

HB

90

HOUSE COMMITTEE REPORT

10 HB 90

(5)

Date referred: 1/30/87

FURTHER REFERRALS: Finance

DATE: 02/13/87

The Community and Regional Affairs Committee has considered HB 90

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

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Cato Bette Cato

Collins Carpin Mallis

Herrmann Adelheid Herrman

Springer Heinrich Springer

Zawacki Jim Zawacki

Springer Heinrich Springer
Chairman's signature



Alaska State Legislature House of Representatives

PO BOX 783
GIRDWOOD ALASKA 99567
1907 783-2905

WHILE IN JUNEAU
POUCH V
JUNEAU ALASKA 99801
1907 465 2693 2719

REPRESENTATIVE
JIM ZAWACKI
DISTRICT 7

MEMBER
COMMUNITY & REGIONAL
AFFAIRS COMMITTEE
LEGISLATIVE BUDGET &
AUDIT COMMITTEE
FINANCE SUBCOMMITTEE

MEMORANDUM

TO: Representative Henry Springer
Chairman, House Community & Regional Affairs

FROM: Representative Jim Zawacki

DATE: February 13, 1987

SUBJ: ~~HB 90~~ and HB 9

Thank you for allowing me to be excused from today's meeting. I would like to address HB 90 and HB 9 before the committee today.

HB 90: I support this bill and I hope it is moved out of committee today.

I have underlined what I consider to be the important benefits of this bill. See attachment.

HB 9: I would like to request this bill be held over until next week for further review. However, if it is moved I would like to offer an amendment:

On page 2, line 7 and 8 should be amended to read:

"require that (consider the) projected operating and maintenance costs of capital improvements be submitted with (in) legislation."

It would be appropriate to have a fiscal note detail past costs for supplemental appropriations and consequent overtime.

HB 90

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

POUCH B
JUNEAU, ALASKA 99801
PHONE (907) 465-4700

949 E 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508
PHONE (907) 563-1073

February 11, 1987

POSITION PAPER

RE: House Bill 90--"An Act relating to time periods to be used for administering the tax equalization program and the municipal assistance program; and providing for an effective date."

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 revenue sharing and municipal assistance entitlements to municipalities and other recipients.

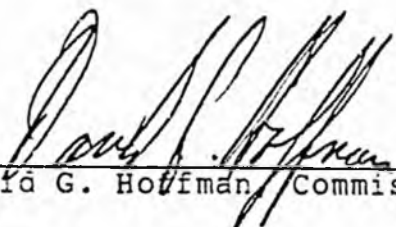
COMMENTS: This legislation was introduced at the request of the Department and represents one of its highest priorities. This bill is a product of the Governor's 1985 Task Force on State Shared Revenue and a very similar version (HB 558) was nearly passed by the Legislature last session.

The legislation would benefit municipalities in two ways. 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 bill, the department will have the necessary municipal data to provide very accurate estimates to cities and boroughs for budget preparation based upon proposed or adopted levels of appropriation. The question of appropriation level can be addressed if Governor Cowper's request for an FY 1989 appropriation for State Revenue Sharing and Municipal Assistance is enacted.

Second, the proposed legislation will allow the department to disburse funds within the first month of the fiscal year. Under the current system, a prepayment of about one-half of the entitlement is made in September or October, with a final payment in March. This earlier funding will alleviate municipal cash flow problems and provide greater flexibility for the management of these funds at the local level.

House Bill 90
February 11, 1987
Page Two

The legislation would also improve the administration of the State Revenue Sharing program by allowing the use of verified data elements in entitlement calculations instead of the present method of using estimates. The stretching of the data collection, calculation, and payment process over three years allows for a more thorough and deliberate approach to program administration and should reduce the likelihood of errors on the part of municipalities and the Department. The present system which compresses the three step process into a one year time frame often results in incomplete or inaccurate information because deadlines restrict complete discussion between local governments and the Department regarding data determinations.



David G. Hoffman, Commissioner

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: HB 90

Bill Version: HB 0090A
Publish Date: 1/30/87

Revision Date: _____
Title: "An Act relating to time period
...tax equalization & mun. assist."
Sponsor: Rules/Governor
Requestor: House C&RA Committee

Agency Affected: Community & Regional Aff
BRU: Local Government Assistance
Components: Grants Administration

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

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: Doug Griffin, Deputy Director *DG* Phone: 465-4750
Division: Municipal & Regional Assistance Date: 2-10-87

Approved by Commissioner: David G. Bellman Date: 2-10-87
Agency: Community & Regional Affairs

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary


Alaska MUNICIPAL League



TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

To: Representative Henry Springer, Chair
Members of the House Community and Regional Affairs Committee

From: Scott A. Burgess, Executive Director 

Date: February 13, 1987

Subject: HB 90 - Time periods for the Revenue Sharing and Municipal Assistance Programs

On behalf of the Alaska Municipal League, we support HB 90. 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 revenue sharing entitlement formula on earlier data as to population, taxes, audits etc.

The second major benefit is requiring all municipal assistance payments to be made to municipalities by February 1st, regardless of their fiscal year. This action will make the payment period more equitable by not penalizing those municipalities on a July 1st fiscal year which currently must wait at least four months for their funds.

A similar bill was introduced in the Second Session of the 14th Legislature and passed the House. The bill reached the Senate Finance Committee but got caught in the rush to adjourn, and died. I urge the Committee to approve the legislation, and encourage its passage by the House.

On behalf of the League, I would like to thank Governor Cowper, Commissioner Hoffman, Deputy Director Doug Griffin and Jim Plasman of the Division of Municipal and Regional Assistance for the work that resulted in this legislation, and for working with the Alaska Municipal League prior to submitting legislation which directly affects our membership.

Thank you.

HB 90

⑦ HB 90

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

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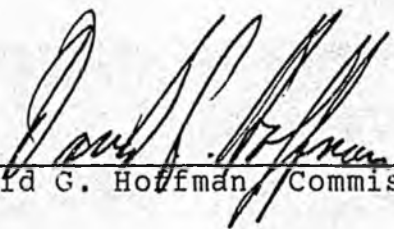
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House Bill 90
February 11, 1987
Page Two

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David G. Hoffman, Commissioner

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: HB 90

Bill Version: HB 0090A
Publish Date: 1/30/87

Revision Date: _____
Title: "An Act relating to time periods
...tax equalization & mun. assist."
Sponsor: Rules/Governor
Requestor: House C&RA Committee

Agency Affected: Community & Regional Affs.
BRU: Local Government Assistance
Components: Grants Administration

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
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EQUIPMENT						
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GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

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: Doug Griffin, Deputy Director *DG* Phone: 465-4750
Division: Municipal & Regional Assistance Date: 2-10-87
Approved by Commissioner: David G. Bellman *DB* Date: 2-10-87
Agency: Community & Regional Affairs

Distribution (by preparer):

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

**Governor's
Task Force on
State Shared
Revenue**

Final Report

December 9, 1985

Bill Sheffield, Governor

**Emil Notti, Commissioner
Department of Community and Regional Affairs**

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 as a return to the categorical program which the equalization program replaced in 1981. Past analysis has 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 on what services should be funded at the local level, rather than the state mandate these services through the categorical program. Local governments should be eligible to receive funding for specific categories of services and expenditures for eligible services placed on local governments should not create excessive relative burdens upon the state and local

In 1985, the Alaska Conference of Mayors met in Anchorage to discuss these and other fiscal issues of interest to local governments. It was determined at that time 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.

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.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

⑤ HB90

No. 1

Bill version: HB 90
Publish date: HOUSE 1/30/87

REQUEST

Bill/Resolution No.: _____
 Title: "An Act relating to time periods
 to be used for administering tax equal-
 ization & Municipal assistance programs"
 Sponsor: Rules/Governor
 Requestor: Governor
 Date of Request: 11/21/86

FISCAL DETAIL

Agency Affected: Community & Regional Affairs
 BRU: Local Government Assistance

Components: Grants Administration

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-		

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING : (Thousands of Dollars)

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

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by: Doug Griffin, Deputy Director
 Division: Municipal & Regional Assistance

Phone: 465-4750
 Date: 11/21/86

Approved by Commissioner: _____
 Agency: Community & Regional Affairs

Date: 11/20/86

Distribution (by Agency preparing fiscal note):

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



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 29, 1987

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 the time periods to be used in administering the tax equalization and municipal assistance programs. 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. 8 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 that determination is to be used for the distribution of equalization entitlements that will occur in the state fiscal year that begins after 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 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 state fiscal 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 fiscal year preceding the department's determination of the millage rate equivalent. AS 29.60.290(a)(3).

Section 6 of the bill adds a new AS 29.60.310 that specifies that the department is to make its tax equalization (or revenue sharing) payments no later than July 31, based upon the calculations made in the preceding fiscal year.

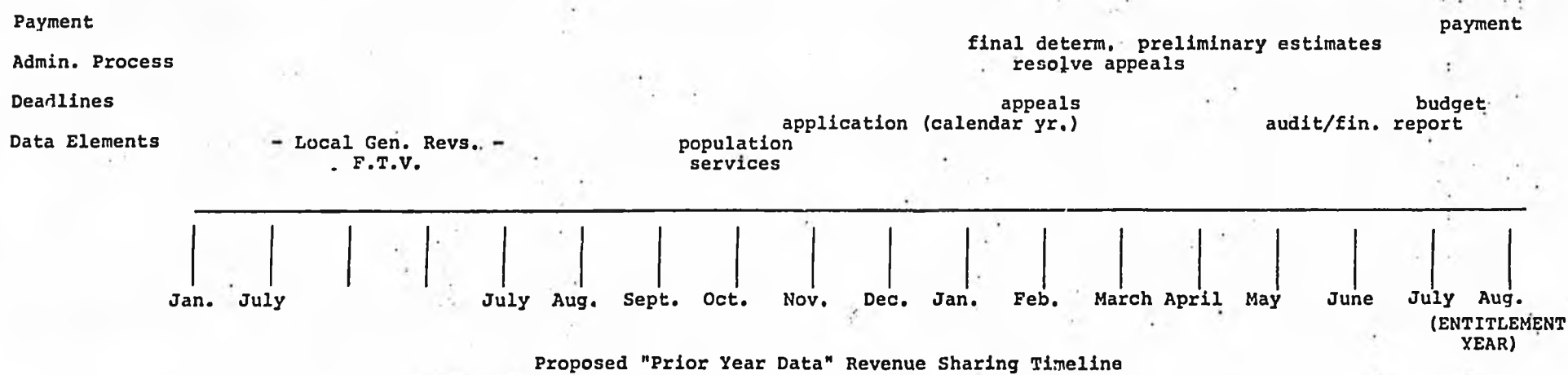
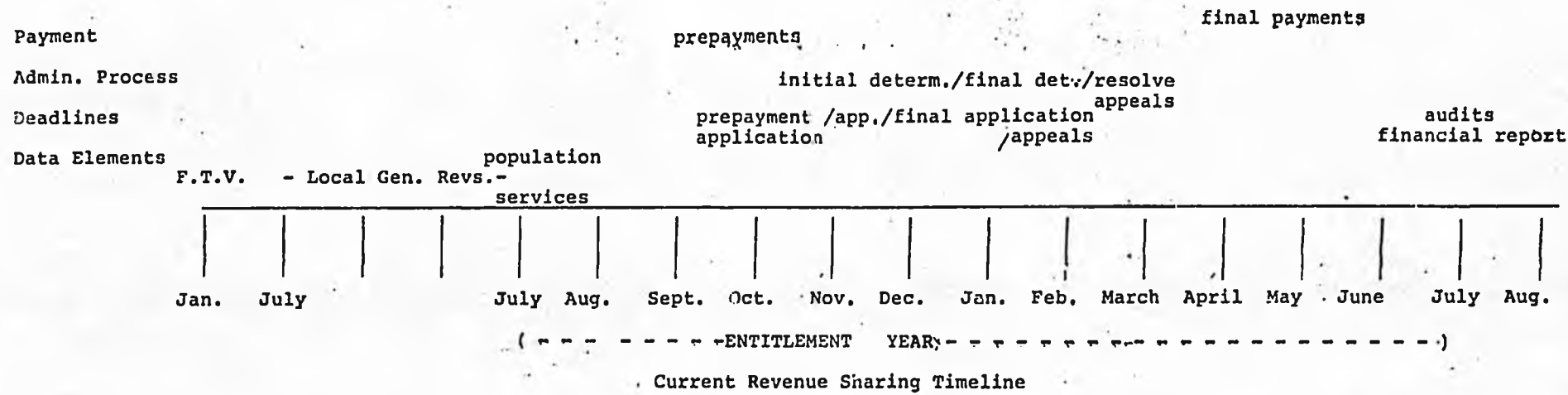
Section 7 of the bill amends the timetable for payment of municipal assistance under AS 29.60.350. AS 29.60.350(b) currently provides two different deadlines for payment of municipal assistance depending on a municipality's fiscal year. The statute is amended to set a single date, February 1, as the deadline, instead of February 1 or June 1.

Section 9 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 1988, but the bill's new timetable would apply to FY 1989. 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 10 of the bill provides for a July 1, 1987 effective date, giving the department the authority to prepare in FY 1988 for implementation of the new system.

Sincerely,



Steve Cowper
Governor



STATE OF ALASKA

(2) HB 90

BILL SHEFFIELD, GOVERNOR

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 23, 1986

- POUCH B
JUNEAU, ALASKA 99811
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- 949 E. 36TH AVENUE, SUITE 400
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PHONE: (907) 563-1073

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

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.

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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.

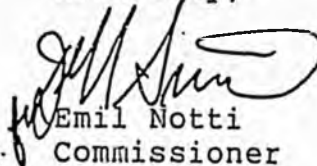
This bill received favorable attention in the House of Representatives. Favorable testimony was received by the House Community and Regional Affairs Committee from Scott Burgess of the Alaska Municipal League in support of the legislation. He also supplied a memorandum in support of the bill, a copy 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.

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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
