

HCR

17

**HOUSE CONCURRENT RESOLUTION NO. 17**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

Introduced: 3/20/91

Referred: State Affairs, Community & Regional Affairs, Finance

**A RESOLUTION**

1 **Establishing a Task Force on Governmental Roles.**

2 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3       **WHEREAS** the days of ample federal funding and state oil wealth are over; and

4       **WHEREAS** both the federal and state governments have reduced assistance to municipalities and  
5 shifted responsibilities to municipalities to avoid increasing taxes; and

6       **WHEREAS** an effort is needed to sort out responsibilities for providing governmental services  
7 and for raising revenue to pay for those services in the most efficient and effective manner; and

8       **WHEREAS** the idea of undertaking a review of the roles of federal, state, and municipal  
9 government in providing services is not new, but a system for providing the review has not been  
10 instituted; and

11       **WHEREAS** the legislature needs information on the relationship between the federal, state, and  
12 municipal government to ensure that residents of the state have the best services possible at a reasonable  
13 cost;

14       **BE IT RESOLVED** by the Alaska State Legislature that the Task Force on Governmental Roles  
15 is established with the following primary purposes:

16               (1) to define local, state, and federal governmental roles taking into account differences  
17 between urban and rural areas and differences between organized boroughs, the unorganized borough,

1 and regional educational attendance areas;

2 (2) to examine the roles of the federal, state, and municipal governments in providing  
3 services and to determine whether changes ought to be made in those roles and whether legislation is  
4 needed to accomplish those changes;

5 (3) to consider methods of providing for funding for governmental services, including  
6 the existing revenue sharing program and municipal assistance program, and make recommendations for  
7 improved funding mechanisms;

8 (4) to prioritize the need for specific governmental services and consider methods to  
9 ensure those services are efficiently provided;

10 (5) to compare the relationship between local, state, and federal governments in Alaska  
11 with that in other states and make suggestions regarding implementation of successful models and  
12 innovative ideas;

13 (6) to classify various public services by appropriate levels of government responsibility  
14 and evaluate the classification for efficient service delivery, local control, constitutional responsibilities,  
15 ability of government to pay for the services, and other pertinent criteria;

16 (7) to assign the proper revenue sources for each service and determine which level of  
17 government should collect the revenue;

18 (8) to recommend corrections for existing inconsistencies, overlap, or duplication of  
19 governmental functions, and establish a proposed time frame for implementing the corrections;

20 (9) to recommend alternatives for providing services and evaluate cost and funding  
21 options;

22 (10) to recommend changes to local government structures and mandatory powers; and  
23 be it

24 **FURTHER RESOLVED** that the task force shall consist of 11 members as follows:

25 (1) two members of the Senate appointed by the President of the Senate;

26 (2) two members of the House of Representatives appointed by the Speaker of the House;

27 (3) two persons representing the executive branch, appointed by the Governor;

28 (4) five persons representing different areas of the state and different municipalities,  
29 appointed by the Alaska Municipal League; and be it

30 **FURTHER RESOLVED** that members of the task force shall elect from among themselves a  
31 chair and a vice-chair and that, within funds made available for the purpose, the task force may hire staff  
32 and, subject to approval by the Legislative Council, contract for services to perform its duties under the

1 procurement procedures adopted by the council; and be it

2 **FURTHER RESOLVED** that, within funds made available for the purpose, members of the task  
3 force appointed by the Alaska Municipal League are entitled to per diem and travel expenses authorized  
4 for boards and commissions under AS 39.20.180; and be it

5 **FURTHER RESOLVED** that the task force shall report its findings and recommendations to  
6 the Governor and the Legislature by April 30, 1993; and be it

7 **FURTHER RESOLVED** that the task force is terminated on April 30, 1993.

# STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

MAY 08 1991

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

### OFFICE OF THE COMMISSIONER

May 3, 1991

- P.O. BOX B  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4700
- 949 E. 38TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 563-1073

### POSITION PAPER

RE: CS for House Concurrent Resolution 17

REFERRED: State Affairs, Community & Regional Affairs,  
Finance

#### Program Effects

Committee Substitute for House Concurrent Resolution 17 proposes the creation of a task force to examine the roles of local, state, and federal governments in the funding and provision of services for the people of Alaska. The task force would compare Alaska's current practices with those of other states and return by April 30, 1993 with a report of its findings and, where appropriate, with recommendations for the Legislature.

#### Comments

The Department believes the time is right to embark on this important undertaking. During the past few years it has become evident to the Department that Alaska is in need of a thorough examination and subsequent understanding of the many problems which now exist, and which we are likely to be facing in both the short and the long term. CS for HCR 17 provides the mechanism for accomplishing that.

The Department is engaged, on an ongoing basis, in working to overcome problems relating to education funding, borough formation, provision of services, enhancement of revenue streams, and many other problems. Each of these problems is identified within the scope of the goal of CS for HCR 17. The bill provides for a proactive approach toward accomplishing an honest and candid assessment of our current situation, and provide for a policy umbrella under which we can work jointly to address immediate and future difficulties in Alaska. The Department's substantial efforts over the past few years have addressed only parts of the economic puzzle with which the State is dealing. CS for HCR 17 provides the catalyst for framing the entire puzzle, and the mechanisms for correctly assembling it.

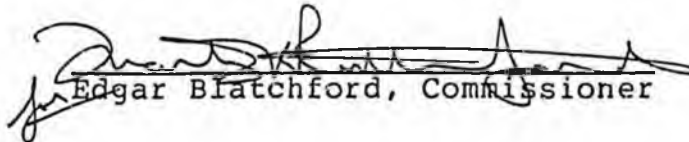
*May  
Put w/  
pockets*

Position Paper - CS for HCR 17  
May 3, 1991  
Page Two

We believe it is important for Alaskans to revisit the Home Rule Doctrine, the foundation of Alaska's governmental structure, and carefully and systematically examine the roles and powers of different levels of government in Alaska under that concept. As a matter of course, we believe that undertaking will be accomplished within the scope of CS for HCR 17.

In summary, the Department believes Alaska's public sector has, for too many years, served in a reactionary role in attempting to deal with individual problems as they arise. These problems are inextricably connected, and addressing only those which happen to be at the immediate forefront and without the benefit of the larger picture, sometimes causes undesirable complications or creates additional problems in other areas. The goal set out in CS for HCR 17, is intended to provide the larger picture necessary to overcome this situation, and the Department strongly supports its passage.

The fiscal details for funding this measure are being considered at this time. Depending on the results of those discussions, we may or may not have concerns with the fiscal impact to the state budget.

  
Edgar Blatchford, Commissioner

FISCAL NOTE FOR HCR 17

PERSONAL SERVICES

Staff is requested as follows to assist the Task Force on Governmental Role

Executive Director - Range 22A  
12 months at \$75,000  
6 months at \$37,500 = \$112,500

OMB Research Analyst - Range 21A  
12 months at \$70,000  
6 months at \$35,000 = \$105,000

DCRA Research Analyst - Range 21A  
12 months at \$70,000  
6 months at \$35,000 = \$105,000

Administrative Assistant - Range 13A  
12 months at \$40,000  
6 months at \$20,000 = \$60,000

Clerk Typist - Range 8A  
12 months at \$32,000  
6 months at \$16,000 = \$48,000

\$430.5

Funding for FY93 is for eighteen months. The task force is terminated April 30, 1993.

TRAVEL

It is anticipated there will be 10 meetings of the 11 member Governmental Roles Task Force.

TASK FORCE MEMBER TRAVEL

10 meetings x 11 members requiring airfare each meeting =  
110 airfares x \$436 = \$47,960  
2 days per diem x 110 = 220  
220 x \$95 = \$20,900

68.9

STAFF TRAVEL

5 meetings x 3 staff member requiring airfare each meeting =  
15 airfares  
15 airfares x \$436 = \$6,540  
3 days per diem x 15 = 45  
45 x \$95 = \$4,275

\$10.8

\$79.7

It is anticipated there will be 5-7 meetings in FY93.

FISCAL NOTE

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

BILL NO. HCR 17

Revision Date: \_\_\_\_\_ Department Affected: LAA  
 Title: Task Force on Governmental BRU: \_\_\_\_\_  
Roles Component: \_\_\_\_\_  
 Sponsor: Boyer  
 Requestor: Boyer 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						

CAPITAL	\$626.6					
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

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

ANALYSIS: (Attach a separate page if necessary.)  
 See attached sheet for analysis of staff/travel/contractual

Prepared By: Mark Boyer Phone: \_\_\_\_\_  
 Division: \_\_\_\_\_ Date: \_\_\_\_\_  
 Approved by Commissioner: \_\_\_\_\_  
 Agency: \_\_\_\_\_ Date: \_\_\_\_\_

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

CONTINUATION OF FISCAL NOTE: HCR 17

CONTRACTUAL

Professional services funding to contract with State Health Care policy expert \$100,000 for the duration of the project

Advertising of public notices for meetings \$5,000

Teleconferencing - 100 sites @ \$60.00 average site \$6,000

Printing & Distribution of Information \$5,000 \$116.0

SUPPLIES AND PHONES

Supplies and phones for the task force will be absorbed within the Session Expenses and Legislative Operating Budgets.

OFFICE SPACE AND EQUIPMENT

Office space and equipment for the task force will be absorbed within the Session Expenses and Legislative Operating Budgets.

TOTAL COSTS \$626.2



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

March 27, 1991

TO: Representative Gene Kubina, Chair  
and  
Members, House State Affairs Committee

FROM: Scott A. Burgess, Executive Director

RE: HCR 17 - Establishing a Task Force on Governmental Roles

On behalf of the 126 municipalities who are members of the Alaska Municipal League, and the citizens who live in those communities, I offer strong support for HCR 17, which would establish a Task Force on Governmental Roles.

For several years, AML has advocated that the state and local governments undertake a comprehensive, in-depth study of the relationship between and among the local, state, and federal governments. The AML Board of Directors identified establishment of a task force to "study and recommend appropriate roles and responsibilities of the state, local, and federal governments" as one of the League's top priority issues for the 1991 legislative session. We appreciate the interest and support of the sponsors of this resolution.

For your information, I have attached copies of AML Resolution 91-1 and of the Municipal Platform statement supporting creation of the task force. As you can see from these documents, AML had originally envisioned that the proposed study would be undertaken under the direction of the League, with support from the Legislature and the Executive Branch as well as from other interested parties. However, we support the legislative task force proposed in HCR 17. While our financial resources are not great, the AML is willing to assist in this endeavor with the expertise and participation of our membership and with in-kind and contract assistance to the degree possible.

Why is an evaluation of the relationships between and among the local, state, and federal governments necessary? What do we hope that the Task Force on Governmental Roles will accomplish?

Although the need to define relative roles and responsibilities of governmental units is not unique to Alaska, our state, probably more than others because its relative youth, its previous relationship to the federal government, the nature of land ownership within the state, its size, and the lack of infrastructure at the time of statehood, has an unusual situation with regard to intergovernmental relationships and responsibilities.

These relationships worked fine in times of large federal and state budgets to support government in Alaska. However, in times of shrinking revenues

and resources at the federal and state level it is becoming increasingly apparent that it is essential to evaluate these relationships, possibly to propose new ones, to sort out priorities for public service, and to reach agreement about which level of government is responsible for providing which services and how those services are to be financed.

The proposed Task Force on Governmental Roles would have as its primary mission to do just that, and to work toward a commonly accepted definition of the roles and responsibilities of the state and local governments.

Far too often in recent years, when state budget cuts have been required agencies have pushed program responsibility downward without any clear definition of why local governments should provide the service or how they can do so, and with no choice. The state may claim to save money, but at the local level citizens are forced to pay for a state-mandated program or service without having any opportunity to decide whether they want it. A perfect example of this is the Senior Citizens/Disabled Veterans Property Tax Exemption Program, a state-mandated program over 70 percent of which is currently funded by municipal taxpayers.

In other situations, too -- for instance in the proposed transfer of Class 3, contract jails, environmental mandates, funding of education and school buildings -- there are many questions about who should fund public services, who should decide what those services will be, and who will provide them. Some changes may be necessary, but neither the state nor local governments can adequately plan for a future of reduced financial resources without a clearer definition of their roles and relationships.

The Task Force on Governmental Roles should, at a minimum,

- survey existing relationships among levels of government in Alaska and identify public services provided by governments
- identify existing and potential revenue sources
- compare the Alaska situation with that in other states
- prioritize public services
- classify various public services by the appropriate level of government responsibility in terms of efficient service delivery, local control, constitutional responsibilities, ability to pay, and beneficiaries
- assign the proper revenue source for each service and which level of government should most appropriately collect that revenue

House State Affairs Committee  
Testimony on HCR 17  
March 27, 1991  
page 3

- recommend revenue distributions in situations in which revenue is collected by one level of government (for efficiency of collection) and used to provide a service at another level (for efficiency of service delivery)
- recommend corrections of existing inequities and inconsistencies
- recommend mechanisms for addressing mandated services or responsibilities in terms of cost and local option
- recommend changes to local government structures and powers
- recommend appropriate mechanisms and procedures for transition between the current relationship and proposed new relationships

This is not an easy assignment, but the challenges facing Alaska's governments in the next decade are not easy. Now is the time for us to take a long, hard look at how we deliver public services and to determine the best, most efficient, and most cost effective ways to do so. The Task Force on Governmental Roles that HCR 17 would establish can help us focus that endeavor.

I urge your support of HCR 17.

Attachments

CSS91TEST/hcr17.327

## **Resolution of the Alaska Municipal League**

### **Resolution No. 91-1**

#### **A RESOLUTION SUPPORTING THE CREATION AND FUNDING OF AN AML TASK FORCE TO STUDY AND MAKE RECOMMENDATIONS ON THE APPROPRIATE ROLES AND RESPONSIBILITIES OF FEDERAL, STATE, AND LOCAL GOVERNMENTS TO DELIVER AND FINANCE PRIORITY PUBLIC SERVICES TO ALASKANS**

WHEREAS, the days of federal funds and state oil wealth that led to reduced taxes, increased operating and capital budgets, and complacency among Alaska's public policy makers about long-range financial planning are over, and

WHEREAS, both the federal and state governments have reduced assistance and shifted responsibilities under the guise of not increasing taxes, and

WHEREAS, municipalities have borne the burden of these reductions in assistance and increases in responsibilities, and they have had to do so by increasing taxes and reducing services at the local level, and

WHEREAS, an effort is needed to sort out responsibilities for raising revenues and providing governmental services in the most efficient and effective manner, and

WHEREAS the idea of undertaking a review of federal, state, and local government responsibilities and capabilities to provide and finance public services is not new to the AML or the State, and

WHEREAS, no action has been taken at the state level to sort out public service priorities, intergovernmental responsibilities, and financing alternatives, and

WHEREAS, the Alaska Municipal League represents over 120 municipalities in Alaska, the majority of governmental entities ultimately responsible for the provision of public services to Alaskans, and

WHEREAS, the League and its members are willing to undertake a study of the most effective and efficient methods for the federal, state, and local governments to deliver and finance priority public services, and

WHEREAS, such an effort will require a commitment of extraordinary AML resources, for which the membership is willing to provide funds as needed in addition to current dues and charges as a one-time assessment, and

WHEREAS, the state or the federal government may be willing to assist by providing grant funds;

NOW, THEREFORE, BE IT RESOLVED that the AML Board of Directors appoint a task force to study and recommend appropriate roles and responsibilities of the federal, state, and local governments to deliver and finance priority public services to Alaskans.

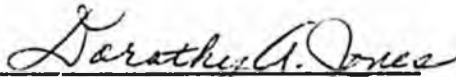
BE IT FURTHER RESOLVED that the AML seek participation in the study from official representatives of the Governor and both houses of the Alaska State Legislature.

BE IT FURTHER RESOLVED that the AML Board of Directors seek state or federal funding to conduct the study.

BE IT FURTHER RESOLVED that if state or federal funding is not forthcoming to finance all or a portion of the study, the AML Board of Directors will develop and collect a fair and equitable assessment based on a proposed work program and budget, minus any grants or sponsorships which the AML may receive.

BE IT FURTHER RESOLVED that the task force will report its findings and recommendations to the membership at the 1992 annual meeting.

Adopted this 16th day of November 1990 in Anchorage, Alaska.

  
Dorothy A. Jones, President

ATTEST:

  
Scott A. Burgess, Executive Director



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

## In Support of HCR 17

**The Alaska Municipal League supports state funding of a Task Force on Governmental Partnerships to study and recommend appropriate roles and responsibilities of state, local, and federal governments to deliver and finance priority public services in Alaska.**

The League requests that the legislature assist in financing a Task Force on Governmental Partnerships to analyze the existing roles and responsibilities of state, local, and federal governments in providing and financing public services and to recommend service priorities and future delivery and financing mechanisms. The goal of the task force would be to produce a final report to League members, the legislature, and the administration by July 1993. Because the study will benefit the state as a whole, the League is seeking funding for task force operations from the Alaska State Legislature. Total costs for the Task Force are estimated at \$300,000.

Throughout the nation, essential public services are provided to Americans by several levels of government -- federal, state, borough, county, city, village, school district, special district, and others. In many states, the overlapping and interweaving of various local governmental units causes confusion and conflict. When the framers of the Alaska Constitution developed a model for governance of the new state, they made a conscious decision to "provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions" (Article X, Section 1, Constitution of the State of Alaska).

That constitutional language and the accompanying statements that "a liberal construction shall be given to the powers of local government units" and "the State may delegate taxing powers to organized boroughs and cities only" define the basic groundwork for the relationship between state and local governments in Alaska. However, neither the Constitution nor statutes define clearly the relative roles and responsibilities of the two levels of government, each of which provides essential services to Alaska's citizens. As a result, there is often disagreement about basic questions -- not only "What services are the responsibility of government" and "What level of government is responsible for providing them?", but, seemingly more fundamentally in an era of tight financial resources, "How should they be paid for?"

State and local governments nationwide have felt the impact of cutbacks in federal funding, over 50 percent in domestic assistance since 1980. The federal government has also increased restrictions on how state and local governments operate, and it has mandated increasing responsibilities, for instance those under the Clean Air and Clean

Water Acts. Many of these cutbacks and increased demands for government activity have put pressure directly on the states, which, in turn, have tended to shift costs and responsibilities to local governments. Municipalities have had to bear these burdens by increasing taxes and reducing services at the local level.

Because of the oil wealth Alaska has enjoyed, which has brought increased services, reduced taxes, increased operating and capital budgets, and complacency, Alaskan public policy makers have not, until recently, been forced to seriously try to sort out the issues of state/local roles and responsibilities, particularly in the areas of providing governmental services and raising revenues and doing so in the most efficient, effective, and equitable manner. The state's ownership of land and resources, its youth, and its need to develop both physical and institutional infrastructure have also meant that the state-local government relationship differs significantly from that in other areas of the country.

However, drops in revenue, combined with the effects of federal action noted above, have caused significant cutbacks in aid to Alaska's municipalities in the last six years. Appropriations in the two major programs of state assistance to the operations of municipal governments, Municipal Assistance and State Revenue Sharing, have been cut over 38 percent since 1985. Following the federal lead, the state has also shifted responsibilities, and thus costs, to municipalities without providing reimbursement. Examples of this include increases in environmental regulation, retirement benefits, senior citizens tax relief, and education costs.

The time has come for a serious evaluation of the ways priority public services are delivered and financed in Alaska and the relative roles and responsibilities of the local, state, and federal governments.

Recognizing this need, the Alaska Municipal League has decided to take the lead in establishing a forum to discuss state and local responsibilities in a comprehensive manner. The League will work to create a Task Force on Governmental Partnerships that will, over a period of 24 months, address such issues as

- What is the priority order of governmental services, i.e., what is cut first as revenues decline and what services are added first as revenues increase?
- What level of government should provide what services?
- What revenue source is appropriate to fund what services?
- Who should collect which revenue and how should it be distributed?
- At what point must revenues be increased to provide basic services?

- How can we insure that policy makers know the full cost of mandated programs?

The need for some sort of forum for the discussion of these issues has been obvious for some time. At the end of 1986, the Task Force on State and Local Relations of the National Conference of State Legislatures released its recommendations to guide states in dealing with this "period of significant change in the way state and local governments interact, caused in part by the continuing reduction of federal financial support" or "'fend-for-yourself' federalism." One of the recommendations of the task force was that "each state needs an organization dedicated to studying state-local issues and resolving problems, either a state advisory commission on intergovernmental relations or a legislative commission on state-local relations" and that "it should be created by statute, have strong legislative representation, and have an adequate budget and staff."

Such an idea is not new to the AML or the state. The first Alaska State Legislature failed to act on a recommendation of the Public Administration Service report that it "make provision for the study of local government problems before establishing long-range policies". That was in 1959!

The AML has requested a blue-ribbon commission to study priorities for delivering basic services since 1984, but no such commission has been formed. Staff within the Governor's Office of Management and Budget have also investigated and recommended state advisory commissions to provide a forum or mechanism for local governments to participate in state fiscal policy decisions affecting them and for the state to achieve consensus on statewide fiscal policy issues affecting local government. However, in the absence of a state government-level initiative to establish such a commission, the League now seeks to take the lead in addressing these important issues by establishing a Task Force on Governmental Partnerships.

The task force, which would operate under the auspices of the League, would include representatives from local government, the legislature, the state administration, and the public. It would, with the help of a limited staff, conduct a survey of existing relationships, public services, and funding sources; identify areas of disagreement and dispute; compare the Alaska situation with other states and with recommendations of the National Conference of State Legislatures; and recommend possible changes. The task force could be continued after July 1993 if it seems desirable and additional funding is available.

Depending on the level of funding received from the legislature, the League will also pursue funding from a variety of other sources, including the executive branch, the university, private sources and its own member municipalities.



Official Business

# Alaska State Legislature

HOUSE OF REPRESENTATIVES

House State Affairs Committee

P.O. Box V  
State Capitol  
Juneau, Alaska 99811

LETTER TO THE  
HOUSE FINANCE COMMITTEE

For  
HCR 17

The House State Affairs Committee requests that the House Finance Committee review the attached fiscal note for HJR 17 and take into consideration the following:

(1) The budget can be reduced by approximately \$210. by utilizing existing staff and technical expertise in the Department of Community and Regional Affairs and the Office of Management and Budget. The State Affairs Committee anticipates DCRA and OMB to work closely with organizations representing local government interests such as the Alaska Municipal League, the Association of Municipal Finance Officers, as well as municipal managers and attorneys.

(2) It is anticipated that local governments will assist with soliciting public and local government input. We hope that municipal finance officers, municipal managers and attorneys will take on this project and provide technical support. We believe that the state should be prepared to pay travel and per diem for officials from communities that cannot otherwise afford to participate in task force meetings. It is the expectation of the committee that most communities will be able to bear their own travel and per diem expenses.

A handwritten signature in cursive script that reads "Gene Kubina".

House State Affairs Committee  
April 5, 1991

## FISCAL NOTE

**REQUEST:**

Revision Date: \_\_\_\_\_  
 Title: Establishing a Task Force on  
           Governmental Roles  
 Sponsor: Rep. Mark Boyer  
 Requestor: Rep. Mark Boyer

Agency Affected: Legislative Affairs Agency  
 BRU: Legislative Council

Components: Councils & Subcommittees  
Session Expenses, Legis. Operating Budget

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	287.0	143.5				
TRAVEL	59.0	20.7				
CONTRACTUAL	75.0	41.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL	421.0	205.2				
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REVENUE	0	0				
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**FUNDING:** (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

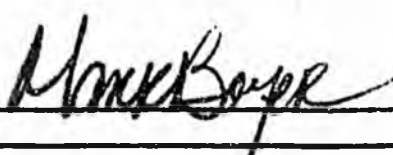
**POSITIONS:**

FULL-TIME	5	0				
PART-TIME	0	5				
TEMPORARY	0	0				

**ANALYSIS :** (Attach a separate page if necessary)

HCR 17 would establish a task force on governmental roles in the Legislative Branch. The following is requested to adequately support the task force:

Prepared by: Rep. Mark Boyer  
 Division: \_\_\_\_\_



Phone: 465-3466  
 Date: 3/27/91

Approved by Commissioner: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Date: \_\_\_\_\_

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

# Alaska State Legislature

REPRESENTATIVE  
MARK BOYER

HOUSE FINANCE COMMITTEE



House of Representatives

MEMORANDUM

FAIRBANKS

1098 LAKEVIEW TERRACE  
FAIRBANKS, ALASKA 99701  
(907) 456-6473

JUNEAU

P.O. BOX V  
STATE CAPITOL  
JUNEAU, ALASKA 99811  
(907) 465-3466

DATE: March 21, 1991

TO: Representative Gene Kubina, Chairman  
House State Affairs Committee

FROM: Representative Mark Boyer *MB*

RE: Scheduling of HCR 17

Thank you for your prompt scheduling of HCR 17, establishing a task force on governmental roles. Attached is a copy of the resolution, which has been introduced by the House Finance Committee at my request. I've also attached information from the Alaska Municipal League (AML) on this topic. The AML has actively pursued this type of legislation for many years and I've come to believe that it is time to focus on the roles and responsibilities of local and state governments.

With the decline in oil revenues, it is imperative for municipalities, school boards, and other local governments to look to their own resources as a means of continuing or expanding many programs and services, which have been provided by the state. Both federal and state governments have reduced assistance to municipalities and shifted responsibilities to avoid increasing taxes.

The primary purpose of the task force is to define local, state and federal governmental roles and responsibilities. The task force will examine these roles as they relate to the services provided by the different levels of government. Another area to examine will be the methods of funding for governmental services and the task force will be required to make recommendations for appropriate funding sources or elimination of mandates as appropriate.

The task force will consist of 11 members, two from the Senate, two from the House, two from the executive branch and five persons representing different areas of the state and different municipalities appointed by the Alaska Municipal League.

If you have additional questions please contact me or Alexis Miller of my staff at 465-3467. Thanks for your attention and early scheduling of HCR 17.

- Sponsor Statement -

**HOUSE CONCURRENT RESOLUTION NO. 17**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - FIRST SESSION**

BY THE HOUSE FINANCE COMMITTEE

Introduced: 3/20/91

Referred: State Affairs, Community & Regional Affairs, Finance

**A RESOLUTION**

1 **Establishing a Task Force on Governmental Roles.**

2 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3       **WHEREAS** the days of ample federal funding and state oil wealth are over; and

4       **WHEREAS** both the federal and state governments have reduced assistance to municipalities and  
5 shifted responsibilities to municipalities to avoid increasing taxes; and

6       **WHEREAS** an effort is needed to sort out responsibilities for providing governmental services  
7 and for raising revenue to pay for those services in the most efficient and effective manner; and

8       **WHEREAS** the idea of undertaking a review of the roles of federal, state, and municipal  
9 government in providing services is not new, but a system for providing the review has not been  
10 instituted; and

11       **WHEREAS** the legislature needs information on the relationship between the federal, state, and  
12 municipal government to ensure that residents of the state have the best services possible at a reasonable  
13 cost;

14       **BE IT RESOLVED** by the Alaska State Legislature that the Task Force on Governmental Roles  
15 is established with the following primary purposes:

16               (1) to define local, state, and federal governmental roles taking into account differences  
17 between urban and rural areas and differences between organized boroughs, the unorganized borough,

1 and regional educational attendance areas;

2 (2) to examine the roles of the federal, state, and municipal governments in providing  
3 services and to determine whether changes ought to be made in those roles and whether legislation is  
4 needed to accomplish those changes;

5 (3) to consider methods of providing for funding for governmental services, including  
6 the existing revenue sharing program and municipal assistance program, and make recommendations for  
7 improved funding mechanisms;

8 (4) to prioritize the need for specific governmental services and consider methods to  
9 ensure those services are efficiently provided;

10 (5) to compare the relationship between local, state, and federal governments in Alaska  
11 with that in other states and make suggestions regarding implementation of successful models and  
12 innovative ideas;

13 (6) to classify various public services by appropriate levels of government responsibility  
14 and evaluate the classification for efficient service delivery, local control, constitutional responsibilities,  
15 ability of government to pay for the services, and other pertinent criteria;

16 (7) to assign the proper revenue sources for each service and determine which level of  
17 government should collect the revenue;

18 (8) to recommend corrections for existing inconsistencies, overlap, or duplication of  
19 governmental functions, and establish a proposed time frame for implementing the corrections;

20 (9) to recommend alternatives for providing services and evaluate cost and funding  
21 options;

22 (10) to recommend changes to local government structures and mandatory powers; and  
23 be it

24 **FURTHER RESOLVED** that the task force shall consist of 11 members as follows:

25 (1) two members of the Senate appointed by the President of the Senate;

26 (2) two members of the House of Representatives appointed by the Speaker of the House;

27 (3) two persons representing the executive branch, appointed by the Governor;

28 (4) five persons representing different areas of the state and different municipalities,  
29 appointed by the Alaska Municipal League; and be it

30 **FURTHER RESOLVED** that members of the task force shall elect from among themselves a  
31 chair and a vice-chair and that, within funds made available for the purpose, the task force may hire staff  
32 and, subject to approval by the Legislative Council, contract for services to perform its duties under the

1 procurement procedures adopted by the council; and be it

2       **FURTHER RESOLVED** that, within funds made available for the purpose, members of the task  
3 force appointed by the Alaska Municipal League are entitled to per diem and travel expenses authorized  
4 for boards and commissions under AS 39.20.180; and be it

5       **FURTHER RESOLVED** that the task force shall report its findings and recommendations to  
6 the Governor and the Legislature by April 30, 1993; and be it

7       **FURTHER RESOLVED** that the task force is terminated on April 30, 1993.



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## Task Force on Governmental Partnerships

The Alaska Municipal League supports state funding of a Task Force on Governmental Partnerships to study and recommend appropriate roles and responsibilities of state, local, and federal governments to deliver and finance priority public services in Alaska.

*Funding:*  
*AML would like full leg. funding - may be able to contribute some \$*

The League requests that the legislature assist in financing a Task Force on Governmental Partnerships to analyze the existing roles and responsibilities of state, local, and federal governments in providing and financing public services and to recommend service priorities and future delivery and financing mechanisms. The goal of the task force would be to produce a final report to League members, the legislature, and the administration by July 1993. Because the study will benefit the state as a whole, the League is seeking funding for task force operations from the Alaska State Legislature. Total costs for the Task Force are estimated at \$300,000.

*\$370.*

Throughout the nation, essential public services are provided to Americans by several levels of government -- federal, state, borough, county, city, village, school district, special district, and others. In many states, the overlapping and interweaving of various local governmental units causes confusion and conflict. When the framers of the Alaska Constitution developed a model for governance of the new state, they made a conscious decision to "provide for maximum local self-government with a minimum of local government units, and to prevent duplication of tax-levying jurisdictions" (Article X, Section 1, Constitution of the State of Alaska).

That constitutional language and the accompanying statements that "a liberal construction shall be given to the powers of local government units" and "the State may delegate taxing powers to organized boroughs and cities only" define the basic groundwork for the relationship between state and local governments in Alaska. However, neither the Constitution nor statutes define clearly the relative roles and responsibilities of the two levels of government, each of which provides essential services to Alaska's citizens. As a result, there is often disagreement about basic questions -- not only "What services are the responsibility of government" and "What level of government is responsible for providing them?", but, seemingly more fundamentally in an era of tight financial resources, "How should they be paid for?"

State and local governments nationwide have felt the impact of cutbacks in federal funding, over 50 percent in domestic assistance since 1980. The federal government has also increased restrictions on how state and local governments operate, and it has mandated increasing responsibilities, for instance those under the Clean Air and Clean Water Acts. Many of these cutbacks and increased demands for government activity have put pressure directly on the states, which, in turn, have tended to shift costs and responsibilities to local governments. Municipalities have had to bear these burdens by increasing taxes and reducing services at the local level.

Because of the oil wealth Alaska has enjoyed, which has brought increased services, reduced taxes, increased operating and capital budgets, and complacency, Alaskan public policy makers have not, until recently, been forced to seriously try to sort out the issues of state/local roles and responsibilities, particularly in the areas of providing governmental services and raising revenues and doing so in the most efficient, effective, and equitable manner. The state's ownership of land and resources, its youth, and its need to develop both physical and institutional infrastructure have also meant that the state-local government relationship differs significantly from that in other areas of the country.

However, drops in revenue, combined with the effects of federal action noted above, have caused significant cutbacks in aid to Alaska's municipalities in the last six years. Appropriations in the two major programs of state assistance to the operations of municipal governments, Municipal Assistance and State Revenue Sharing, have been cut over 38 percent since 1985. Following the federal lead, the state has also shifted responsibilities, and thus costs, to municipalities without providing reimbursement. Examples of this include increases in environmental regulation, retirement benefits, senior citizens tax relief, and education costs.

The time has come for a serious evaluation of the ways priority public services are delivered and financed in Alaska and the relative roles and responsibilities of the local, state, and federal governments.

Recognizing this need, the Alaska Municipal League has decided to take the lead in establishing a forum to discuss state and local responsibilities in a comprehensive manner. The League will work to create a Task Force on Governmental Partnerships that will, over a period of 24 months, address such issues as

- What is the priority order of governmental services, i.e., what is cut first as revenues decline and what services are added first as revenues increase?
- What level of government should provide what services?
- What revenue source is appropriate to fund what services?
- Who should collect which revenue and how should it be distributed?

- At what point must revenues be increased to provide basic services?
- How can we insure that policy makers know the full cost of mandated programs?

The need for some sort of forum for the discussion of these issues has been obvious for some time. At the end of 1986, the Task Force on State and Local Relations of the National Conference of State Legislatures released its recommendations to guide states in dealing with this "period of significant change in the way state and local governments interact, caused in part by the continuing reduction of federal financial support" or "'fend-for-yourself' federalism." One of the recommendations of the task force was that "each state needs an organization dedicated to studying state-local issues and resolving problems, either a state advisory commission on intergovernmental relations or a legislative commission on state-local relations" and that "it should be created by statute, have strong legislative representation, and have an adequate budget and staff."

Such an idea is not new to the AML or the state. The first Alaska State Legislature failed to act on a recommendation of the Public Administration Service report that it "make provision for the study of local government problems before establishing long-range policies". That was in 1959!

The AML has requested a blue-ribbon commission to study priorities for delivering basic services since 1984, but no such commission has been formed. Staff within the Governor's Office of Management and Budget have also investigated and recommended state advisory commissions to provide a forum or mechanism for local governments to participate in state fiscal policy decisions affecting them and for the state to achieve consensus on statewide fiscal policy issues affecting local government. However, in the absence of a state government-level initiative to establish such a commission, the League now seeks to take the lead in addressing these important issues by establishing a Task Force on Governmental Partnerships.

The task force, which would operate under the auspices of the League, would include representatives from local government, the legislature, the state administration, and the public. It would, with the help of a limited staff, conduct a survey of existing relationships, public services, and funding sources; identify areas of disagreement and dispute; compare the Alaska situation with other states and with recommendations of the National Conference of State Legislatures; and recommend possible changes. The task force could be continued after July 1993 if it seems desirable and additional funding is available.

Depending on the level of funding received from the legislature, the League will also pursue funding from a variety of other sources, including the executive branch, the university, private sources and its own member municipalities.

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**REFORMING STATE-LOCAL  
RELATIONS:  
A PRACTICAL GUIDE**

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by  
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edited by  
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# Executive Summary

**O**ur federal system is going through a period of significant change, with states playing a more prominent role. States should reassess their policies toward local governments across a broad spectrum, and this book lays out the major issues that will be on the agenda of the states as they rethink state-local relations.

This book relies heavily upon a set of recommendations developed by the National Conference of State Legislatures' Task Force on State-Local Relations. The task force said, "We recognize that many proposed policies go beyond the existing practice in many states. This does not imply that there was anything wrong with past policies but rather that the changed times require new directions."

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## Chapter 1

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There are four reasons why states should reconsider their policies affecting local governments:

- The federal government is cutting back on its role as a provider of assistance to local governments, creating a vacuum that states cannot ignore. The federal cut-backs provide an opportunity for states to reassert their historical role as a leading player in the federal system.
- State-local relations are closely related to many pressing state problems, including economic development, provision of human services, and tax reform.
- Reforming the state-local system can make government more efficient and economical.
- Many aspects of state-local relations are overdue for searching and objective review.

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## Chapter 2

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State-local relations differ greatly from one state to another. Four of the major differences are how local governments are structured, how autonomous local governments are, how fiscally centralized the state-local system is, and how local governments raise revenue.

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## Chapter 3

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Three major policy objectives in reforming state-local relations are:

- Providing the right amount of services, considering citizens' willingness to pay for them;
- Providing services efficiently; and
- Financing services through a system that is fair.

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## Chapter 4

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State-local organizations can play a vital role in reforming state-local policies. They can provide a forum for discussion of long-range state-local issues, conduct research on local developments and new state policies, develop solutions to problems, and carry out many other important functions. No single model for state-local organizations is appropriate for all states, but they should be well-funded, be created by statute, and incorporate major roles for legislators and local government representatives. Although a majority of states have either a state Advisory Commission on Intergovernmental Relations or a legislative commission on state-local relations, most of the existing organizations need to be significantly strengthened if they are to fulfill their potential.

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## Chapter 5

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States should develop monitoring systems to track local fiscal developments because they generally lack sufficient information about local fiscal trends to provide a sound basis for policymaking. This monitoring system should be used to produce an annual report on the state of local governments explaining in clear, simple language how the fiscal situation of local governments has been changing.

Among the components of an ideal monitoring system are measures of beginning and ending cash balances, total revenue, tax revenue, tax rates, tax bases, federal and state aid, user charges, expenditures, indebtedness, credit ratings, fiscal capacity, fiscal effort, needs, and fiscal stress.

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## Chapter 6

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States should allow local governments to diversify their revenue systems, with consideration for permitting use of local sales and income taxes. These taxes should be structured so as to minimize the problems they may entail. The decision about which local options to permit is a complicated one, with numerous considerations for and against each tax. In any case, user charges should be encouraged in appropriate contexts.

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## Chapter 7

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The property tax should be strengthened by reforming its administration and by other means. Among the steps that improve assessment administration are requiring that assessments be close to full market value, mandating professionalism among assessment personnel, not allowing long periods to occur before assessments are updated, and using computer-assisted mass appraisal systems.

Truth-in-taxation programs and tax relief for the poor can also help overcome some of the major defects of the property tax. Consideration should also be given to homestead exemptions or credits, land value taxation, and reforming the treatment of tax-exempt property.

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## Chapter 8

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Most states impose limitations on local taxes or spending, but the structure of these limitations differs considerably. The effects of limits should be studied to assure that they do not prevent local government budgets from at least keeping up with inflation. Limitations on local debt should also be reviewed because they often provide an incentive for localities to finance capital spending in ways that may raise their costs.

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## Chapter 9

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States should reconsider how responsibilities are assigned for providing and financing services. If they do not already do so, they should move in the direction of assuming the costs of major poverty-related services such as Medicaid and welfare. Aid programs should be redesigned, with improved targeting based on needs and local fiscal capacities.

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## Chapter 10

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Mandates imposed on local governments should be reconsidered because they often raise local costs and hence tax rates. All mandates should not, however, be treated similarly, since some are more appropriate than others. Mandates involving personnel policies such as pensions are among the most objectionable mandates to local governments. Prohibiting unfunded mandates can be helpful in reducing the mandate problem but only if the prohibition is constitutional. Fiscal notes are useful in raising consciousness about the costs of mandates.

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## Chapter 11

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Reforming state-local policies can cut the cost of government in many ways. Among the options are relaxing mandates; eliminating incentives in aid programs to increase spending; increasing reliance on user charges; improving the targeting of aid programs; encouraging local government cooperation; providing technical assistance to local governments; organizing investment, insurance, and other kinds of pools; allowing localities to purchase goods and services through state procurement channels; facilitating local mergers; and improving citizen input in the budget process through a full-disclosure process.

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## Chapter 12

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States can help localities with infrastructure finance problems through technical assistance and supervision programs, bond banks, revolving loan funds, infrastructure banks, and interest rate subsidy programs.

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## Chapter 13

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A checklist of 19 policies can help citizens of a state assess the state of state-local relations. Although many elements of this checklist apply to relations with all kinds of local governments, big cities may require special attention because of the concentration of social problems and the key role they play in state economies.

tions will be helpful to legislators as they grapple with the difficult challenges of this new environment.

The bulk of our recommendations falls into two categories: approaches for improving the process of developing new state-local policies and substantive policies themselves. One recommendation underlies all of our other proposals: *Legislators should place a higher priority on state-local issues than has been done in the past. The time has come for states to change their attitude toward local governments—to stop considering them like just another special interest group and to start treating them like partners in our federal system of providing services for citizens.* Likewise, local governments should resist a "go-it-alone attitude" and should participate in the process as partners.

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## Improving the State-Local Policy Development Process

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*If a state is to have the necessary tools to improve its system of state-local relations, two elements are critical: (1) an organization dedicated to studying state-local issues and resolving problems, and (2) good information about how local governments are faring.*

### A State-Local Organization

A specific organization dedicated to state-local issues is needed because the profound changes in this area require ongoing study. States have research organizations and standing legislative committees capable of studying a particular problem and developing new policies to deal with it, but those existing entities have many other responsibilities and cannot continuously devote the attention that is required to state-local issues. Other reasons for creating a specific state-local organization are the complexity of the issues and the rapidity with which they are changing. The various local governments within a state differ significantly, local revenue systems are complicated, and solutions to problems must consider both revenue and spending ramifications. An organization that specializes in state-local issues is best able to study the nature of problems in this area and to suggest alternative policies for addressing those problems.

A state-local organization can perform four important functions: provide a forum for discussion of long-range state-local issues, a place where local officials can be heard and engaged in focused dialogue; conduct research on local developments and new

state policies; promote experimentation in intergovernmental processes, both state-local and local-local; and develop suggested solutions to state-local problems.

No single model can be developed for such an organization because of differences in traditions and governmental structure among states, but a number of specific guidelines have been developed by the task force, based upon the experience of states with various approaches:

- The organization should be created by statute rather than by executive order so that the legislature is involved in its design and operation.
- The organization should be either a legislative commission with a strong role for local governments as advisers or a state Advisory Commission on Intergovernmental Relations (ACIR). (State ACIRs typically have members representing each major type of local government along with executive and legislative branch state officials.) If it is an ACIR, legislators should play a prominent role in it. The legislators should be drawn from among leadership and the chairmen of committees with responsibility for policies affecting local governments, including revenue, appropriations, and local affairs. It is essential that the organization have strong ties to the legislature so that (1) it is responsive to legislative concerns, and (2) its proposals receive priority attention from the legislature. ACIR members should not be appointed by the governor, except for those who represent the executive branch.
- The organization should be either part of the legislature or an independent entity, not part of the executive branch.
- The organization should have an adequate budget and qualified staff. A recommended model for states having sufficient resources would be a minimum budget of \$200,000 and a staff of at least four persons. Local governments should participate in funding the organization.

These guidelines are at variance with most of the existing state-local organizations. According to the U.S. ACIR, 24 states have ACIRs or similar bodies, but most of them have smaller budgets and less influence than envisioned by the task force, and the role of legislators in most of them is too limited. *We believe that state-local organizations can play a pivotal role in studying and resolving local government problems.*

## *An Improved Information Base*

One of the most important tasks of a state-local organization should be to monitor local fiscal developments and to inform the public about significant trends in local finance. We envision creation of systems to keep track of changes in tax rates, expenditures, state and federal aid, tax bases, and fiscal stress, among other measures. An annual report on the state of local governments should be published, explaining in clear, simple language how the fiscal situation of local governments has been changing.

Such an information system will be vital over the next decade if, as appears possible, some local governments experience increasing fiscal stress. State officials are certain to hear complaints from local representatives about their fiscal predicament, and they will be in a much better position to respond to those complaints if a good monitoring system is in place. *Improved information will make it possible to raise the level of discussion of state-local issues.*

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## **Improving State-Local Policies**

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We have developed recommendations in three areas—local revenue systems, mandates imposed by states on local governments, and state aid to local governments, including “sorting out” responsibilities for various governmental functions. States need to reevaluate their policies in these areas for two reasons: federal aid to localities probably will continue to decrease, while increases in state aid to localities will be constrained by the state governments’ own fiscal problems.

These recommendations should be viewed as a starting point for assessing policies, not as an exhaustive list. Each state’s agenda or improving its policies toward local governments will vary.

### *Local Revenue Systems*

State governments control the revenue sources that local governments have available to them. Traditionally, the property tax has been the mainstay of local revenue systems. While there has been a shift away from the property tax, it still accounts for 50 percent of tax revenue for municipalities, 76 percent for counties, and 91 percent for townships. While the property tax is properly an important component of a balanced state-local tax system, the heavy reliance on it in many states is undesirable because the property tax is so unpopular with the public. Local governments

should not be forced to depend so heavily on the most disliked state-local tax.

*States should give localities more discretion in raising revenues. Sales and income taxes should be considered among the options available to local governments because all other nonproperty taxes, while some of them are appropriate, have only limited revenue potential. States, however, should not adopt a no-strings-attached, “tax-anything” policy for local governments. The task force recommends that states consider a set of safeguards such as those proposed by the U.S. ACIR that can avoid problems arising from unfettered use of these taxes. The ACIR’s safeguards call for state collection and administration of local sales and income taxes, conformance of local tax bases to the state base if the state imposes the tax, encouragement of uniform or widespread geographic coverage, limits on maximum and minimum local rates, some degree of equalization of revenue among jurisdictions with large and small tax bases, and sharing earnings taxes between place of work and residence.*

Another aspect of revenue diversification is promotion of user charges when they are appropriate, particularly when beneficiaries of services are easily identified and charges do not impose an unacceptable burden on low-income households. Impact fees in developing areas are an example. *States should provide technical assistance to help local governments implement user charges. Part of such assistance should be to serve as a clearinghouse for information on user charges implemented by localities.*

The recommendation in favor of revenue diversification does not imply that the property tax should be abandoned. It has a valid role to play in a balanced state-local tax system. *States should, however, work to make the property tax more acceptable by improving assessment systems, adopting state-financed relief programs to shield the poor from excessive burdens, and enacting “truth-in-taxation” provisions to improve public understanding of why property tax payments may be increasing.* Aspects of improving assessment systems include raising standards for assessors, providing adequate funding, having the state play a strong role in supervising assessments to ensure that laws are being followed, and basing assessments on the full value of property.

Most states limit local property taxes, total revenue, or spending in some manner. The task force takes no position either in favor of or against such restrictions, but it *urges states to reevaluate their system of limitations to assure that it does not prevent local revenue per capita from rising at least as fast as the inflation rate.* Any limitations enacted should be flexible, both in that they respond to the local economy and in that they are subject to override by voter referendum. Even though the level of local taxes is the

responsibility primarily of local rather than state officials, legislators often feel that they are held accountable by their constituents when local taxes increase, which is why they often find it necessary to enact limitations.<sup>1</sup>

### *Mandates Imposed on Local Governments*

State governments impose many costly requirements on local governments. In view of the harsh new fiscal environment faced by state and local governments, *the task force recommends that states review their mandates placed on local governments. States should consider relaxing or eliminating those requirements and in some cases assuming the cost of complying with them. Some method should be developed, such as requiring fiscal notes, to assure that the costs of all prospective new mandates are taken fully in account before they are enacted.*

The task force believes that the mandates deserving closest analysis are those prescribing local personnel policies, environmental standards, service levels, and tax base exemptions. Many other mandates set out standards of "good government," assuring high ethical standards, nondiscrimination, and full disclosure of government affairs to citizens. Such mandates are appropriately financed at the local level. They may, however, be reconsidered to assure that they are not unnecessarily restrictive.

One of the undesirable effects of mandates is that they may inhibit positive innovations by local governments, either in terms of cutting costs or delivering services most effectively. In weighing the desirability of particular mandates, states should be aware of this danger.

### *'Sorting Out' Responsibilities and State Aid to Local Governments*

States have an important responsibility in a decentralized fiscal system such as ours to determine which services should be provided at the state rather than the local level and the extent, if any, to which local services should receive state financial aid. There is no single correct solution to this issue of "sorting out" responsibilities, since it depends on a state's size, diversity, wealth, and the desires of citizens, among other factors. Once established, the assignment of responsibilities usually changes only gradually if at all.

*The task force urges that each state reevaluate its system of "sorting out" responsibilities in view of the new fiscal environment that lies ahead. This reevaluation should consider why each major program to aid local government was created and whether those reasons are still valid. It should determine the goals of specific*

*programs and whether changes in the structure of the program might help to achieve those goals more effectively or at lower cost. The result of such a reevaluation of "sorting out" should be a simplification of the state-local system, with some programs expanded, others contracted, and still others combined or eliminated. In other words, states should take a step toward rationalizing the intergovernmental system that has developed incrementally over time, often with confusing results. In the process, some programs may be shifted from the state to the local level while others are transferred in the other direction.*

The consideration of "sorting out" should be governed by certain general principles, such as keeping responsibility at the lowest level of government unless there is an important reason to do otherwise. A second important principle of federalism is that poverty-related services should be financed by the highest level of government possible, although local administration may or may not be desirable. A state or local government has no control over the number of poor people within its borders, and there is an inverse relationship between the need for poverty-related programs and the ability to pay for them. This principle underlies NCSL's long-standing position that welfare and Medicaid programs should be national responsibilities and is reflected in the fact that most states have assumed the full cost of Aid to Families with Dependent Children (AFDC) and Medicaid programs in excess of that paid by the federal government. About half of the states also finance general assistance programs for those ineligible for categorical welfare programs. *As part of the "sorting out" process, states should move in the direction of assuming major poverty-related costs from local governments.*

*States need to develop sophisticated formulas for distributing local aid. In a period of "fend-for-yourself" federalism, a danger exists that inequality will increase and that local governments with relatively small tax bases in relation to their populations will be unable to finance needed services, particularly if federal aid cutbacks affect them disproportionately. States should target assistance to jurisdictions with the lowest fiscal capacity, attempting to equalize resources to some extent among rich and poor communities. Aid formulas also should reflect needs for services and spillovers of benefits and costs among local jurisdictions.*

By its very nature, the implementation of a process of "sorting out" will affect the relationships of local governments with the state and with one another. States should anticipate the difficulties this process will entail. They should develop procedures that provide the means of resolving the disputes that arise as "sorting out" takes place. Simplification, in other words, must be coupled with flexibility.

## *Other Low-Cost Ways for States to Assist Local Governments*

A theme running through many of the previous recommendations is that states should search for methods of helping local governments without incurring heavy financial costs for state government itself. Allowing localities to tap new tax sources, relaxing mandates, providing technical assistance in implementing user charges—all of these do not cost states much money and yet could be beneficial.

Providing technical assistance is a low-cost activity that can pay big dividends, especially for small governments. State help is particularly appropriate when activities involve new functions or processes, when common issues are faced by a broad spectrum of local governments, and when economies of scale are significant. These conditions often exist when activities involve information and technical expertise. State-financed "circuit-rider" programs are popular with local governments in many states, as are bond banks and insurance pools in which the state combines the resources of a large number of small communities.

Approved: New Orleans, Louisiana  
August 5, 1986

Revised: Hartford, Connecticut  
November 6, 1987

Adopted: NCSI, Executive Committee  
Washington, D.C.  
December 4, 1987

### Notes

1. "Truth-in-taxation" provisions also are known as "full-disclosure" laws. They attempt to demystify property tax changes by requiring clear explanations of why tax bills are changing, including newspaper advertisements and statements sent out with tax bills as well as extra public hearings on budgets. They separate increases due to higher assessments from increases due to rate increases.

2. If the price level fell, it could be appropriate to force local governments to reduce their tax revenue. If such a reduction were forced while prices were rising, it sooner or later would result in a lower level of local services.

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# I

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## Why State-Local Policies Should Be Reconsidered

"There is no faster way to clear out a room than to begin talking about federalism," according to Charles Robb, the former governor of Virginia. Although his remark was made in the context of relations between the federal government and state and local governments, its thrust applies as well to the relationship between state and local governments. According to an article in the *New Yorker* a few years ago, "Government tends to be boring, and local government bores absolutely."

These sentiments are anachronistic. Abstract discussions of state-local relations may often make eyes glaze over, but the issues involved are too important to be neglected any longer. They lie at the heart of vital, controversial questions such as the role of the property tax, centralization of power away from local control, the size and efficiency of government, and the overall level of taxes.

State and local governments are the major service providers in our country. Considering only outlays to purchase goods and services, state and local government spending is more than 40 percent greater than federal government spending. Considering only nondefense spending, state and local expenditures are six times as great as federal spending.<sup>2</sup>

## STATES MUST MAKE UP FOR THE INFORMATION DEFICIT

**T**he American system of government is so extensive and complex that making it run well requires constant examination. That, in turn, rests on the availability of the information that will make valid assessments possible. If a government fails to provide adequate information, it harms itself and ultimately the public, too.

Yet that is exactly what the national government has been doing in recent years. Departments and agencies are disbursing billions of dollars based on obsolete statistics because current ones are not to be had.

During the '80s, when the country was moving to correct the long neglect of the physical infrastructure—roads, bridges and so on—myopic budget slashing caused a deep decline in the volume of information infrastructure and a deterioration in its quality. Recent minor funding increases have not begun to repair the damage.

Aside from statistics, another area in the broad range of neglected domestic intelligence is in tracking the many changes that have occurred in governments at all levels. Staffs and studies for this purpose have been reduced or eliminated even though the shifting of programs and authority from Washington to state and local governments should require an even closer watch than in the past.

Staff of the Advisory Commission on Intergovernmental Relations, created by Congress in the Eisenhower administration to monitor the workings of the federal system, stood at 37 in 1978 but is only 19 now. And because funding has been reduced for monitors elsewhere in government, this small agency has to spend a considerable part of its time and resources just answering questions that come in from all over.

The ACIR has, however, inspired 26 of the 50 states to set up agencies to monitor the thickets of local governments and their relations to each other and to the state capitals. These "little ACIRs" are yet another example of the states assuming powers and functions abandoned by the national government.

The state agencies have varying names but are known generically as state-local relations bodies. Six were set up either by the governor or the legislature, but their usefulness may be less than optimal because they are tempted to be partisan to whichever branch created them. The other 20 are modeled after the federal ACIR and operate under a board whose members come from both the executive and legislative branches at each level of state and local government and from the private sector. Thus they are better able to make

independent decisions. Most were created by statute and operate on appropriated funds.

These agencies are considered especially important now. The conflicts that were built into the constitutional system of overlapping and competing governments have increased as more federal grants have been funneled through the states, which at the same time have assumed more authority over the localities. The state ACIRs have been created with the express intent of fostering cooperation rather than conflict.

State ACIRs perform a variety of roles. They provide clearinghouses for the exchange of information, forums for development of policy, and statistics and other data for shaping policy and legislation.

New Jersey's agency provided the database for the passage of laws that absorbed elected special districts into general-purpose governments. The ACIRs in Connecticut, Florida and South Carolina also contributed to moves in those states to bring the proliferation of special districts under control.

Several of the state agencies, including those in Colorado, Illinois, Louisiana, Maryland, Massachusetts, Minnesota, New York, Ohio and Rhode Island, are involved in attempting to settle the burning issue of state mandates to local governments. The Missouri agency played a crucial role in the enactment of a law establishing a statewide insurance

pool for local governments.

Minnesota, Ohio and Oklahoma produce statistical abstracts detailing an array of fiscal information and data on a variety of governmental services. The Indiana body is building a strategic plan for statewide improvement in the environment, tax policy, public safety, economic development and the physical infrastructure.

The agencies vary in size and function. Illinois has the largest, with 19 professional staffers. Others, including those in Maine and Utah, function with staff borrowed from other agencies.

It is all very fragile, however. Like their federal model, the state ACIRs have a shaky existence because they can so easily become the target of budget cuts. Long-established agencies in Arizona, California and Texas were killed to save money. A change in administration or in the political climate, the federal ACIR says in a new report, is the "primary factor" in official decisions that a state ACIR is not worth the money.

Nationwide, the collapse of the information infrastructure could well do more damage than the more widely known neglect of physical facilities. □



# Passing the Buck to the States —Without the Bucks

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**O**n July 31, 1990, 21 legislative leaders from 17 states stormed into Washington, D.C. A few days earlier they had learned that congressional and White House negotiators were considering eliminating the deductibility of state and local income taxes as a way of reducing the federal deficit. The state leaders, including Illinois Minority Leader Lee Daniels, president of NCSL, and Maine Speaker John Martin, NCSL president-elect, spent the day carrying their message to key congressional and administration officials. They met privately with Senate Majority Leader George Mitchell, Senate Minority Leader Bob Dole and House Minority Leader Bob Michel. They talked to Senator Lloyd Bentsen, chairman of the Finance Committee, Representative Dan Rostenkowski, chairman of the Ways and Means Committee, and Representative Jamie Whitten, chairman of the Appropriations Committee. They met with Andrew Card, the deputy White House chief of staff.

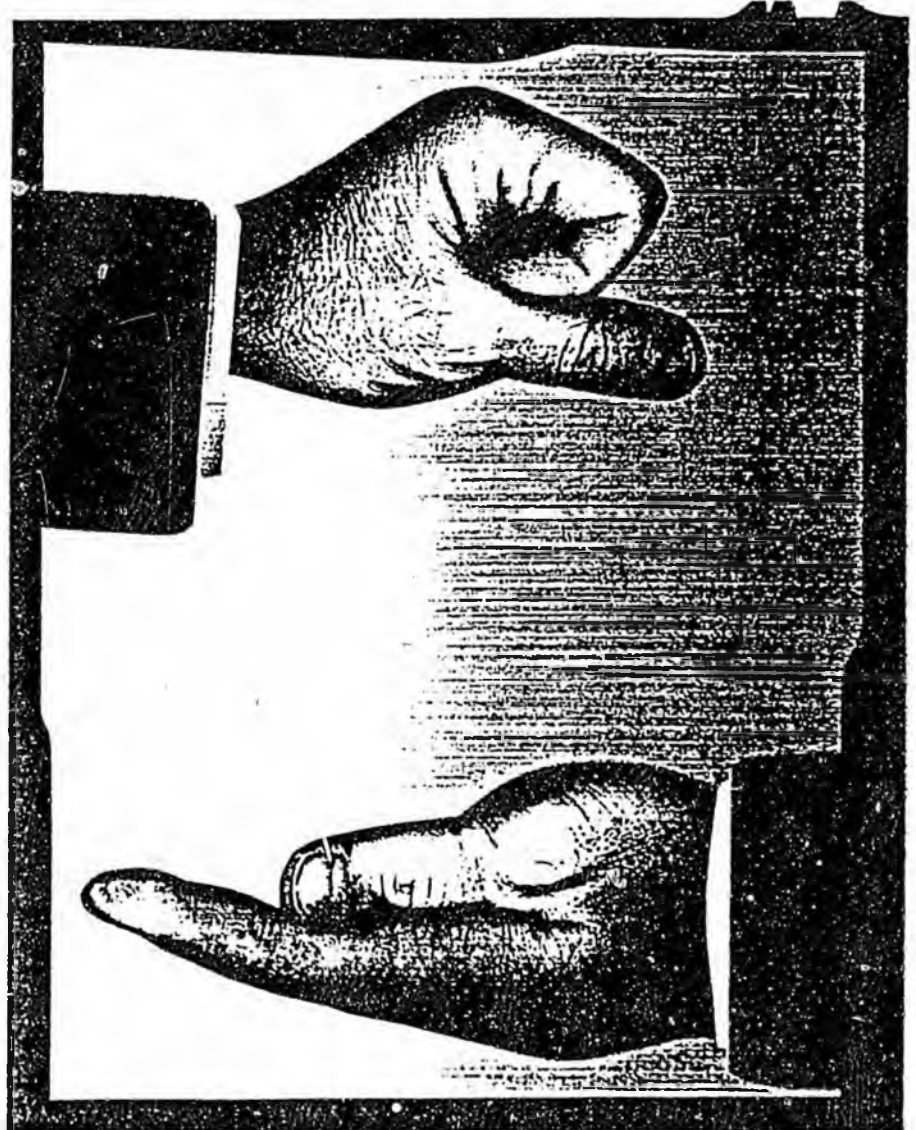
In seven hours, the 21 state legislators — Republicans and Democrats from every region of the country — talked with over 70 members of the United States Congress. Over and over they hammered their theme about the federal budget: "You must reduce the federal deficit, but don't export it to the states."

A week later, some of the leaders heard from a member of the budget summit. "You killed deductibility," he said. Indeed, elimination of deductibility of state and local income taxes came off the negotiating table.

As the budget talks — with all their acrimony and partisanship, with all the charges of paralysis they engendered — alternately charged and dragged into the late summer and autumn, it became clear that far more was at stake than deductibility. Nearly every proposal to raise federal revenue and many of the major

Ignoring the pain to the states, Congress in trying to resolve the budget mess has considerably altered the federal system.

Carl Tubbesing



proposals for cutting spending would affect state revenues and budgets.

Building on the momentum begun on July 31, state legislators from throughout the country talk<sup>ed</sup> with congressmen and administration officials, poking holes in

arguments about specific revenue and expenditure proposals and expressing fundamental arguments about federalism and intergovernmental fiscal relationships. On specifics, they were often joined by advocates for other organizations and

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interests. Often, however, they were the only ones reminding the federal officials of their obligations to the intergovernmental fiscal system.

When, early in the morning of October 28, Congress adjourned *sine die*, having approved "the largest deficit reduction package in the nation's history," major clean air and child care legislation, and countless other measures, there really were two stories of how the states had fared.

One story is about a set of nearly unprecedented successes—victories—for state governments in decisions regarding domestic programs and policies. The other, more sobering story is about fundamental changes in the federal system—alterations perhaps unmatched in significance since the New Deal.

The child care legislation adopted as part of budget reconciliation represents a significant victory for state governments. Under consideration for several years, the issue activated perhaps hundreds of state legislators who insisted that states must have flexibility in running child care programs. The final package is a combination of earned income tax credits, a new child care block grant and child care services that contains no federally mandated standards.

"The new law is, in some ways, even better than some of us had expected, especially with the new block grant," says Texas Senator Eddie Bernice Johnson.

Passage of a new Clean Air Act offers promise for significant improvements in air quality. The new law was the result of a 13-year struggle fought in a variety of venues, including presidential campaigns, the subcommittees and committees of Congress and, ultimately, a protracted and sometimes contentious conference committee. It engaged numerous interests with very high stakes in the final outcome, including state governments. The legislation includes strong components that will help state and local governments achieve air quality standards over the next 10 years.

With a month to go in the session, legislation to revise the Hazardous Materials Transportation Act of 1974 was presumed dead, a victim of the crowded calendar and disagreements between the Senate and House. With only a day or two left, however, key House and Senate members resolved their differences and the legislation passed in the last hours of

the session. The new law limits federal pre-emption to technical matters and preserves state autonomy in most important aspects.

The new farm bill reauthorizes the food stamp program. An important provision in the reauthorization is a waiver of quality control sanctions imposed on states for 1983, 1984 and 1985. This forgiveness of nearly \$270 million represents the majority of the backlog of quality control sanctions against the states.

Congress' approval of the FY 91 transportation appropriations bill contains a mechanism that offers a creative alternative to federal sanctions and mandates. As proposed by U.S. Senator Frank Lautenberg of New Jersey, the amendment was a substitute for language that would have denied a state a portion of its federal highway funds if it failed to impose a six-month driver's license penalty for drug offenders. Instead, the Lautenberg language allows the state to continue to receive its highway money if both the legislature and governor refuse to support legislation imposing the driver's license penalty. Representative Michael Box, Alabama, commended proponents of the measure. "The use of federal sanctions is counterproductive to ongoing state efforts to design the most appropriate drug enforcement programs. Senator Lautenberg's approach is a novel one that appears much more reasonable than sanctions."

Legislation designed to prohibit age discrimination in employee benefits—that is, overturning the Supreme Court's *Bettis* decision—represents both a defeat and a victory for state governments. By forcing a collection of age-related requirements on disability, health and early retirement programs, the legislation may impose considerable costs on the states. On the other hand, state legislators managed, after meeting initial resistance, to gain concessions that make the law more palatable to state governments.

There were many other successes for state governments during 1990. Legislators aggressively fought back attempts to pass anti-drug money in the crime bill directly through to local governments. Oil spill legislation adopted in August preserves state liability laws. Major AIDS legislation, passed in the summer, authorizes \$230 million in state grants for

AIDS-related services. The appropriations bill contained modest increases for a number of other important state programs, including unemployment insurance and refugee and immigration assistance. The farm bill's rural development sections contain a number of components supported by state legislators.

As usual, there were victories, too, in what did not happen. U.S. Senator Lloyd Bentsen of Texas succeeded in stripping two provisions out of the appropriations bill that would have shifted some costs for foster care and child support enforcement to state and local governments. Legislation stalled in the House that would have pre-empted state taxing authority over natural gas pipeline property. Congress again failed to adopt legislation that would pre-empt state product liability laws.

By far the most expensive defeat for state governments came in the last hours of the session with the adoption of massive expansions of mandatory Medicaid coverage. Pushed aggressively by Congressman Henry Waxman of California, the mandates will cost the states at least \$3 billion over the next five years.

There were two priority issues for state legislatures that Congress failed to adopt. Congressman Jack Brooks' bill allowing states to collect sales tax on catalogue sales was never brought to mark-up. And even though the budget reconciliation bill takes the Social Security trust fund off-budget, trust funds important to the states—unemployment insurance, highways and aviation—remain in the budget and, therefore, part of the Gramm-Rudman-Hollings calculations.

**B**ut despite all the accomplishments and the defeats of the second session of the 101st Congress, it will be remembered most for passage of a five-year plan to reduce the federal deficit. The package, adopted after six months of negotiation between Congress and the White House, is a combination of spending cuts and revenue increases designed to achieve \$500 billion in deficit reduction over five years. The measure has serious, long-term consequences for the intergovernmental fiscal system.

These consequences are found principally in the revenue portion of the package and in the budget process reforms it includes. Nearly every one of the major sources of tax increases in the plan impacts state and local government

revenues. These revenue sources, in many cases, are those traditionally used by state governments to provide services and balance their budgets.

Increases in federal taxes on gasoline, beer, tobacco, wine and distilled spirits will suppress demand and, therefore, reduce revenue to states by as much as \$3.6 billion over five years. Requiring Social Security coverage for state employees not included in a public pension plan will cost states \$9.1 billion over five years. The 3 percent limit on deductions—the so-called Pease Plan, after its author Congressman Don Pease of Ohio—though not a direct assault on state income and property taxes, is a federal tax on state and local taxes and will represent an inviting source when the federal government looks for additional revenue in future years. These revenue increases, combined with significant changes in Medicare and Medicaid, mean that nearly 70 percent of the plan will impact state and local governments, with a cost to states of \$16.9 billion over five years.

Frustrated by the unresponsiveness of congressional and administration leaders to state concerns, Speaker Martin and Representative Daniels followed the adjournment of Congress with an angry press statement. "Once again, congressional and administration budget negotiators have taken the easy way out by exporting difficult decisions to the states. More significantly," they said, "the negative impact on federalism in this country will be of a magnitude never seen before."

Indeed, the deficit reduction package continues, but probably does not end, a trend in state-federal relations begun 10 years ago. Combined with the U.S. Supreme Court decisions in *South Carolina vs. Baker* and *Garcia vs. San Antonio Metropolitan Transit Authority*, the plan represents a dramatic and fundamental change in the nation's federal system. The Supreme Court decisions perhaps irreparably weakened the constitutional standing of the states. The budget plan is a *de facto* shift of responsibilities to state governments in a political and governmental environment that drastically constrains state governments in how responsive they can be and how many services they can provide.

Part of the governmental environment is the growth in federal mandates—statutory and regulatory language dictating how state governments must

implement federal decisions, often at considerable cost to themselves. Budget process reforms adopted as part of the deficit reduction package will only exacerbate this trend. The new procedures place specific spending caps on domestic, defense and international discretionary programs. Chris Zimmerman and Martha Fabricius, NCSL's Washington tax specialists, point out, "Under these enforcement procedures, Congress will apparently have relatively little room for new initiatives. This makes it more likely than ever before that any new initiatives will rely heavily upon unfunded mandates upon the states." Unable to suppress the desire to address unmet needs, the federal government will most likely decide on an approach, require the states to follow it, and severely limit their ability to respond to the particular demands of their citizens.

The current political environment is marked by voter alienation, cynicism and distrust, provoked, in part at least, by the tortuous attempt to produce a deficit reduction package. This anger is manifested in the popularity of term limit initiatives and in the "throw the bums out" mood last November. When directed at state legislatures, which have proven to be both responsive and responsible, this anger may be misplaced and unjustified. Nonetheless, it is part of an environment that will further constrain the ability of state legislatures to make policy—in other words, to assume the responsibilities required of them by their own constitutions, their constituents and the federal government.

While state legislatures begin this year to operate within these new parameters, Congress will attempt to deal with a considerable array of policy issues. Of particular concern to the states will be such issues as groundwater, solid waste, child welfare, a national energy strategy, reform of the unemployment insurance system, pesticide regulation, the highway safety program and insurance insolvency. Each will pose challenges and imply consequences for state legislatures. Each will be dealt with in an environment in which state-federal relations have been substantially redefined. The greatest challenge for state legislatures will be to make sure that federal officials are aware of these new realities and to ensure that they do no further damage to a federal system already considerably altered. □

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# House State Affairs Committee

## Representative Gene Kubina, Chair

**DATE:** Mar. 27, 1991

**PLACE:** Capitol, Room 102

**SUBJECT OF MEETING:**  
 \*HCR 17 - Relating to Task Force on Governmental Roles  
 \*HB 167 - Relating to Absentee Voting  
 \*HCR 10 - Relating to Alaska Garden Week

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
RON GARZINI	SELF	Box 112290 Anchorage	99511	345-3818	586-2660	(Y) N	Govt Roles - HCR 17
Jim Douglas	SELF	9112 Modahl Mill Rd	99801	784-2989	584-7102	(Y) N	Garden Week HCR-10
Scott Burgess	AML	Juneau			6-1325	(Y) N	HCR 17
MIKE MORLEY	DCRA	P.O. Box B JUNY	811		5-4787	Y (N)	HCR 17
Elizabeth Ziegler	elections	3rd Flr. Court Plaza		465-4611		(Y) N	HB 167
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	