a lobbyist - attorney for NS Borough  
Testified at request of committee  
If you do detach land from a boro that has  
bonded indebtedness - shouldn't you compensate  
that Boro - this figure arrived at based on  
~~tax~~ present assessed value of land removed,  
and as it relates to total bonded indebtedness  
(as a percentage thereof).

Coghull - Why the State -- loss of land from  
one should be liability of other who gained?

Gross - It's the State that has removed the land --  
that's why the State is responsible --

Coghull - That's what I was afraid of --  
LBC said that just because the State  
is the petitioner it would not be liable

Gross - NS Boro faces a very difficult problem --  
Suppose Prudhoe Bay was detached

from NS Boro - problem w/ detachment you are beginning to change assets -

Fisher

background analysis - as well as economic analysis - money to retire bonds paid 15 to 20 yrs hence.

Gross to figure figures in equation -

Fischer

How much real estate as opposed to ~~oil~~ oil revenues, etc pledged for bonds?

Gross

full faith & credit of the Borough -

~~Loggell~~  
Coghlan

I have a problem w/ people in my area having to pay for an action between 2 Boroughs reduces gen. gov. revenues -

Gross

It was a state action that removed land from the NS Boro - one boro has given up something to affect a larger state policy.

Fergu

amt of money small compared to NS Boro Budget - State can draft legislation that says we will not do this again.

# 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



Official Business

Committee Meeting -- March 11, 1986

SB 407 An Act making a special appropriation to the Dept. of C&RA for a grant to the North Slope Borough

SS for SB 414 An Act relating to municipal land entitlements

SB 448 An Act relating to home rule municipalities

Committee work session with DC&RA on municipal dissolution

---

SB 407 makes an appropriation to the DC&RA for a grant to the North Slope Borough to offset loss of revenue due to a boundary change.

SB 414 would allow boroughs the right to select a certain amount of vacant unappropriated and unreserved State land within their boundaries.

SB 448 would allow second class cities to go to Home Rule without assuming certain powers.

Material attached:

- a) Letter dated 2/21/86 to Sen. Ferguson from George N. Ahmaogak, Sr., Mayor of the North Slope Borough on SB 407.
- b) On SB 414 position papers and fiscal notes from DC&RA and DNR.
- c) On SB 448 memo dtd 2/18/86 from Sen. Vic Fischer; position paper & fiscal note from DC&RA.
- d) Re. municipal dissolution - Statement with applicable law from DC&RA.

# NORTH SLOPE BOROUGH

OFFICE OF THE MAYOR

P.O. Box 69  
Barrow, Alaska 99723

Phone: 907-852-2611

George N. Ahmaogak, Sr., Mayor



February 21, 1986

Senator Frank Ferguson  
Alaska State Legislature  
Pouch V  
Juneau, Alaska 99811

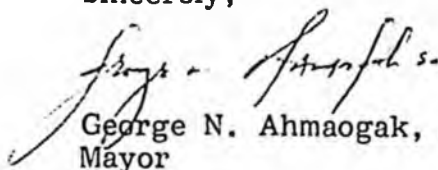
Dear Senator Ferguson:

Thank you for your continued support in reference to the Detachment compensation question and in providing time to visit with my representatives.

Your audience with Dennis Roper and his group was most appreciated as was the legislation you introduced allowing for an equitable solution to the concerns surrounding the detachment issue.

Thank you and I look forward to seeing you in the near future.

Sincerely,

  
George N. Ahmaogak, Sr.  
Mayor



# Senate Finance Committee

Senator Jan Falks, Co-Chairman    Senator John Sackett, Co-Chairman

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FEB 27 1980

Senator DeVries  
attn: Evonne

Attached is a letter from the North  
Slope Borough. Please put a copy  
into everyone's SB 407 file.

Thank you.

A handwritten signature in cursive script, appearing to read "Frank".

Frank R. Ferguson  
Alaska State Senate

FRF/mjs



Official Business

# Alaska State Legislature

## Senate

Pouch V  
State Capitol  
Juneau, Alaska 99811

### MEMORANDUM

TO: Senator Edna DeVries, Chairman  
Senate Community & Regional Affairs

FROM: Frank R. Ferguson *FRF*  
Alaska State Senate

DATE: February 28, 1986

SUBJ: March 4 Committee Meeting

Due to unavoidable circumstances, I will be unable to attend the above mentioned meeting. I would still like to have Senate Bill 407 and Senate Bill 414 heard in this committee hearing. If you have any concerns with these bills, please contact Mike Scott of my staff.

FRF/mjs



# Alaska State Legislature

## Senate

Official Business

Pouch V  
State Capitol  
Juneau, Alaska 99811

FEB 25 RECD

### MEMORANDUM

TO: Senator Edna DeVries, Chairman  
Senate Community and Regional Affairs  
Committee

FROM: Frank R. Ferguson *FR*  
Alaska State Senate

DATE: February 25, 1986

SUBJ: North Slope Detachment

Attached for your information is an article which was in the Northland News (Fairbanks). I thought this would be of interest to your committee.

Thank you.

FRF/mjs

Attachment

*Forwarded w/atch to members  
of Senate C&RA 3/3/86  
-y-*

# Preparations for borough vote begin

By DAN JOLING

**News-Miner Bureau**  
**JUNEAU**—It's been nearly 14 years since a new borough formed in Alaska, so the state Department of Community and Regional Affairs may be a little rusty in the routine as it oversees a possible new borough in the Northwest corner of the state.

"Needless to say, we're pretty excited about all this," said Deputy Commissioner Jeff Smith of the proposed Northwest Arctic Borough.

The last borough to form was the vast North Slope Borough, which came into being July 1, 1972. The Northwest Arctic Borough would contain 2.1 million acres, including a portion of what's now in the North Slope Borough.

The new political unit would match the boundaries of NANA Inc., the Northwest Arctic Native Association, as well as the Northwest Arctic School Board.

The proposed detachment was hotly contested by officials of the North Slope Borough. Although approved by the Local Boundary Commission, the Legislature has until midnight March 8 to overturn detachment. If it's not overturned, the Local Boundary Commission must next decide if the area has met the standards set by law for incorporation.

Assuming an affirmative decision, the commission will inform the lieutenant governor, who has 30 days to choose a date for an election for voters to approve incorporation. The election has to be at least 30 days and no more than 120 days after his announcement of the election.

"We're working toward a May 20 election," Smith said.

Residents of the proposed borough would pick a mayor and 11 assembly members on the same ballot as their decision about forming the new borough, said Dan Bockhorst, a grants supervisor in the department's Division of Municipal and Regional Assistance.

Candidates must be registered to vote, at least 18 years old, residents of the state and the area for at least 30 days, and in agreement to serve if elected. To get on the ballot, they must turn in a petition with 50 signatures of residents.

The 11-member assembly would represent districts but be elected at large. That means candidates must be residents within the district they seek to represent and all residents will vote on all candidates.

That matches how members of the Northwest Arctic School Board are elected now.

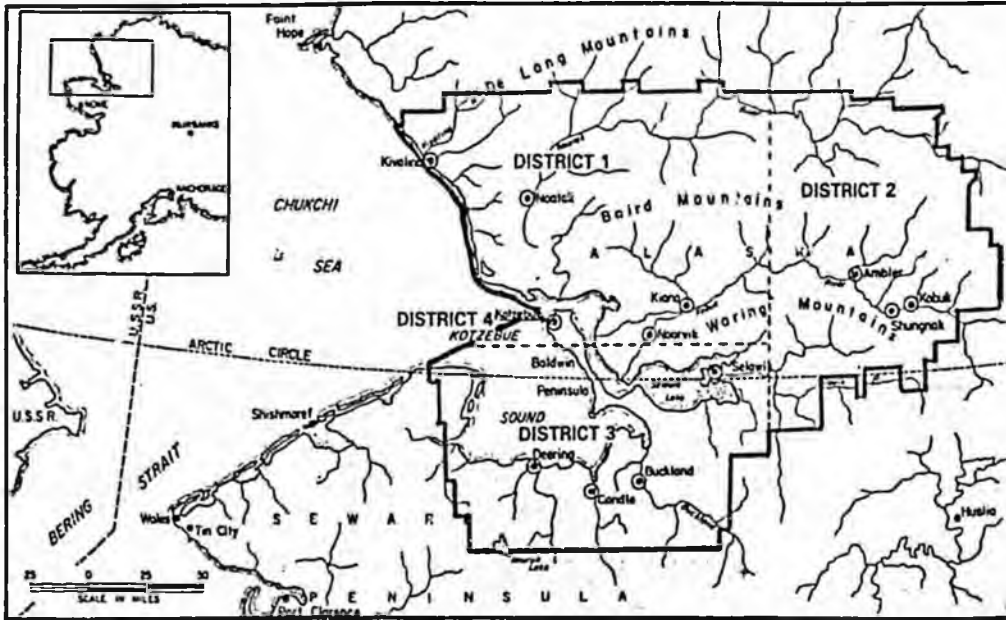
Kotzebue, with a population of 2,054, would have five seats or one per every 410.8 people. A district composed of Kivalina, Noatak, Kiana, Noorvik and Baird Mountains would have three seats for 1,406 people, or one for every 468.5 people. One representative would cover Ambler, Shugnak, Kobuk and the rest of the Kobuk area, where an estimated 457 people reside.

Two seats would be picked from Selawik, Deering, Buckland, Candie, Fink Creek, the Selawik area and Baldwin Peninsula, which have 911, or 457 per representative.

If the vote is against forming the borough, the land will not be detached. Smith said the state has no interest in seeing land go from a borough to an unorganized area.

Assuming a positive vote, "I would think they'd be in business no later than July 1" once the election is certified, Smith said.

The new borough would begin life



DISTRICT 1: Seats A, B, C

DISTRICT 2: Seats D

DISTRICT 3: Seats E, F

DISTRICT 4: Seats G, H, I, J, K

debt-free. However, even supporters acknowledge that it will be able to afford only the minimal services required by law until the tax rolls grow from anticipated Red Dog Mine development.

Those minimum powers include areawide power of education, assessment and tax collection, and land use, including platting and planning.

State law provides that there will be some financial help for start-up costs. A new borough receives \$300,000 from the state its first year of existence, \$200,000 the second, and \$100,000 the third.

The Community and Regional Affairs Department will also provide technical assistance, especially in the area of assessment and setting up an effective tax system.

According to briefs filed in the application for detachment, the projected budget for the new borough is \$21.6 million. The biggest chunk by far is \$20 million for education. The remainder is planned for mayor and assembly operations (\$329,570), the administration and finance department (\$243,675), the planning and community affairs department, (\$200,255), the law department

(\$40,000), and the assessing department (\$111,000).

For staffing, the plan calls for paid positions of mayor, administrative assistant, borough clerk and a secretary. The finance department would hire a director, controller, one full-time accountant and one part-time accountant. Planning and community affairs would require a planning director, a planner and a part-time secretary. Legal advice would be purchased by contract.

One of the biggest tasks will be setting up the assessing department, and Bockhorst said the department is attempting to estimate the cost of assessments as well as estimate the time it will take for getting the job done.

The job involves determining what land and property is private, its value and whether it's subject to taxation.

"It's a fairly phenomenal and involved task," Bockhorst said.

Ten of the 11 communities are organized in the proposed borough. "None of them levy a property tax. You're starting from scratch," Bockhorst said.

It's critical to have assessments done by the end of the year so that

collections can begin in 1987, Bockhorst said.

The budget proposes no sales tax, but a 3-mill real property tax assessment is expected to produce \$377,000. State funding is expected for the rest of revenues.

Bockhorst said his department is roughing out figures for anticipated property tax earnings in the future, and four years from now, they could climb to more than \$1 million.

The initial budget anticipates state education funding to provide \$20.7 million. An organizational grant would account for \$300,000, municipal assistance for \$35,000, revenue sharing for \$65,000, a coastal management grant for \$142,500, and fisheries tax shared revenues for \$5,000.

Taxable real property was estimated to be \$139.6 million.

Smith said he expects the borough to adopt the home-rule charter government within a year or two.

That would mean they would write their own charter laying out what services they'll provide.

A home-rule municipality can provide any services that are not prohibited by law.

Community and Regional Affairs officials will visit the proposed borough all next week for informational meetings in each of the 11 villages.

Bockhorst said department representatives will give a presentation and collect information to help the Local Boundary Commission decide on approving or rejecting incorporation.