

COMMITTEE REPORT
SENATE

FURTHER:

4/30/86

Date 5/11/86

Mr. President

The Committee on FINANCE 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
- E.C.V.R.A.
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

Rick Halford
Paul Frank
W. Gleason

MEMBERS HAVING
OTHER RECOMMENDATIONS

J. Kistner
J. Ferguson W/R

Jan F. ...
Chairman
de pa
Chairman recommendation

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

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(1) includes

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

(B) motor vehicle payments received by the municipality [DURING THE PRECEDING FISCAL YEAR] under AS 28.10.431;

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

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

(E) payments received by a municipality from a utility that are in place of taxes levied and collected by the municipality;

(2) excludes

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

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

(C) all other revenue from whatever service derived;

(3) is calculated on the basis of the actual revenue received during the fiscal year of the taxing unit preceding the year in which the department's determination of the millage rate equivalent is made under AS 29.60.030.

* 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.

Leg fin note - 093
SB HB558

STATE OF ALASKA 1986 LEGISLATIVE SESSION
 FISCAL NOTE

Revision Date : 2/6/86

REQUEST

Bill/Resolution No. : CS HB 558 (FIN)
 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
 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)

BILL SHEFFIELD
GOVERNOR

CS
2/10



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

COMMITTEE REPORT
SENATE

FURTHER: FINANCE

4/17/86

Date 4/29/86

Mr. President

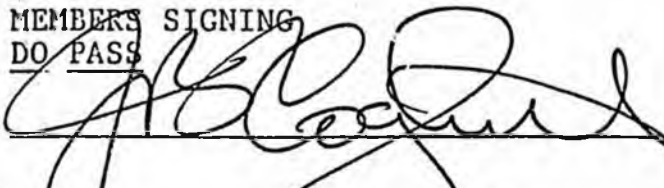
The Committee on C&RA considered CSHB 558(Fin)

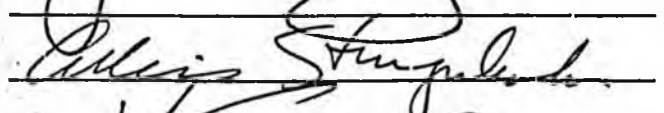
~~relating to~~ time periods to be used for administering the tax equalization program and the municipal assistance program; efd.

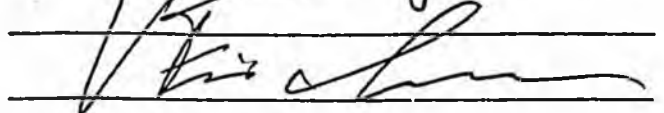
and (a majority of the committee) (the committee) reports it back with the following recommendations:

- 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

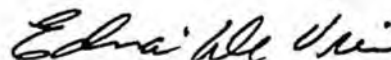
MEMBERS SIGNING
DO PASS







MEMBERS HAVING
OTHER RECOMMENDATIONS


Chairman


Chairman recommendation