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Alaska State Legislature

ARLISS STURGULEWSKI, Chairman
TIM KELLY, Vice Chairman
RICK HALFORD
MIKE SZYMANSKI
FRED ZHAROFF



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JUNEAU, ALASKA 99811
(907) 465-4989

Senate Community and Regional Affairs Committee

May 3, 1988

TO: Members,
Senate Community and Regional Affairs Committee

FROM: Staff *MKL*
Senate Community and Regional Affairs Committee

RE: SB 388 - "An Act relating to entitlements for municipalities and unincorporated communities; efd."

This bill would increase the minimum entitlement for municipalities and unincorporated communities from \$25,000 to \$50,000. This bill has a zero fiscal note, but if additional money is not appropriated, it will cause a decrease in funding to larger municipalities of \$3,510,000.

The Municipal League supports the legislation but recommends that the bill be amended to have an effective date when the appropriation to the Department of Community and Regional Affairs for state revenue sharing for FY 89 equals at least \$44,283,400. This is the language the house used in their version of the bill (HB 439).

In this packet is a position paper and fiscal note from DC&RA and a position paper from the AML.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

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May 2, 1988

POSITION PAPER

RE. Senate Bill 388: "An Act relating to entitlements for municipalities and unincorporated communities; and providing for an effective date."

SPONSORS: Senators Hensley, Binkley, and Zharoff

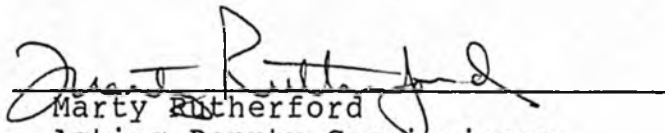
EFFECTS OF BILL:

This bill would increase the State Revenue Sharing entitlement for unincorporated communities from \$25,000 to \$50,000 and the minimum municipal entitlement from \$25,000 to \$50,000. In FY 88, 74 unincorporated communities received State Aid to Unincorporated Communities under the State Revenue Sharing Program. Unincorporated community entitlements are paid out of the Miscellaneous Services account, along with entitlements to municipalities for roads, health facilities and hospitals, and entitlements to volunteer fire departments in the unorganized borough. The revenue sharing entitlements from this account have been prorated at about 55.52 percent in FY 88, so that unincorporated communities received \$13,898 rather than \$25,000. Assuming FY 88 funding variables, raising the unincorporated community entitlement to \$50,000 would increase the actual payment to unincorporated communities to about \$25,885 through a reallocation of funds within the Miscellaneous Services account. Other payments from this account would be reduced by about 6.9 percent.

In FY 88, 78 municipalities received funds under the minimum municipal entitlement provision. The amount of money used to fund the existing minimum municipal entitlement (\$25,000 plus a geographic differential) was about \$1.4 million, which comes from the tax equalization account of the state revenue sharing program. Assuming FY 88 funding variables, this bill will

SB 388
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Page Two

include an additional 25 communities under the minimum municipal entitlement provision. Actual payments will vary, based upon differing COLA's and the impact of the prorationing of the tax equalization account. The proration factor for other payments from the tax equalization account would fall from about 94.9 percent to about 86.8 percent.


Marty Rutherford
Acting Deputy Commissioner

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act..entitlements for municipalities & unincorporated communities.."
Sponsor: Hensley, Binkley & Zharoff
Requestor: _____

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
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	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
Division: Municipal & Regional Assistance Date: 5/2/88

Approved by Commissioner: [Signature] Date: 5/02/88
Agency: Community & Regional Affairs

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

FISCAL NOTE ATTACHMENT
SB 388

While this bill would not have a fiscal impact on the department's operations, it would affect the allocation of funds under the revenue sharing formula.

The impact on the Miscellaneous Services Account of such a change would be a decline in the proration factor for the Miscellaneous Services Account of about 3.75 percent. Assuming FY 88 variables, this would reduce the Miscellaneous Services proration factor from about 55.52 percent to 51.77 percent. For unincorporated communities, their actual payment would rise from the FY 88 payment of \$13,898 (based upon a \$25,000 entitlement level) to \$25,885 (based upon the proposed \$50,000 level). Other payments from this account for roads, health facilities, hospitals, and volunteer fire departments outside of municipalities would be reduced by about 6.9 percent. Assuming FY 88 variables, in order to "hold harmless" other recipients from this account, \$1,027,125 would have to be added to the account.

The impact on the Tax Equalization Account would be two-fold. While there would be the direct impact of raising the municipal minimum entitlement, there would also be an indirect impact from raising the unincorporated community entitlement. With the reduction in the amount municipalities receive for roads and health facilities, some municipalities would need incrementally more for the minimum entitlement add-on paid out of the tax equalization account. The impact would be to reduce payments to other recipients from the Tax Equalization Account by about 10 percent. Assuming FY 88 variables, the decrease would amount to 9.34 percent and, in order to "hold harmless" other recipients under this account, an additional \$2,482,875 would need to be added to this account.

Alaska MUNICIPAL League

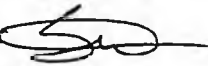
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105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

May 3, 1988

MEMORANDUM

TO: Senator Arliss Sturgulewski, Chair
Members of the Senate Community and Regional Affairs Committee

FROM: Scott A. Burgess, Executive Director 
Alaska Municipal League

SUBJECT: SB 388 - Increasing Minimum Entitlements

On behalf of its member municipalities, the Alaska Municipal League supports the concept of SB 388, increasing the minimum entitlements under the State Revenue Sharing Program. However, without increasing the level of funding for the program, the League cannot support the actual legislation, and asks that it be amended.

AML Policy Statement states in Part I.B.1:

- "b. In those cases in which legislation is approved increasing the state revenue sharing entitlement for specific recipients or for a specific purpose, the League advocates that the total funding for state revenue sharing be increased accordingly in order to preclude the dilution of funding to other recipients.
- c. The League supports an increase in the state revenue sharing minimum entitlements."

Increasing the minimum entitlement from \$25,000 to \$50,000 without increasing the total appropriation for State Revenue Sharing will further dilute or reduce funding amounts to municipalities. Funding levels have already declined over 30% in the last two years. In fact, the low levels of total funding of the Revenue Sharing Program has resulted in the current minimum entitlement and other specific programs under "State Aid for Miscellaneous Purposes," e.g., roads, ice roads, and health facilities, being prorated, i.e., underfunded. The Department of Community and Regional Affairs estimates that the total State Revenue Sharing amount would have to be increased approximately \$3.51 million to hold communities harmless given current funding levels. Prorating would still be necessary, however.

Alaska State Senate

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Senate Finance Committee
State Affairs Committee
Vice-Chair, Rules Committee
Chair, Administrative Regulation Review

P.O. Box 1069
Kotzebue, Alaska 99752
(907) 442-2494

William L. Hensley

File
Delivered
4/19/88
M&E

MEMORANDUM

To: Senator Sturgelewski, Chairman
Community & Regional Affairs Committee

From: Senator Hensley *WLH*

Date: February 22, 1988

Re: SB 388, increasing municipal entitlements.

Senator, I would appreciate the committee scheduling a hearing on SB 388 as soon as convenient. I have received a fair amount of interest in this bill and believe that there would be a number of people who wish to testify to its merits.