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STATE OF ALASKA THE LEGISLATURE

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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

Senate Labor + Commerce	3-18-87
House C+RA	4-8-87

HOUSE COMMITTEE REPORT

6 HB 226

(5)

Date referred: 3/27/87

FURTHER REFERRALS: Resources Finance

DATE: 04/08/87

The Community and Regional Affairs Committee has considered HB 226

"An Act relating to fisheries business tax refunds to local government; and providing for an effective date."

RECOMMENDS:

- [] replace with [] the same title
[] attached amendment(s) [] a new title
[XXX] 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
[XXX] zero fiscal note S (DCRA & REV)
[] zero with analysis [] same as previous zero fiscal note published

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Handwritten signatures and names: Betty Cato, Ursula Mallis, James... ZAWACKI, Adelheid Herrmann, Herrmann, Heinrich Springer, SPRINGER

Handwritten signature: Heinrich Springer
Chairman's signature

ATTACHMENT II

The tables below illustrate how revenues would be shared with the individual cities in the new borough if SB 220/5B 102 is adopted. If this bill is not adopted, revenues would immediately be shared as indicated in year 5 of these tables. This sharp one year drop in revenues would seriously effect each city's ability to deliver services, and may negatively effect potential borough formation.

AKUTAN - \$355,000 in FY 87
approximately 50% of Akutan's Budget

	City	Borough
Year 1	\$320,400 (45%)	\$ 35,600 (5%)
Year 2	284,800 (40%)	71,200 (10%)
Year 3	249,200 (35%)	106,800 (15%)
Year 4	213,600 (30%)	142,400 (20%)
Year 5	178,000 (25%)	178,000 (25%)

COLD BAY - \$7,200 in FY 87
approximately 10% of Cold Bay's Budget

	City	Borough
Year 1	\$ 5,340 (45%)	\$ 720 (5%)
Year 2	5,760 (40%)	1,440 (10%)
Year 3	5,040 (35%)	2,160 (15%)
Year 4	4,320 (30%)	2,880 (20%)
Year 5	3,600 (25%)	3,600 (25%)

KING COVE - \$327,000 in FY 87
approximately 35% of King Cove's budget

	City	Borough
Year 1	\$294,300 (45%)	\$ 32,700 (5%)
Year 2	261,600 (40%)	65,400 (10%)
Year 3	228,900 (35%)	98,100 (15%)
Year 4	196,200 (30%)	130,800 (20%)
Year 5	163,500 (25%)	163,500 (25%)

SAND POINT - \$114,000 in FY 87
approximately 10% of Sand Point's budget

	City	Borough
Year 1	\$102,600 (45%)	\$ 11,400 (5%)
Year 2	91,200 (40%)	22,800 (10%)
Year 3	79,800 (35%)	34,200 (15%)
Year 4	68,400 (30%)	45,600 (20%)
Year 5	57,000 (25%)	57,000 (25%)

The communities of False Pass and Nelson Lagoon, which are also in the Aleutians East area, do not presently receive State Fish Business Tax revenues because they are unincorporated. The State only shares these revenues with incorporated cities.

CITY OF KING COVE

P.O. Box 37 • King Cove, Alaska 99612 • (907) 497-2340

April 7, 1987

Dear Honorable Members of the Senate and House Community and Regional Affairs Committees

The communities of the Aleutians East region, Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon and Sand Point, ask for your support of SB 162/HB 226, an Act relating to Fisheries Business Tax refunds. Our region is presently circulating the petition required to establish a borough government, and we view passage of SB 162/HB 226 as critical to formation of the new Aleutians East borough.

SB 162/HB 226 will enable the phased transfer of fish tax revenues between existing cities and newly established boroughs. This transition would occur over a period of five years and would allow the cities to adjust existing service delivery to the decrease in the amount and percentage of fish tax revenues they will receive.

Alaska Statutes stipulate that the State equally share its fish tax revenues with cities in the unorganized borough for fish delivered to processors in city boundaries. However, if a borough exists, the State retains its 50% share, but the cities (25%) and the borough (25%) equally share the other 50%. Thus, under existing statutes, when the Aleutians East Borough is established, the cities will lose one-half of the fish tax revenues they have traditionally received.

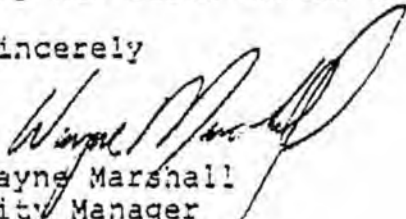
The amount of fish tax the cities receive varies each year, but the loss of one-half of this tax would generally result in a 15% - 20% decrease in Akutan's and King Cove's annual operating revenues, and a 5% - 10% decrease in Sand Point's and Cold Bay's revenues. Simply stated, this revenue loss, when coupled with losses in State Revenue Sharing, Municipal Assistance, Federal Revenue Sharing and other traditional sources of city revenues, is difficult to adjust to in one year. SB 162/HB 226 would provide cities a phased five year adjustment period by reducing the percentage of city fish tax revenues each year by 5% until the equal sharing of revenues with the borough is obtained. Attachment I illustrates the total amount of revenues to be shared between the borough and cities, and Attachment II illustrates this sharing of revenues with each city.

Also, this legislation will not negatively affect the newly established borough's ability to meet service delivery expenses. The borough, because of its larger boundaries, will be receiving fish tax revenues that the State has not previously shared with cities. These revenues will be collected from the area that was in the unorganized borough. SB 162/HB 226 structures the phase in of revenues so that as the borough undertakes delivering service which were previously done by the Cities, its percentage of revenues will increase and the city share of revenues will decrease. In year five, the borough will receive its full share. Attachment I identifies new revenues that will be available to the Aleutians East Borough.

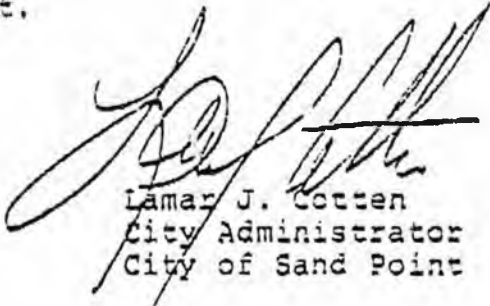
In addition, as SB 162/HB 226 addresses one of the disincentives that affects borough formation, its passage may encourage cities in areas other than the Aleutians East to consider establishing a borough. The Aleutians East region is pursuing Borough formation because of decreases in State and Federal expenditures, and the region's desire to continue good quality service delivery. Other areas may need to pursue borough government for similar reasons.

We ask for your support of SB 162/HB 226 to remove one of the disincentives affecting borough organization, particularly in the Aleutians East region. This bill will not affect the new borough's ability to deliver quality services, does not affect fish tax revenues existing boroughs receive and does not affect State revenues. In addition, it does not require any new State monies to implement.

Sincerely



Wayne Marshall
City Manager
City of King Cove



Lamar J. Cotten
City Administrator
City of Sand Point

On behalf of the Aleutians East communities.

ATTACHMENT I

In Fiscal Year 1987, the total amount of State Fisheries Business Tax revenues shared with the four incorporated cities (State tax on fish delivered to processors within City boundaries) in the Aleutians East region was \$805,000. This tax represents 10%-50% of each of the cities general operating revenues. Under existing statutes, if a borough is established, these cities must equally share these revenues with the borough.

HB 226/SB 162 which the Aleutians East communities support, would allow a phased transfer of fish tax revenues between cities and the new borough. Table I, below, illustrates this revenue transition. This revenue transition will allow cities to adjust service delivery to the decreased revenues, and will not negatively affect the borough's ability to deliver services.

TABLE I
HB 226/SB 162 Formula for Shared Revenues

	<u>City Share</u>	<u>Borough Share</u>
Year 1	\$734,500 (45%)	\$ 80,500 (5%)
Year 2	644,000 (40%)	161,000 (10%)
Year 3	563,500 (35%)	241,500 (15%)
Year 4	482,000 (30%)	322,000 (20%)
Year 5	402,500 (25%)	402,500 (25%)

Starting in year 5 and each year thereafter, the borough and cities will equally share State Fish Business Tax revenues for fish delivered within City limits.

Also, the Borough will annually receive about \$1,200,000 in new revenues that none of the existing cities receive. These revenues, when combined with the borough's share of fish tax revenues identified in Table I, will be adequate to meet anticipated borough expenditures. The \$1,200,000 mainly consists of the following revenue sources:

- o \$400,000 in State Fish Business Tax Revenues for fish delivered to processors within borough boundaries, but outside City limits. The State is the only entity that presently receives these funds.

- o \$700,000 in sales/use tax revenues. The Borough plans to levy a 2% sales/use tax as its main method of local taxation.

- o \$100,000 in State revenue sharing and municipal assistance monies and other shared revenues.

ATTACHMENT II

The tables below illustrate how revenues would be shared with the individual cities in the new borough if SB 220/SD 102 is adopted. If this bill is not adopted, revenues would immediately be shared as indicated in year 5 of these tables. This sharp one year drop in revenues would seriously affect each city's ability to deliver services, and may negatively effect potential borough formation.

AKUTAN - \$356,000 in FY 87
approximately 50% of Akutan's Budget

	City	Borough
Year 1	\$320,400 (45%)	\$ 35,600 (5%)
Year 2	284,800 (40%)	71,200 (10%)
Year 3	249,200 (35%)	106,800 (15%)
Year 4	213,600 (30%)	142,400 (20%)
Year 5	178,000 (25%)	178,000 (25%)

COLD BAY - \$7,200 in FY 87
approximately 10% of Cold Bay's Budget

	City	Borough
Year 1	\$ 5,340 (45%)	\$ 720 (5%)
Year 2	5,760 (40%)	1,440 (10%)
Year 3	5,040 (35%)	2,160 (15%)
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approximately 35% of King Cove's budget

	City	Borough
Year 1	\$294,300 (45%)	\$ 32,700 (5%)
Year 2	261,600 (40%)	65,400 (10%)
Year 3	228,900 (35%)	98,100 (15%)
Year 4	196,200 (30%)	130,800 (20%)
Year 5	163,500 (25%)	163,500 (25%)

SAND POINT - \$114,000 in FY 87
approximately 10% of Sand Point's budget

	City	Borough
Year 1	\$102,600 (45%)	\$ 11,400 (5%)
Year 2	91,200 (40%)	22,800 (10%)
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Alaska Statutes stipulate that the State equally share its fish tax revenues with cities in the unorganized borough for fish delivered to processors in city boundaries. However, if a borough exists, the State retains its 50% share, but the cities (25%) and the borough (25%) equally share the other 50%. Thus, under existing statutes, when the Aleutians East Borough is established, the cities will lose one-half of the fish tax revenues they have traditionally received.

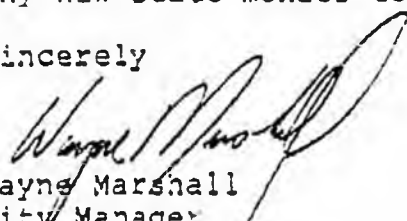
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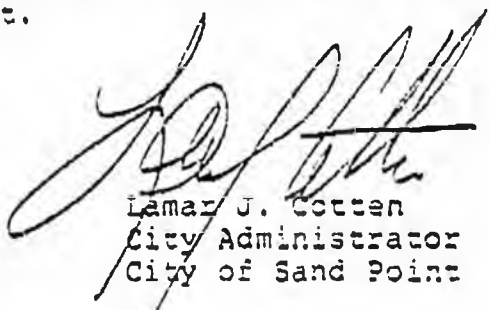
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§ 43.75.032

§ 43.75.034

REVENUE AND TAXATION

§ 43.75.130

er this section for a
contributions com-
business tax liabil-

under this section

ure was made was
other taxpayer for
tion has been ap-

ure was made was
having substantial

in arrears in the
§ 43.75.015; for purposes
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§ 10.15.595.

processing center
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seafood industrial
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a appeal.
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for a credit under this

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dication for a credit un-
later than 60 days af-
application.

Sec. 43.75.034. Tax credit report [Repealed effective Febru-
ary 15, 1992]. Not later than the 15th legislative day of each regular
legislative session the Department of Revenue, in conjunction with
the Department of Commerce and Economic Development, shall sub-
mit to the legislature a report on the fisheries business tax credit
program under AS 43.75.032. The report shall describe the expendi-
tures for which a credit was approved during the previous tax year
and, if possible, the increase in employment and processing capacity
by the fisheries businesses for which the credit was approved. (S 2 ch
79 SLA 1986; r § 3 ch 79 SLA 1986)

Postponed repeal. Section 3, ch. 79,
SLA 1986 repeals this section, effective
February 15, 1992.

Effective dates. — Section 3, ch. 79,
SLA 1986 makes this section effective
July 1, 1986.

Editor's notes. — Section 6, ch. 79,
SLA 1986 provides that the first tax credit
report under this section is due February
2, 1987 and shall describe the expendi-
tures for which credit was approved dur-
ing 1986 for the 1987 tax year.

Article 3. General Provisions.

Section

- 130. Refund to local governments
- 140. Definitions

Sec. 43.75.130. Refund to local governments. (a) The commis-
sioner of revenue shall pay

(1) to each unified municipality and to each city located in the unor-
ganized borough, 50 percent of the amount of tax revenue collected in
the municipality from taxes levied by this chapter;

(2) to each city located within a borough, 25 percent of the amount
of tax revenue collected in the city from taxes levied by this chapter;
and

(3) to each borough

(A) 50 percent of the amount of tax revenue collected in the area of
the borough outside cities from taxes levied by this chapter; and

(B) 25 percent of the amount of tax revenue collected in cities lo-
cated within the borough from taxes levied by this chapter.

(b) For purposes of this section, tax revenue collected under AS
43.75.015 from a person entitled to a credit under AS 43.75.032 shall
be calculated as if the person's tax had been collected without apply-
ing the credit.

(c) [Repealed effective January 1, 1992] Within 60 days after a
credit is approved under AS 43.75.032 for a capital expenditure in-
volving a shore-based fisheries business facility or cooperative seafood
industrial park located or to be located in a municipality, the munici-
pality may adopt an ordinance directing the department to reduce the
municipality's refund under this section over a period of not more

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

April 2, 1987

POSITION PAPER

RE: HB 226 -- "An Act relating to fisheries business tax refunds to local government; and providing for an effective date."

SPONSOR: Representative Herrmann By Request

Program Effects of Bill:

Section 1 of the bill amends existing language in AS 43.75.130(a) to provide for a new subsection (d) as well as several minor "house cleaning" wording changes.

Section 2 of the bill amends AS 43.75.130 by adding a new subsection (d) which provides for a five-year phasing in of the sharing of fish tax revenues between cities and boroughs in the instance of new borough formation.

Section 3 of the bill provides for an immediate effective date for the Act.

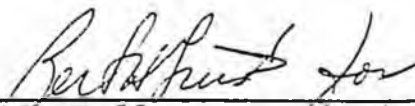
Comments:

The existing State Fisheries Business Tax law provides for a "refund" of this state tax to municipalities in whose jurisdiction the tax was collected. In the case of unified municipalities and cities in the unorganized borough, 50 percent of the tax revenue collected within municipal boundaries is returned. However, cities located within a borough must in turn share 50 percent of their fish tax refund with the surrounding borough. In other words, such a city would receive only 25 percent of the fish tax collected within its jurisdiction; the other 25 percent would go to the borough.

HB 226
April 2, 1987
Page Two

The state fish tax provides a significant and relatively stable portion of total revenues for many cities presently located outside of organized boroughs. The formation of a borough which would include such cities would result in sudden and substantial revenue losses for these cities. Cities located within the new borough have no guarantee of receiving any of this funding back from the borough. The prospect of such a revenue shock represents a clear disincentive to borough formation. Providing for a phased transition into the sharing of fish tax revenues from cities to new boroughs would reduce the severity of the shock to city operations; consequently, reducing the disincentive to borough formation.

The establishment of strong, self-sufficient, local and regional government throughout Alaska is a longstanding goal of the Department of Community and Regional Affairs. The Department endorses practical measures which provide incentives, or reduce existing disincentives, with regard to borough formation. The measures provided for in this bill appear to be straightforward in effect and relatively simple in their implementation. The Department therefore supports the expeditious passage of this bill.



David G. Hoffman, Commissioner

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

Bill Version : HB 226
Publish Date : _____

REQUEST: _____
Revision Date: _____
Title: "An Act.. fisheries business tax
refunds etc"
Sponsor: Rep. Herrmann
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: _____
Components : _____

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						
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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: Michael Cushing, Planner
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: 4/2/87

Approved by Commissioner: *Richard F. ...*
Agency: Community & Regional Affairs

Date: 4/3/87

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

Fiscal Note Analysis
House Bill 226
Prepared 4/3/87

The communities of Sand Point, King Cove, Akutan, False Pass and Nelson Lagoon will soon be incorporating to form a new borough within the state. AS 43.75.130(a) currently provides that to each unified municipality and to each city located within an unorganized borough, 50 percent of the amount of fisheries business tax revenue collected in the municipality will be refunded by the Commissioner of Revenue to these agencies. The cities named above have in past years received this 50 percent share. However, when a city lies within an organized borough, the city and borough each receive a 25 percent share. Therefore, in order to phase in an anticipated reduction in shared revenues to these areas, HB 226 amends AS 43.75.130 by adding a new subsection (d) to minimize the revenue impact on the impacted cities.

AS 43.75.130(d) provides that the Commissioner of Revenue shall pay to each city in a borough that is incorporated after the effective date of this Act: 45 percent of the taxes collected during the calendar year in which incorporation occurs; 40 percent of the taxes collected during the first calendar year following the year of incorporation; 35 percent of the taxes collected during the second calendar year; and 30 percent of the taxes collected during the third calendar year.

Subsection (d) also provides that the Commissioner shall pay to each borough that is incorporated after the effective date of this Act; 5 percent of the taxes collected during the calendar year in which the borough is incorporated; 10 percent during the first calendar year after incorporation; 15 percent during the second calendar year; and 20 percent during the third calendar year.

The Act is to take effect immediately under AS 01.10.070(c).

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST _____

Bill Version: HB 226
Publish Date: _____

Revision Date: 4/3/87
Title: An act relating to fisheries
business refunds to local governments
Sponsor: Herrmann
Requestor: C&RA

Agency Affected: Revenue
BRU: Audit
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: See attached.

Prepared By: Steven E. Kettel *Stu*
Division: Audit

Phone: 465-2320
Date: 4/3/87

Approved by Commissioner: *H. Malone*
Agency: _____

Date: 9/3/87

Distribution (by Agency preparing fiscal note):

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

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill Version: HB 226

Publish Date: _____

REQUEST

Revision Date: _____

Title: An act relating to fisheries
business tax refunds to local gov't.

Sponsor: Herrmann

Requestor: Community & Regional Affairs

Agency Affected: Revenue

BRU: Administrative Services

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

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

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

There is no measurable administrative impact on this division.
The accounting for shared taxes will be made slightly more complex.

Prepared By: Ervin B. Jones
Division: Administrative Services

Phone: 465-2313

Date: 4/2/87

Approved by Commissioner: [Signature]
Agency: Revenue

Date: 4/3/87

Distribution (by Agency preparing fiscal note):

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

BILL WORKSHEET

Bill #: HB 226
Date Sched.: HCRA Committee, Wednesday April 8, 1987
Title: "An Act relating to fisheries business tax refunds to local government"
Sponsors: Rep. Herrmann and Sen. Zharoff (SR 152)

Info Attached: Copy of Bill
Position paper from Dept. of Community and Regional Affairs
Fiscal Note
Letter to Senate Labor and Commerce from 2 Aleutians East cities
Aleutians East borough brochure - Aleutians East Coastal Resource Service Area

Sponsor's Briefing, Intent/purpose:

To remove a disincentive to borough formation.

Effect of Bill:

Sec. 1 -- Technical Changes

Makes 5 minor technical language changes in existing statute.

Sec. 2 -- Tax Apportionment

Provides for a phased-in reapportionment of municipal raw fish tax receipts in newly formed boroughs (not retroactive). Currently, State law provides that cities in the unorganized borough receive a 50% share of raw fish tax receipts collected within their boundaries. Upon incorporation, extant law provides that the local 50% share of raw fish tax receipts be divided equally between a municipality and the borough, each receiving a 25% share.

This bill phases in this reapportionment over a five year period. The borough would receive less than it's eventual entitlement during those early years when it will receive organizational grant monies from the State.

YEAR	BOROUGH	CITY
1.	5%	45%
2.	10%	40%
3.	15%	35%
4.	20%	30%
5.	25%	25%

Fiscal Impact:

Zero

Proponents:

Proponents of the Aleutians East Borough plan, Sen. Sharoff,
Rep. Herrmann.

Opponents:

None apparent

Analysis of Bill's effect, by staff:

The bill was introduced particularly to remove disincentives to borough formation in the Aleutians East Area. Proponents of the legislation hold that municipalities will not suffer through organization; that area-wide taxes available to the borough will capture new fish taxes from outside municipalities, thus enlarging the pie.

This bill conveniently phases in increments to borough revenues as organizational grants from the State phase out.

The bill will favorably affect other coastal areas of the State which may eventually choose to organize (Prince William Sound, for example).

Committee Report:

HB 226



AN ALEUTIANS EAST BOROUGH—
WHY IS IT BEING CONSIDERED?

JANUARY, 1987

INTRODUCTION

Two years ago the Aleutians East CRSA and Regional Strategy Board initiated a study on forming a regional government (a borough) for the Aleutians East region. The study was completed this past March, and the question - Is it a good idea for the region's communities to organize as a borough government? - is now being discussed by community leaders. The main reasons organization of a borough is being considered are:

- The falling price of crude oil that has caused the state to substantially reduce both its capital and operating budgets and thus its financial contributions to communities for education, capital improvements and general government operations.
- Proposed changes in the state's school foundation funding formula that would provide more money for regional school districts, such as boroughs, rather than the smaller school districts such as Sand Point, King Cove and the Aleutians REAA.
- Legislative proposals that could result in the

combination of the Unalaska, King Cove, Sand Point, Aleutians REAA, Pribilof REAA and other area school districts into a single school district.

- A changed emphasis in federal spending patterns which has resulted in substantial cuts in federal appropriations for community water, sewer, airport, highway and other uses.

In the face of these circumstances, the Aleutians East Strategy Board and community leaders from Akutan, Cold Bay, False Pass, King Cove, Nelson Lagoon and Sand Point met in Anchorage on November 10, 1986 to:

- examine the important changes that are taking place - or being proposed - and how they will affect the Aleutians East region;
- take a closer look at the prospect of an Aleutians East Borough to assist in overcoming the financial problems facing the region; and
- see what fellow residents from the region think should be done to overcome these difficulties.

Persons attending the meeting included:

NAME	COMMUNITY	REPRESENTING
Donald V. McCallum	King Cove	AE CRSA, KC City Council
Debra Dushkin	Sand Point	City of Sand Point, City Clerk
Marva J. O'Keefe	Sand Point	AE CRSA, SP Plann. Comm.
Paul R. Gronholdt	Sand Point	Sand Point City Council
Raymond Koso	King Cove	King Cove City Council
Paul E. Gundersen	Nelson Lagoon	Comm. Rep., NL Corp.
Dick Jacobsen	Sand Point	Sand Point City Council
William R. Eubank	Sand Point	Comm. Rep., Board of Ed.
Wayne Marshall	King Cove	City of King Cove - Mgr.
James Gould	King Cove	Community Rep.
Dean Gould	King Cove	King Cove City Council
Carol Samuelson	King Cove	City of King Cove, Dep. Clerk
Cynthia Samuelson	King Cove	City of King Cove, City Clerk
B.B. Cumberlandidge	Sand Point	Sand Point City Council
Dave Osterback	Sand Point	Sand Point City Council
Per Jonsson	False Pass	Community Rep.
Edwin Bendisen	King Cove	King Cove City Council
Lamar J. Cotten	Sand Point	City of Sand Point - Mgr.
Jack R. Foster, Sr.	Sand Point	City of Sand Point, Mayor
Martin Gundersen	Sand Point	Sand Point City Council
Jennie Robinson	Akutan	City of Akutan
Florence Anderson	Akutan	Akutan
Erika Trittemmel	Akutan	City of Akutan - Mgr.
Jacob Stepetin	Akutan	City of Akutan, Mayor
Anna McGlashen	Akutan	City of Akutan, City Clerk
Henry D. Larsen, Jr.	King Cove	King Cove City Council
Edward G. Jackson	King Cove	Aleutians East CRSA
Borge Larsen	False Pass	Aleutians East CRSA
Ken Johnson	Sand Point	Aleutians East CRSA
Allan Nelson	Nelson Lagoon	Aleutians East CRSA
Alex Samuelson	King Cove	City of King Cove, Mayor
Clayton Brown	Cold Bay	CB Mayor, Pres. ARSD
LeRoy Owens	Anchorage	Supt., Aleutian REAA
Marjorie Dunaway	Sand Point	Program Coordinator, Aleutians East CRSA

In summary, conference participants generally agreed:

- there are a number of serious financial, capital improvement, political and other problems facing the region;
- conference participants should meet again early in 1987 to make a more informed decision on borough organization;
- more up-to-date information should be gathered

and examined before community leaders make a final decision on if the area should incorporate an Aleutians East Borough;

- an Aleutians East Borough is probably the best way for residents to address many of the region's problems; and
- the incorporation of an Aleutians East Borough is or may soon be necessary.

TERMS YOU NEED TO KNOW

This brochure makes repeated use of several words or phrases common to the subject of local government in Alaska. These include:

Area-wide Powers: responsibilities and services (e.g., education, planning, taxation, etc.) that a borough provides everywhere within the borough's boundaries - including the area within the boundaries of cities.

Assembly: the legislative body of a borough whose members are elected to office.

Borough: a regional local government and municipal corporation with legislative responsibility and executive authority to carry out required and desired powers. A borough is a political subdivision of the state.

City: a community that has formally incorporated as a first or second class municipality or taken on home rule status under the laws of the state of Alaska. A city is a political subdivision of the state. Akutan and Gold Bay are second class cities. King Cove and Sand Point are first class cities.

Aleutians East Coastal Resource Service Area (CRSA): is the organization established in 1982 to prepare a coastal management program for the Aleutians East Region. The CRSA is governed by a locally elected seven-member board. The Aleutians East Regional Strategy Board has worked as part of the CRSA to do planning for the region.

Local Boundary Commission: is the state body composed of citizen members appointed by the governor that consider petitions for the incorporation of borough governments and decide if such requests should be put to a vote of the people in the area requesting the formation of a borough government.

Mandatory Powers: powers which **must** be exercised by a municipality (i.e., a borough or city) as required by law.

Ordinance: a local law enacted by the borough assembly or city council.

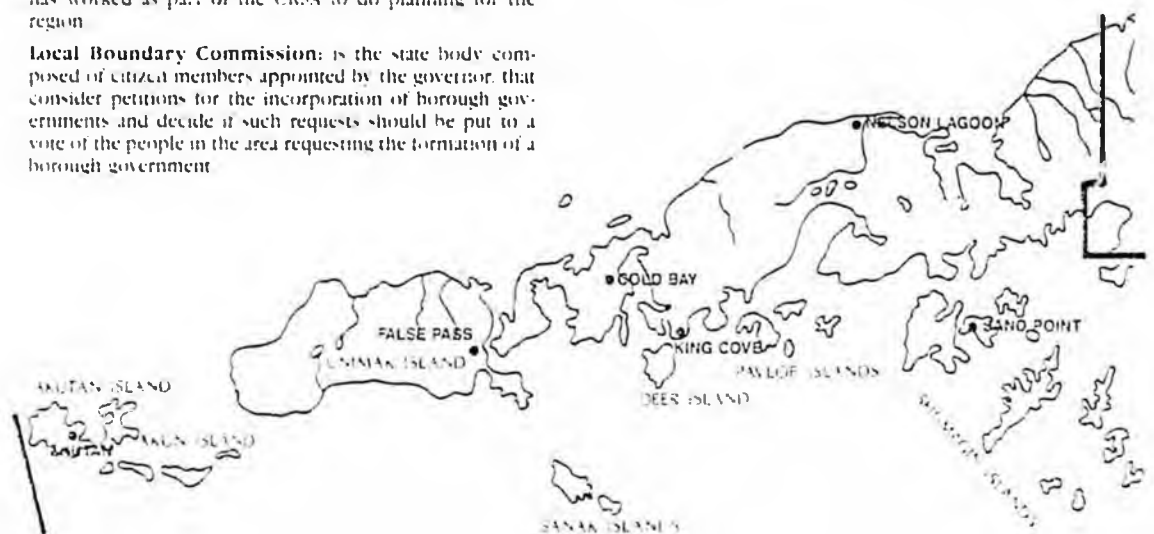
Personal Property: property other than real property, such as merchandise and stock-in-trade, machinery and equipment, furniture and fixtures, motor vehicles, boats and vessels, and aircraft.

Real Property: land and improvements and all possessory rights and privileges appurtenant to the property, and includes personal property affixed to the land or improvements.

School Board: the elected representative body of a municipality (i.e., borough or city) which is responsible for exercising certain educational powers defined by law.

State Board of Education: is the state body composed of citizen members appointed by the governor that is responsible for overseeing the state's educational program.

PROPOSED BOROUGH BOUNDARY



WHAT WOULD A BOROUGH DO?

An organized borough must - by state law - exercise at least three areawide responsibilities: taxation, planning, and education. These are mandatory powers of a borough.

However, the law provides that a borough can delegate its planning and zoning responsibilities back to the cities in the borough. Also, there are ways a borough can give a

great deal of its responsibilities for education back to the individual communities within it (for example, each community decides which teachers should be hired).

A borough would also provide a much bigger resource base from which to raise local revenues to provide funds for education services and capital improvement projects.

WHY IS FORMING AN ALEUTIANS EAST BOROUGH BEING DISCUSSED?

If state revenues and spending were to remain at FY 85-FY 86 levels, there would be little need to consider forming a borough. However, as described below, there are many changes which are occurring or projected to occur which

will negatively affect state and federal spending and services to the region. A borough may be one way to help address these revenue and service reductions.

HOW HAS STATE AID TO COMMUNITIES FOR GENERAL GOVERNMENT PURPOSES BEEN AFFECTED?

State revenues and the state budget have been on the decline for the past several years because of falling crude oil prices. For example, the FY 87 (July 1, 1986 - June 30, 1987) state budget was \$2.6 billion. The proposed budget for next year - FY 88 - will be about \$1.5 billion. Thus, the budget will decline by over 40% in just one year.

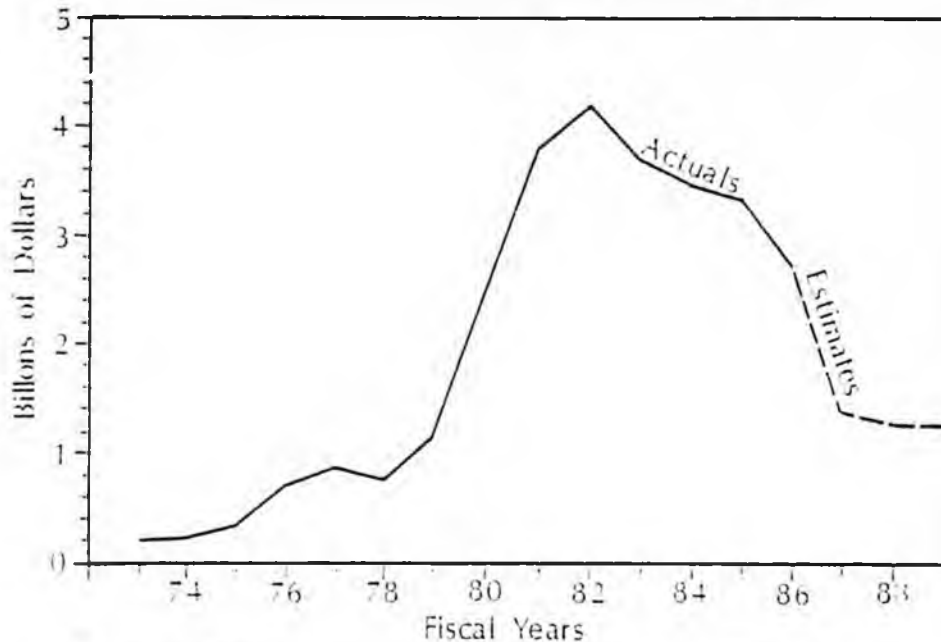
This reduction in oil revenues to the state, as illustrated in the following graph, is expected to continue. Thus, the state and local communities must decide how to deliver services when there is less money available.

This drastic decline in state revenues means major reductions in state grants and state spending in communities in the Aleutians East Region. Examples of this decline in-

clude:

- state school funding support has decreased by about 20% in the last two years and additional cuts of 15% - 50% are proposed for next year. This means considerably less monies to operate all schools in the region.
- state Revenue Sharing has decreased by 20% in the last two years and is expected to decrease an additional 15% next year. This reduction affects all communities in the region.
- Municipal Assistance has decreased by 20% in the last two years and is proposed to be completely eliminated next year. This reduction mostly affects Akutan, Cold Bay, King Cove and Sand Point.

GENERAL FUND UNRESTRICTED REVENUES



HOW HAS CAPITAL IMPROVEMENT PROJECT FINANCING BEEN AFFECTED?

state funding for capital improvements (docks, harbors, roads, etc.) construction has likewise been drastically curtailed. For example, state appropriations for capital improvements have fallen from a high of \$1.2 billion in 1983 and 1984 to only \$150 million for the current fiscal year. In short, state monies for capital improvement projects have decreased 90% in three years.

It is impossible to calculate precisely what this means to

the Aleutians East region since politics plays an important role in the legislature's decision making on capital improvement allocations. **There can be no doubt, however, that the region faces a rather significant drop in the appropriation of state funds for community facilities.** Especially, when it is remembered that the six communities in the Aleutians East region alone received well over \$25 million for capital improvements construction between 1983 and 1986.

HOW HAS COMMUNITY EDUCATION/FINANCING BEEN AFFECTED?

The problems associated with the delivery of education services in the Aleutians East area are troublesome. State funding for education is being substantially reduced because of the fall in oil prices. Thus, local school districts must come up with more local money to cover these state reductions just to maintain educational services at past levels. And, if this isn't bad enough, the state is requiring local school districts to contribute a greater proportion of their education budget from local sources.

On another front, many people in the state believe that the way the state distributes educational monies to city, borough, and REAA school districts is not equitable. They propose that regional borough school districts get a bigger slice of the educational financial pie - at the expense of smaller school districts such as Sand Point, King Cove and the Aleutians REAA. Also, a number of state legislators have suggested that the state must consolidate school districts because of administrative inefficiency.

Most significantly, these problems affect the Aleutians East region as follows:

- State aid for education in Sand Point has dropped from \$8,800 per student, to \$7,200 per student, and is expected to drop to \$6,100 next year.

- State aid for education in King Cove has dropped from \$9,700 per student, to \$7,800 per student, and is expected to drop to \$6,000 next year.
- State aid for education in the Aleutian REAA has been reduced by \$400,000, and is expected to decrease another \$175,000 next year.
- The Sand Point, King Cove, Unalaska, Aleutians REAA, Pribilof REAA, and other school districts could all be combined into a single school district.
- Last year the State Board of Education proposed a new formula for the distribution of state education dollars. This new formula highly favors organized borough government school districts over city and REAA school districts.
- Finally, there is a lawsuit challenging the present formula which would result in less funds to REAAs and small city school districts.

In short, each of the school districts in the region has and will continue to experience significant decreases in funds. Formation of a borough is one way the region can take to lessen the net effect of these funding decreases and avoid state efforts to force a consolidated school district.

HOW HAVE FEDERAL FUNDS FOR LOCAL USE BEEN AFFECTED?

Over the past several years, the federal government has made substantial cuts in federal expenditures for community water/sewer, airport, highway, and other capital facilities construction projects. They have also made substantial cuts in BIA General Assistance, Indian Health Service, and transfer payment programs that aid individuals in the re-

gion. And they have made attempts to reduce or eliminate federal funds for education associated with the amount of federal land within the area. Finally, they have completely eliminated their federal revenue sharing program that brought over \$1,000,000 in cash to communities in the Aleutians East region in 1985.

WHAT WOULD AN ALEUTIANS EAST BOROUGH GOVERNMENT COST?

An updated financial analysis for an Aleutians East Borough that exercises only the mandatory taxation, education, and planning responsibilities shows the following:

(All Figures in Thousands of Dollars)

	FY 89	FY 90	FY 95
BOROUGH COSTS	\$ 878.2	\$ 850.2	\$ 1050.0
STATE FUNDS - GIVEN TO BOROUGH *	1,325.0	1,225.0	1,015.0
	+5 446.8	+5 365.8	+5 56.1

* Various state program funds and shared revenues such as shared fish tax revenues, revenue sharing, etc.

Projected borough costs would include the following: assembly travel and meetings, mayor salary, planning department, accounting staff, legal expenses and education.

NOTE that the borough would receive more in state funds than it costs to operate the borough government. Some people have suggested these extra funds, as well as other local revenues, could be used to make up the state reductions in funds for badly needed community capital improvements.

If the borough is required to raise additional revenues a sales use tax - **not property taxes** - is the most cost effective way to raise local revenues required to pay for borough operations. It is estimated that a 1% borough sales use tax would generate approximately \$625,000 per year.

HOW WOULD ESTABLISHING A BOROUGH AFFECT LOCAL CONTROL IN EDUCATION, PLANNING, AND EXISTING CITY GOVERNMENTS?

Three of the more important issues facing Aleutians East residents in deciding whether to seek borough incorporation will have to do with local control over education, planning and city government.

Education

Educational services in the Aleutians East area are currently provided by the Sand Point City School District, the King Cove City School District, and the Aleutians REAA (for schools at Akutan, Cold Bay, False Pass, and Nelson Lagoon). Each of these school districts is governed by its own school board composed of members from the respective communities or REAA area. If an Aleutians East Borough were formed, all of these schools would become part of a single Aleutians East Borough School District. This district would be governed by a single school board composed of elected members from the borough.

While this larger school district may not be desired, it should be remembered that it is likely a bill will be introduced in the state legislature to consolidate some of the smaller school districts around the state. If this were done, it is not unlikely that the Sand Point, King Cove, Aleutian REAA, Unalaska, Pribilof REAA and other school districts could be combined into one district. Certainly an Aleutians East Borough School District would be more acceptable to residents of the region.

It should also be noted that it would be possible for the

borough school district to give certain responsibilities to the communities. Powers such as the hiring and firing of teachers and program planning could be contracted back to the local school boards.

Planning

Another function of borough government that many people feel should be locally controlled is planning and land use regulation. Fortunately, state law allows a borough to delegate planning and land use regulatory powers to cities. The four cities in the borough could, therefore, be delegated the responsibilities to adopt, hear, decide and enforce all plans, zoning ordinances, zoning matters, subdivision matters, and codes adopted within their boundaries.

In other communities in the borough, local advisory committees could be established to guide the borough in planning for those areas.

City Government

Four of the six communities in the Aleutians East region have established city governments as a way of obtaining local control. If a borough is established, each of the cities will continue to deliver the services they presently deliver. The sole exception is education services. Thus, the city governments will remain much as they are today.

HOW WOULD A BOROUGH AFFECT NATIVE LANDS/TAXATION?

Federal law provides that undeveloped Native lands cannot be taxed by city or borough governments until 1991 or until 20 years after the corporation has received conveyance from the federal government - whichever comes later. Furthermore, if any undeveloped Native lands are accepted into a federal "land bank," they too cannot be taxed by any local government.

Remember it is also recommended that an Aleutians East borough should not levy any real or personal property taxes because it is not a cost effective way to any required local revenues. Thus, the prospects for property taxation on either private or Native corporation lands would be small if a borough were organized.

HOW WOULD A BOROUGH ASSEMBLY BE COMPOSED?

Any borough organized in the Aleutians East area would have to meet the U.S. Supreme Court's one-man, one-vote decision. This could mean that an Aleutians East Borough would have a 7 person Assembly as follows:

- Nelson Lagoon, False Pass, and Akutan - would elect 1 representative

- Cold Bay - would elect 1 representative

- King Cove - would elect 2 representatives and

- Sand Point - would elect 3 representatives

WHERE WOULD THE BOROUGH SEAT BE LOCATED?

Many people have questioned which community would become the home of the new borough government. This decision is made by the borough assembly by passage of an ordinance. In discussions to date, it appears there is a preference to split the responsibilities of the borough between the different communities. That is, have the borough ad-

ministration located in one community and the school administration located in another community. This is permissible under the law and would divide the economic growth associated with locating a borough in two communities rather than just a single community.

LOCAL/REGIONAL POLITICAL CLOUT - MORE OR LESS?

If the Aleutians East region organized a borough government the area would no doubt find itself with increased political clout. The Anchorage area presently elects over half of the state senators and representatives, and the state must be reapportioned in 1990. Thus, Anchorage and the "railbelt" area will likely increase their hold on the legisla-

ture. As this legislative balance shifts more to Anchorage, areas such as the Aleutians East can expect to get less out of Juneau. The organization of an Aleutians East Borough is one way of trying to counteract such circumstances.

HOW DO WE INCORPORATE (FORM) A BOROUGH GOVERNMENT?

There are a number of petition, hearing and notice procedures that must be followed before a borough can be incorporated by local initiative. The more important considerations are:

- Fifteen percent of the number of residents who voted in the last state general election in the Aleutians East region must sign a petition requesting the State Local Boundary Commission to allow them to form a borough before the Commission will consider allowing residents to vote on the question.
- Public notices/hearings on the question of borough incorporation would be held in the Aleutians East Region before the Commission would decide if it is going to let

people in the region vote on the question.

- If the Commission allows residents to vote on the question of borough incorporation, a majority of those voting on the question in the region must approve it or the incorporation fails.
- If any one community vote against the incorporation of the borough, but a majority of the total voters approve the question, the incorporation is approved and the community that voted against incorporation is still in the borough.

Overall, the process of incorporating a borough will probably take 8 to 14 months.

WHERE DO WE GO FROM HERE?

At the conclusion of the Anchorage Conference it was determined that:

- more up-to-date information should be gathered and examined before a final decision is made on whether the area should try to incorporate an Aleutians East Borough;
- conference participants should meet again early in 1987 (currently scheduled for mid-February) to make a more informed decision on the matter; and
- some officials from the new state administration, legisla-

ture, and the newly formed Northwest Arctic Borough should be invited to the meeting to share their ideas and experience with the region.

Ms. Marjorie Dunaway is organizing a February meeting. If you should desire more detailed information about any subject matter contained in this brochure, please contact her at:

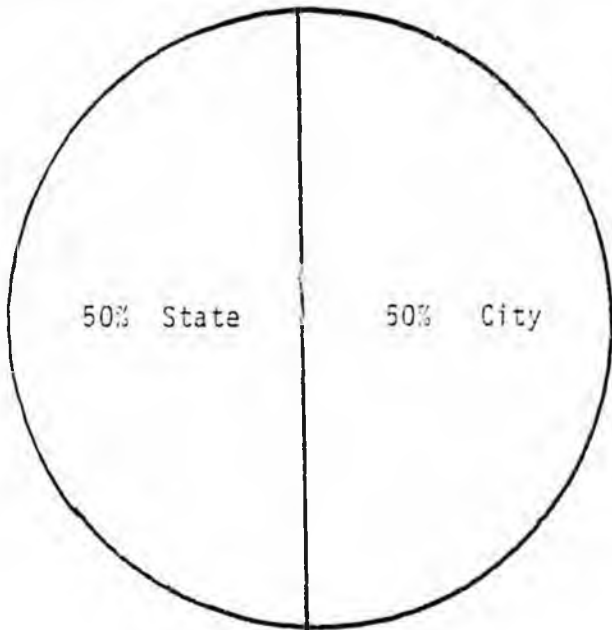
Aleutians East CRSA
P.O. BOX 90
Sand Point, Alaska 99661
Phone (907) 583-2699

The preparation of this report was financed by funds from the State of Alaska administered by the Department of Community and Regional Affairs, Municipal and Regional Assistance Division.

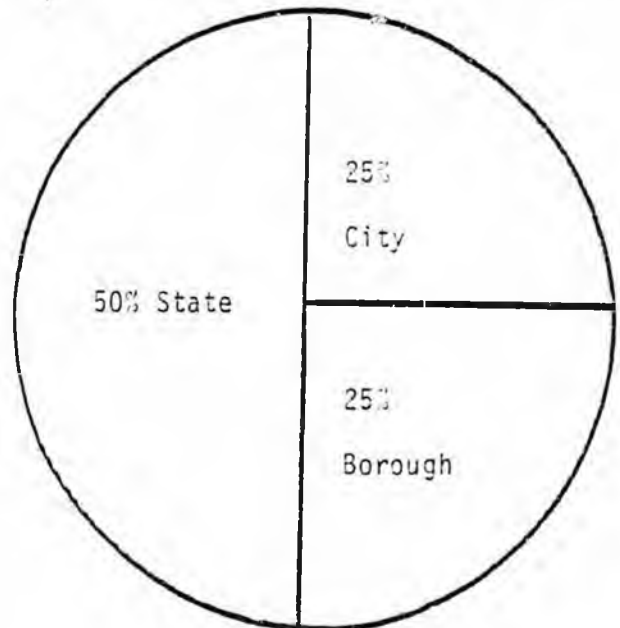
FISH TAX REVENUE

Representative Herrman

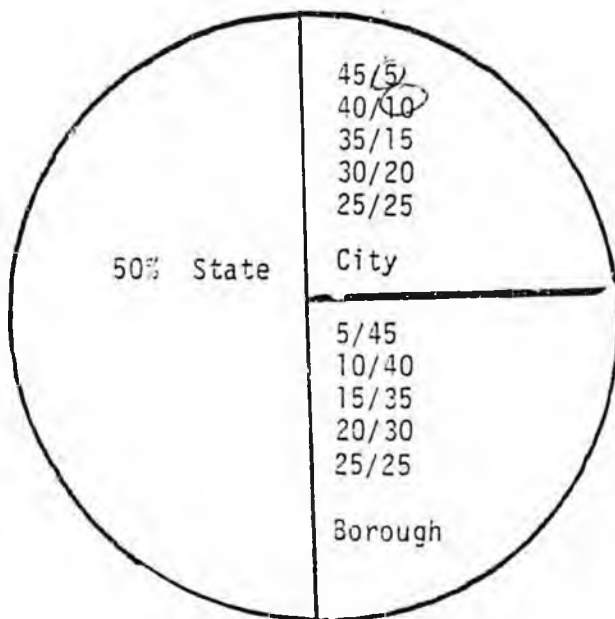
CITIES - under current law the state shares fish tax revenue 50% / 50% with cities



BOROUGH'S - when a Borough is formed, cities are required to share half of their fish tax revenue with the new Borough



HB 226



First year of incorporation: City retains 45% and returns 5% to Borough

First calendar year of Borough: City retains 40% and returns 10% to Borough

Second calendar year of Borough: City retains 35% and returns 15% to Borough

Third Calendar year of Borough: City retains 30% and returns 20% to Borough

Fourth Calendar year of Borough: City retains 25% and returns 25%

Because the cities are giving up a substantial portion of their fish tax revenue to the new Borough organization, HB 226 will help to ease the revenue loss by phasing in revenue payments to the new organization.

This affects only revenues generated within the cities boundaries and does not affect the portion of revenues generated in the new borough boundaries. Those additional revenues will be shared 50% state / 50% Borough

Original sponsor: Herrmann by request

IN THE HOUSE

BY THE RESOURCES COMMITTEE

CS FOR HOUSE BILL NO. 226 (Resources)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to fisheries business tax refunds to local government; and providing for an effective date."

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

* Section 1. AS 43.75.130(a) is amended to read:

(a) Except as provided in (d) of this section, the [THE] commissioner of revenue shall pay

(1) to each unified municipality and to each city located in the unorganized borough, 50 percent of the amount of tax revenue collected in the municipality from taxes levied under [BY] this chapter;

(2) to each city located within a borough, 15 percent of the amount of tax revenue collected in the city from taxes levied under [BY] this chapter; and

(3) to each borough

(A) 50 percent of the amount of tax revenue collected in the area of the borough outside cities from taxes levied under [BY] this chapter; and

(B) 15 percent of the amount of tax revenue collected in cities located within the borough from taxes levied under [BY] this chapter.

* Sec. 2. AS 43.75.130 is amended by adding new subsections to read:

(d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, the commissioner shall pay

(1) to each city that is located in a borough incorporated after the effective date of this Act the following percentages of the tax revenue collected in the city from taxes levied under this chapter:

(A) 45 percent of the taxes collected during the calendar year in which the borough is incorporated;

(B) 40 percent of the taxes collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 35 percent of the taxes collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 30 percent of the taxes collected during the third calendar year after the calendar year in which the borough is incorporated; and

(2) to each borough that is incorporated after the effective date of this Act the following percentages of the tax revenue collected in the cities located within the borough from taxes levied under this chapter:

(A) 5 percent of the taxes collected during the calendar year in which the borough is incorporated;

(B) 10 percent of the taxes collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 15 percent of the taxes collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 20 percent of the taxes collected during the third calendar year after the calendar year in which the borough is

incorporated.

(e) Notwithstanding the provisions of (d) of this section, a city may adopt an ordinance to transfer a portion of the funds received under (d)(1) of this section to the borough in which the city is located.

* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

CITY OF KING COVE

EE- 337

P.O. Box 37 • King Cove, Alaska 99612 • (907) 497-2340

February 23, 1987

Honorable Fred Zharoff
Alaska State Senate
Box V
Juneau, Alaska 99811

RE: Request for Fish Tax Legislation to Support Aleutians
East Borough Incorporation

Dear Senator Zharoff:

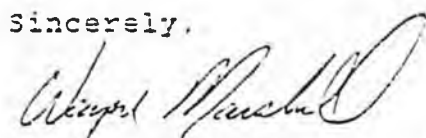
The Aleutians East region requests your support in submitting legislation to enable a phased transition of fish business tax revenues between cities and a borough when an Aleutians East Borough is established. Enclosed is a copy of language prepared by the Department of Community and Regional Affairs that amends the existing statute to allow this phased transition. The region supports this language and recommends it be used in the legislation.


As we have discussed, the regional representatives that met at the February 3 meeting in Anchorage support the phased transition of fish tax revenues to resolve one of the disincentives affecting transition to a borough government. This transition is of particular concern to the Cities of King Cove and Akutan, which would lose a significant amount of their operating revenues from establishment of a borough. We believe this legislation will present opportunities for the cities to gradually adjust to decreased revenues and that it is the best way to ensure the region's residents that the Borough will comply with this phased transfer.

We will also explore opportunities for the Borough to address this phased transition of revenues in its incorporation petition to the Local Boundary Commission. However, we recommend legislation be introduced as the best way to guarantee that this transfer would occur for incorporation of the Aleutians East borough and potential other boroughs.

We hope we can work together to have this legislation submitted and adopted this legislature session.

Sincerely,


Wayne Marshall
City Manager, King Cove


Lamar J. Cotten
City Administrator, Sand Point

Original sponsor: Herrmann by request

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 226 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to fisheries business tax refunds to
7 local government; and providing for an effective
8 date."

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

10 * Section 1. AS 43.75.130(a) is amended to read:

11 (a) Except as provided in (d) of this section, the [THE] commis-
12 sioner of revenue shall pay

13 (1) to each unified municipality and to each city located
14 in the unorganized borough, 50 percent of the amount of tax revenue
15 collected in the municipality from taxes levied under [BY] this chap-
16 ter;

17 (2) to each city located within a borough, 25 percent of
18 the amount of tax revenue collected in the city from taxes levied
19 under [BY] this chapter; and

20 (3) to each borough

21 (A) 50 percent of the amount of tax revenue collected
22 in the area of the borough outside cities from taxes levied under
23 [BY] this chapter; and

24 (B) 25 percent of the amount of tax revenue collected
25 in cities located within the borough from taxes levied under [BY]
26 this chapter.

27 * Sec. 2. AS 43.75.130 is amended by adding new subsections to read:

28 (d) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of
29 this section, the commissioner shall pay

(1) to each city that is located in a borough incorporated after the effective date of this Act the following percentages of the tax revenue collected in the city from taxes levied under this chapter:

(A) 45 percent of the taxes collected during the calendar year in which the borough is incorporated;

(B) 40 percent of the taxes collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 35 percent of the taxes collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 30 percent of the taxes collected during the third calendar year after the calendar year in which the borough is incorporated; and

(2) to each borough that is incorporated after the effective date of this Act the following percentages of the tax revenue collected in the cities located within the borough from taxes levied under this chapter:

(A) 5 percent of the taxes collected during the calendar year in which the borough is incorporated;

(B) 10 percent of the taxes collected during the first calendar year after the calendar year in which the borough is incorporated;

(C) 15 percent of the taxes collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 20 percent of the taxes collected during the third calendar year after the calendar year in which the borough is

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(e) Notwithstanding the provisions of (d) of this section, a city may adopt an ordinance to transfer a portion of the funds received under (d)(1) of this section to the borough in which the city is located.

* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).