

HB

251

**Proposed Amendments to HB 251**  
**House State Affairs Committee**

Amend page 1, line 9, to read:

general fund debt obligations of the state and its political subdivisions, to fund lease-purchases, and to

Amend page 2, lines 4-5, to read:

(2) to reimburse municipalities for obligations authorized under AS 14.11.100; [AND] (3) to finance the acquisition of state facilities through lease-purchase agreements; and (4) if an unobligated balance remains, to finance the design and construction of capital projects.

Amend page 3, lines 28-29, to read:

(2) to reimburse municipalities for obligations authorized under AS 14.11.100; [AND] (3) to finance the acquisition of state facilities through lease-purchase agreements; and (4) if an unobligated balance remains, to finance the design and construction of capital projects.

The purpose of the amendments is to clarify that money in the debt retirement fund can be appropriated for lease-purchase payments for state facilities.

WALTER J. HICKEL  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

April 3, 1991

The Honorable Ben Grussendorf  
Speaker of the House  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Speaker Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing the Alaska debt retirement fund. This bill is one of three measures that make up my Alaska debt retirement fund proposal; the others, which accompany this bill, are a proposed constitutional amendment and an appropriation bill.

The Alaska debt retirement fund has two major objectives: first, to set aside part of fiscal year 1991 surplus revenue to help pay Alaska's future general obligation debt service and municipal school debt reimbursement; and second, to establish a long-term source of revenue to pay for debt service and to finance capital projects that will broaden Alaska's economic base.

I hope that every member of the legislature will agree with me that, as stewards of Alaska's resource wealth, we must consider investing, rather than spending, most of the revenue surplus that the state receives this year. Of course, I expect there to be a wide range of opinions on the best way to invest the surplus, but if we can concur that this unexpected revenue should be invested soundly, we will have reached an important point of agreement. I am willing to give all proposals for investing the revenue surplus fair consideration, and I hope that the legislature will accord the Alaska debt retirement fund the same fair hearing.

The first goal of the Alaska debt retirement fund is to help retire state and municipal debt. The State of Alaska will spend nearly \$250,000,000 over the next nine years to repay our general obligation debt. In addition, the legislature authorized the reimbursement of Alaska's municipal governments in an amount exceeding \$735,000,000 in school debt service over the next 23 years. These two budget items total nearly \$1,000,000,000.

The Honorable Ben Grussendorf -2-

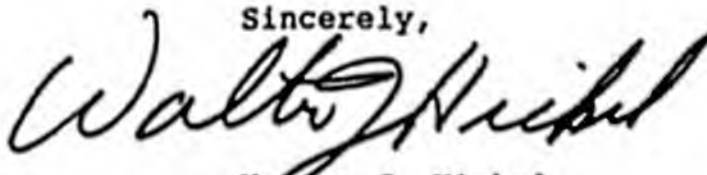
The Alaska debt retirement fund would allow us to save part of our surplus revenue to help pay off our general obligation debt and reimburse Alaska's municipal governments for their school debt payments. By doing so, we would substantially improve Alaska's ability to maintain a balanced budget as petroleum revenue declines over the next 20 years.

The second goal of the Alaska debt retirement fund is to establish a long-term source of revenue to pay for debt service, and to use the remaining balance of the fund to finance capital projects that will diversify and strengthen Alaska's economy. The companion joint resolution to this bill proposes a constitutional amendment that would dedicate a portion of our ownership revenue -- mineral lease rentals, royalties, royalty sale proceeds, and other resource revenues -- to the fund.

Alaska's economic infrastructure -- its port, transportation and energy systems -- are inadequate to support the broad economic foundation on which the future of the state depends. The Alaska debt retirement fund would provide the means to finance responsible expansion of the state's infrastructure, enhancing the viability and competitiveness of Alaska's industries.

The time for the Alaska debt retirement fund is now. This year's surplus revenue gives Alaska the opportunity to establish a fund with a statewide purpose. This revenue surplus is expected to be a one time event. With the declining production at Prudhoe Bay, we must commit to retiring our debt and building a broader, value-added economy. The Alaska debt retirement fund will serve that purpose. I urge your support for the fund.

Sincerely,

A handwritten signature in cursive script, reading "Walter J. Hickel".

Walter J. Hickel  
Governor

FISCAL NOTE

No. 1  
 Bill Version: HB 251  
 (H) Publish Date: 4/3/91

STATE OF ALASKA  
 1991 LEGISLATIVE SESSION

Revision Date: March 27, 1991  
 Title: Alaska Debt Retirement Fund

Department Affected: Revenue  
 BRU: Revenue Operations  
 Component: Treasury Management

Sponsor: Rules request of Governor  
 Requestor: Office of the Governor

Component Serial No.

	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)
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FUNDING: (Thousands of Dollars)

GENERAL FUND	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)
FEDERAL FUNDS						
OTHER						
TOTAL	(63,240)	(132,350)	(207,130)	(263,040)	(306,740)	(389,330)

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact:

ANALYSIS: Treasury's operations would not experience a fiscal impact. If bill passes and the constitutional amendment is not adopted there would not be a revenue impact. If the constitutional amendment is adopted general fund revenues will be reduced by the above numbers. This assumes interest earnings on unspent residual amounts. See attached spread sheet analysis for details.

Prepared by: Brian C. Andrews Phone: 465-2350  
 Division: TREASURY Date: \_\_\_\_\_  
 Approved by Commissioner: [Signature]  
 Agency: \_\_\_\_\_  
 Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

(13) TOTAL REVS W/PERM FND DEDICATION	(14) PUB SCH FUND	(15) NPR-A FUND	(16) OTHER FUNDS	(17) PERM FUND DEDICATION	(18) BUDGET RESERVE FUND	(19) NET GEN FUND UNRESTRICTED REVENUES
4110.80	7.50	0.00	74.30	385.10	0.00	3718.20
4516.90	8.00	0.00	0.00	400.50	0.00	4108.40
4061.40	9.40	0.00	0.00	421.00	0.00	3631.00
3765.30	9.00	0.00	0.00	366.20	0.00	3390.10
3640.50	7.10	5.40	0.00	368.00	0.00	3260.00
3446.40	6.50	41.00	0.00	323.40	0.00	3075.50
1983.20	3.30	9.90	0.00	170.60	0.00	1799.40
2747.10	6.60	1.00	15.80	417.90	0.00	2305.80
2419.70	4.30	0.80	0.00	228.40	0.00	2186.20
2780.06	5.13	0.60	0.00	267.10	0.00	2507.23
3532.97	6.55	0.60	0.00	414.97	284.85	2826.00
2375.84	4.65	0.60	3.00	242.86	0.00	2124.73
2709.21	5.44	0.50	7.00	283.56	0.00	2412.71
2827.36	5.84	0.50	7.00	304.60	0.00	2509.42
2943.28	6.16	0.30	7.00	321.12	0.00	2608.70
2961.47	6.28	0.10	7.00	327.30	0.00	2620.79
3113.95	6.79	0.00	7.00	353.85	0.00	2746.31
3035.90	6.69	0.00	10.00	348.67	0.00	2670.54
2827.79	6.31	0.00	10.00	328.76	0.00	2482.73
2624.88	5.91	0.00	10.00	307.92	0.00	2301.05
2461.49	5.56	0.00	10.00	289.71	0.00	2156.22
2348.23	5.35	0.00	10.00	278.72	0.00	2054.17
2239.17	5.13	0.00	0.00	267.34	0.00	1966.70
2175.43	5.00	0.00	0.00	260.39	0.00	1910.05
2090.83	4.85	0.00	0.00	252.52	0.00	1833.46
1960.78	4.58	0.00	0.00	238.76	0.00	1717.44
1820.89	4.31	0.00	0.00	224.47	0.00	1592.11
1728.61	4.15	0.00	0.00	216.21	0.00	1508.25
1630.89	3.94	0.00	0.00	205.47	0.00	1421.48
1531.81	3.72	0.00	0.00	193.76	0.00	1334.34

COMMITTEE CON.

TABLE 3.2

State of Alaska  
Debt Service on State-Supported Debt  
(\$ Millions)

Fiscal Year	(1) State GO	(2) UA	(3) ASHA	(4) Lease-Purchase Obligations (Lease)	(5) School Debt (Muni)	Total Debt Service
79	\$60.0	\$1.7	\$10.1	\$0	\$22.3	\$94.1
80	75.1	1.8	10.1	0	24.1	111.1
81	97.6	2.2	10.0	0	38.4	148.2
82	97.5	2.3	10.0	0	38.3	148.1
83	143.6	2.3	9.9	0	36.2	192.0
84	166.3	2.0	9.9	0	90.6	268.0
85	169.5	2.0	9.9	.8	93.2	275.4
86	163.2	1.8	9.9	.5	106.3	281.7
87	154.9	1.8	6.5	4.7	115.8	283.7
88	147.9	1.5	6.5	.7	109.5	266.1
89	135.5	2.2	6.5	5.2	109.5	258.8
90	120.3	2.2	6.5	5.5	107.8	242.3
91	95.5	2.2	6.5	5.5	120.2	229.9
92	68.2	2.1	6.5	5.5	116.1	198.4
93	59.7	2.1	5.9	5.5	106.0	179.2
94	33.9	1.9	3.1	5.5	93.4	137.8
95	23.1	2.0	1.5	5.5	84.3	116.4
96	21.5	1.9	0	5.5	71.1	100.0
97	16.7	1.9	0	5.5	48.7	72.8
98	14.4	1.9	0	5.5	45.7	67.5
99	9.0	1.9	0	5.5	43.2	59.6
00	2.6	1.9	0	4.7	34.8	44.0
01	0	1.8	0	4.7	21.2	27.7
02	0	1.2	0	4.7	9.1	15.0
03	0	1.0	0	4.7	5.4	11.1
04	0	1.1	0	4.7	5.4	11.2
05	\$0	\$1.0	\$0	\$4.7	\$5.3	\$11.0

(1) State of Alaska general obligation bonds

(2) University of Alaska bonds

(3) Alaska State Housing Authority lease revenue bonds

(4) Debt issued to finance Seward Student Service Center, Spring Creek Correctional Center, and Palmer Court-house

(5) State reimbursement of municipal general obligation debt issued to finance school construction for debt issued through December 31, 1989

FISCAL NOTE

No. 2

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Bill Version: HB 251  
(H) Publish Date: 4/3/91

Revision Date: \_\_\_\_\_ Department Affected: Administration  
Title: A Bill establishing a Debt Retirement Fund. BRU: Central Services  
Component: Finance

Sponsor: Governor Hickel  
Requestor: Governor Hickel COMPONENT SERIAL NO. 

59			
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)

This Act will not have a fiscal impact on the Division of Finance or the Department of Administration. Accounting procedures are in place to establish the Debt Retirement Fund and deposit revenue to the fund.

Prepared By: Weldon L. Blackwell *EW 3/27/91* Phone: 465-2240  
Division: Finance Date: 03/27/91

Approved by Commissioner: Willard Keller  
Agency: Administration Date: 03/27/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 3  
 Bill Version: HB 251  
 (H) Publish Date: 4/3/91

STATE OF ALASKA  
 1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Education  
 Title: Establishing the Alaska Debt Retirement Fund BRU: School Construction Debt Retirement  
 Component: School Construction Debt Retirement  
 Sponsor: Rules  
 Requestor: Governor COMPONENT SERIAL NO. 

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS. CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: \_\_\_\_\_

ANALYSIS: (Attach a separate page if necessary.)  
 This fiscal note assumes that the responsibility for disbursement of school construction debt retirement funds remain within the Department of Education.

Prepared By: Mary Hakala Phone: 465-2800  
 Division: Commissioner's Office Date: 3/27/91  
 Approved by Commissioner: Steve Hole, Acting Commissioner  
 Agency: Education Date: 3/27/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

# ALASKA MUNICIPAL MANAGEMENT ASSOCIATION

217 Second Street, Suite 200, Juneau, Alaska 99801, (907) 586-1325

April 30, 1991

The Honorable Walter J. Hickel  
Governor  
State of Alaska  
P.O. Box A  
Juneau, Alaska 99811

The Honorable Dick Eliason, President  
Alaska State Senate  
P.O. Box V  
Juneau, Alaska 99811

The Honorable Ben Grussendorf, Speaker  
Alaska House of Representatives  
P.O. Box V  
Juneau, Alaska 99811

Re: CS for Senate Bill No. 141 (An Act establishing a capital project matching grant program for municipalities and unincorporated communities)

Gentlemen:

Although the conventional wisdom indicates that SB 141 is not expected to pass through the legislature this year, the Alaska Municipal Management Association (AMMA), an organization of Alaska city and borough managers and administrators, urges timely consideration of this bill.

In expressing our support, however, it is important to note that the AMMA views this bill as an equitable means of distributing certain capital project funds, not all capital project funds. The funds appropriated under this bill should supplement other state capital funds used for large state projects and regional capital programs.

We support the concepts included in this legislation because it would

- Eliminate "free rides" and establish some economic criteria to segregate "wants" from "needs" in the formulation of local capital improvement plans;
- Enable locally elected officials to establish the priorities for capital projects;
- Provide another tool for local governments to help attract federal and private financing for capital projects;
- Implement more equality in the distribution of state grants; and
- Enable our senators and representatives to concentrate on more important public policy issues, rather than consuming so much time in listening to every interest group that wants a grant and defending decisions made in allocating the limited grant dollars available.

Governor Walter J. Hickel  
Senator Dick Eliason  
Representative Ben Grussendorf  
April 30, 1991  
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We support the revisions made in this bill by the Senate Community and Regional Affairs Committee to lower the local matching requirements for two years.

We offer the following suggestions for additional revisions to the bill for consideration as it moves through the various committees of the legislature.

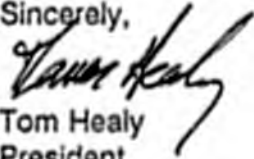
1. Allocation Formula. Although the allocation formula gives consideration to population and local wealth, it is not truly fair in its state-wide application because it does not consider local tax effort. Consider taking local wealth and tax effort into account. Compute local tax effort based on the conversion of all "locally generated revenues" (property taxes, sales taxes, user fees, special assessment charges, etc.) into a mill rate equivalent (MRE) as is done under the State Revenue Sharing Program. We suggest lowering the matching requirement for local governments which have a higher local tax effort.
2. Sources of Revenue for Local Match. The bill should give explicit authority to enable use of state revenue sharing, municipal assistance, raw fish tax, and other non-categorical state shared revenues for the local match. In the alternative, define which state grant programs may not be used for the local match.
3. Audit Standards. In order to eliminate potential audit problems these explicit standards should be incorporated in the bill:
  - a. Charges for indirect general and administrative overhead expenses should not exceed 10 percent.
  - b. The value of donated land should not exceed the most recent assessed value for tax purposes or a value established by an qualified independent appraiser if there is no assessed value for tax purposes.
  - c. The value of voluntary labor should not exceed the Davis Bacon Wage Rates established by Title 36 of Alaska Statutes.
  - d. The value of equipment donations should not exceed the "Blue Book" values used by the Department of Transportation and Public Facilities.
4. Special Assessment Financing for the Local Share. We think special assessment financing offers a good means for generating the local match because there are less exemptions as compared to property tax financing. Consider providing authority in the bill to enable local governments to recapture 100 percent of the grant investments by special assessments to establish capital project revolving funds.

Governor Walter J. Hickel  
Senator Dick Eliason  
Representative Ben Grussendorf  
April 30, 1991  
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5. Large Project Financing. Prohibit use of these grant funds for financing large and expensive projects such as those for schools and hospitals. These projects should be financed by separate state categorical grant programs.

We thank you for your consideration.

Sincerely,



Tom Healy  
President

cc: Shelby J. Stastny  
✓ Scott A. Burgess



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907) 586-1325, Fax (907) 463-5480

May 16, 1991

The Honorable Walter J. Hickel  
Governor  
State of Alaska  
P.O. Box A  
Juneau, Alaska 99811

Dear Governor Hickel:

The Alaska Municipal League has reviewed your community matching capital grants and debt retirement fund legislation - SB 140, SB 141, HB 251, HB 252, and HJR 38. The legislation would directly affect municipalities and the AML supports some of the concepts contained in the legislation. However, the AML will need additional time to review the proposals, to provide comments or suggest amendments, or to take a formal position. The AML Board of Directors also voted to make the review of the concepts embodied in these legislative proposals a priority of the Task Force on Governmental Roles assuming HCR 17 passes and is adequately funded.

For your information, I have enclosed a copy of some initial comments given to the AML Board by the AML Legislative Committee on the matching grant and debt fund proposals. I have also enclosed a copy of a letter from the Alaska Municipal Management Association (AMMA) regarding SB 141.

The matching grant and debt fund proposals address several AML policies outlined in our 1991 Policy Statement. The community matching capital grant program coincides with AML's support of block grants for a portion of state funding of local capital projects (*1991 Alaska Municipal League Policy Statement*, I.A.4). To the extent that it would enable decisions regarding local capital project priorities to be made at the local level and thus allow better coordination and increased efficiency in the use of these funds, AML supports the general concept.

AML is quite concerned, however, that this program not be considered, either now or in the future, as a replacement for existing programs that fund major capital projects, among them schools, water and sewer systems, hospitals, harbors and ports, airports, and roads. Because of their magnitude, these types of needs cannot, and should not, be addressed by the matching grant program your administration has proposed. Nor should such a program be the sole source of funds for vital projects in Alaska's small cities, which would be unable to accumulate enough funds for such projects under the terms of this program. There are other concerns and questions raised by the proposals.

AML supports the debt retirement fund proposal to the extent it addresses the state's obligation to fund outstanding school debt. As you and your administration are aware, the state's share of debt incurred by municipal governments for the construction of schools under the debt reimbursement program in effect until the passage of HB 37 during 1990 amounts to over \$800 million from FY 1991 through FY 2005. The Alaska Debt Retirement Fund,

Governor Walter J. Hickel  
May 16, 1991  
page 2

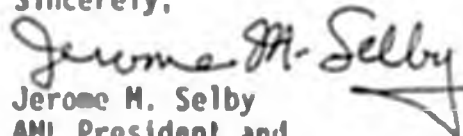
as it has been explained to us, would provide a source of revenue for this obligation of the state, as well as for state general obligation debt and future capital projects. However, municipal school debt obligations can be funded out of the general fund or from a statewide general obligation bond. The Alaska Constitution already requires the state to meet its debt obligations first. Capital grant funds should probably always have to compete with operating funds.

The AML has a full legislative agenda this year based on policies and legislation which have been debated by the membership for a number of years. We hope you will support these measures, which we have discussed. Among our legislative priorities, AML has proposed a Task Force on Governmental Roles in HCR 17. The concepts embodied in your legislative proposals and their proper place in an improved state and local partnership could be studied as a part of this study. HCR 17 should be approved and funded adequately (\$300,000).

Too often in Alaska, as in almost every state, there is insufficient communication between levels of government and understanding of relative responsibilities and resources. Programs such as those you have proposed in SB 141 and HB 251 are developed unilaterally, and services, programs, and enforcement requirements are imposed on lower levels without an adequate understanding of their cumulative effects. The effort proposed in HCR 17 if done well could save the state and municipalities time and money by improving communication among those of us elected to serve the people of Alaska.

Again, SB 141, HB 251, and the related legislation have merit and deserve further consideration. The AML supports many of the concepts within the legislation and is committed to working with you, your administration, and legislators on these bills during the interim and the 1992 session. We also suggest that the concepts in the legislation and other ideas for delivering public services in Alaska more effectively, efficiently, and equitably be reviewed as a part of the Task Force on Governmental Roles (HCR 17).

Sincerely,

  
Jerome M. Selby  
AML President and  
Mayor, Kodiak Island Borough

Enclosures

cc: Shelby Stastny, Director, OMB  
Bill Overstreet, Local Government Liaison  
Senator Dick Eliason  
Representative Ben Grussendorf  
Senate Finance Committee  
House State Affairs Committee  
Jack Fagnoli, OMB  
Jack Kreinheder, OMB  
AML Board of Directors

TAXATION AND FINANCE SUBCOMMITTEE REPORT  
APRIL 10-11, 1991

REPORT ON PENDING LEGISLATION

Members in attendance: Raymond Stoney, Assembly Member, Northwest Arctic Borough  
Kevin Walker, Council Member, City of Kenai  
Craig Duncan, Treasurer, City and Borough of Juneau  
Brian Porter, Assembly Member, Municipality of Anchorage  
Nathan Kotch, Council Member, City of Kotzebue  
Alvin Hall, Director of Accounting, Ketchikan Gateway Borough  
Judi Slajer, Chief Financial Officer, Fairbanks North Star Borough

Senate Bills 141 & 142: Capital Projects Matching Grants

The Subcommittee reviewed the data presented by Shelby Stastny, Director of Management and Budget, and the comments/reactions of members of the Legislative Committee. The Subcommittee supports the concept of sharing the cost of construction for certain capital projects with the State of Alaska. The premise that the community which contributes will be more responsible, in both setting community-wide priorities and providing on-going operations, is a concept that is generally accepted as "good". It is noted, however, that these funds should not be expected to be a replacement funding source with which to construct state facilities -- those facilities for which there is clear responsibility for the state to construct and maintain.

In keeping with the AML policy to support a block grant approach to capital project funding, it is the opinion of the Subcommittee that the AML should work with the Legislature to shape these bills so that the program meets the concerns raised by local government. The following is a list of "pros" and "cons" which need to be considered in shaping this legislation to be useful.

PROS: Provides an opportunity for local government to leverage local and federal dollars

Provides local control on how capital funds are spent

Local communities can decide priorities

Takes the establishment of priorities out of the hands of the Legislature, which occasionally responds to special interest pressures

Distributes to all communities, not just those with the most "clout" in Juneau

Doesn't have a lot of strings attached, so dollars can be spent on development projects

Allowing funds to build up for five years may allow for accumulation of sufficient funds to build meaningful, but costly projects

CONS: No guaranteed revenue stream

Poor communities may not be able to fully fund needed projects, e.g., street lights, laundry facilities, sewer, water system, with limited amount of funding. One example is a "wash-a-teria", which is the focal point of the small village community. This type of facility provides washing machines and in some instances the community water supply equipment and gathering place for local residents (in lieu of a community hall). A very rural community in Northwest Alaska, for instance, will not be able to build a "wash-a-teria" with the \$125,000 it would accumulate over a five-year period, assuming the community could meet the 10 % (\$12,500) match requirement.

Distribution formula does not take into consideration the differentials in cost-of-living in various communities of the state.

Population aspects of the formula need to be refined. The needs of a community of 250 are different than the needs of a community of 450, but they are both eligible for the same level of funding.

State has not been funding the 50/50 municipal water and sewer matching and the Village Safe Water programs, which are basic facilities programs, so why start another new program? Perhaps the existing matching program should be looked at for expansion, as well as funding.

The formula lacks an incentive to look at regional solutions, where they are appropriate. Formula should be looked at to see if this is possible.

The issue of "equity" and "needs" must be addressed to the agreement of all. In some cases a community of 150 may not have many capital needs. The question is asked, Should this community use the money anyway? The formula is based on a per capita distribution with some weighting

for capacity to pay the local match. No recognition is given to "need", either on a regional or statewide basis.

The formula will allow cities within boroughs to receive the dollars, as well as the borough receiving the dollars. The borough's population excludes the cities. In the real world, the population of the borough does not exclude the cities as the boroughs have areawide responsibilities, even within the cities. Therefore, the distribution of funds within a borough may not be equitable. This inequitable distribution may be a factor in discouraging cooperation among these governments in arriving at community-wide project allocations (community-wide priorities)

The limitation on powers of a second class borough may need to be addressed so that the borough can sub-grant dollars for a project which is not within the legal authority structure of the borough. An example may be a nursing home that needs to be constructed, and the borough does not have nursing home or elderly care facilities powers. How can the borough pass on these capital dollars to the correct agency to build the new nursing home? Who is responsible for the accounting to the state if the money can be passed through?

The larger communities, under the formula, are entitled to considerable dollars. Will this capital projects funding program increase the local government's likelihood of constructing unneeded facilities?

Program administration will be a nightmare. The state will need to track on each community receiving funds, each project which is approved by the community, the timing and type of the match, etc. The fiscal note on these bills may be considerably light.

Regulations under designated grants have been resisted in the past to avoid past problems of unnecessary red tape, project delay, and project funding diluted by state administrative costs. Section 2 allows for the promulgation of regulations with little restriction.

Clarification is needed to allow municipalities to use general pass-through dollars (municipal assistance and revenue sharing) for local match.



# House State Affairs Committee

## Representative Gene Kubina, Chair

DATE: May 3, 1991

PLACE: Capitol, Room 102

**SUBJECT OF MEETING:**  
 HB 251-Relating to Debt Retirement Fund  
 HB 252-Relating to Approp: Debt Retirement  
 HJR 38-Relating to Constitutional Debt Retirement Fund

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
JACK KREINHEDER	GOV.	BOX 1771			3588	<input checked="" type="radio"/>	<input type="radio"/>	HB 251, HB 252 HJR 38
SHELBY STASTNY	GOV.	BOX 1771			3568	<input checked="" type="radio"/>	<input type="radio"/>	"
Scott Burgess	AML	Juneau			G-1325	<input checked="" type="radio"/>	<input checked="" type="radio"/>	"
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	



# House State Affairs Committee

## Representative Gene Kubina, Chair

DATE: May 17, 1991

PLACE: Capitol, Room 102

**SUBJECT OF MEETING:**

HB 251 - Relating to Debt Retirement Fund

HB 252 - Relating to Approp: Debt Retirement Fund

SB 44 - Relating to Construction and Operation of Vets' Home

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Jeff Morrison	DMVA	P.O. Box L Juneau 99811			465-4600	Y (N)	SB 44
Paula Scavens	Leg Research	P.O. Box 1			465-3991	Y (N)	SB 44
Harlan Kwooson	Hospitl Nursing	House 319 Juneau			5-1790	(Y) N	SB 44
SHELBY STASTNY	OMB	Box AM			5-3568	(Y) N	HB 251/252
JACK KREINHEDER	OMB	" "			"	(Y) N	HB 251/252
MILTON Koller	DoAd.	Box C				(Y) N	HB 251
T.C. CARROLL	DMVA	P.O. Box L Juneau 99811			465-4600	(Y) N	SB 44 / SJR 1
JEFF BUSH	Dept of Law	P.O. Box K, Juneau	99811		465-3600	(Y) N	HB 308
						Y N	
						Y N	
						Y N	