

HB

124

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

ALASKA GOVERNOR'S OFFICE
JUNEAU, ALASKA 99801-0001
907-465-0610

February 3, 1993

The Honorable Ramona L. Barnes
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Barnes:

In accordance with art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing capital project matching grant programs for municipalities and unincorporated communities, and establishing local share requirements for other capital project grants to municipalities, named recipients, and unincorporated communities.

The capital project matching grant programs and the local share requirements for other capital project grants have two main objectives. One objective is to encourage a sense of local ownership in capital projects by requiring municipalities, unincorporated communities, and named grant recipients to participate financially in them. This local participation will help grantees to determine their highest priorities and help ensure that only the most important and cost-effective projects are undertaken. The second objective is to leverage the use of state money in the financing of capital projects, which will be a particularly important policy to adopt given the expected decline of state revenue in the future. In addition, the new capital project matching grant programs for municipalities and unincorporated communities provide an orderly and thoughtful planning and review process that involves local communities, the executive branch, and the legislature.

There is a distinction between the new capital project matching grant programs and the new local share requirements for other capital project grants. It is intended that the new matching grant programs be used for relatively small capital projects proposed by municipalities and unincorporated communities, and that the new local match requirements for municipalities, named recipients, and unincorporated communities apply to other types of larger capital projects funded through grants made under AS 37.05.315 - 37.05.317.

The focus of this bill is the proposed new capital project matching grant programs in AS 37.06. Much like a block grant program, these programs would establish

The Honorable Ramona L. Barnes
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two funds (one with individual accounts for all municipalities and one with individual accounts for all unincorporated communities participating in the state's revenue-sharing program) from which small-scale capital projects can be funded by project-specific appropriations. (I am also transmitting a companion bill making appropriations to the two funds, as the first step in this funding process.) The projects would be selected and prioritized at the local level, well before each year's legislative session, and a prioritized project list would be submitted to the governor for inclusion in the capital improvements program. The governor would provide the legislature with reasons for any differences between the local list and the capital improvements program submitted to the legislature. In each case, the projects funded by the appropriations would be subject to local financial match requirements, including allowances for in-kind matching contributions. In addition, under the bill the same local match requirements and in-kind allowances would be extended to all grants currently made to municipalities, named recipients, and unincorporated communities under AS 37.05.315 - 37.05.317.

My Office of Management and Budget has prepared a section-by-section description of the bill which is available for your review.

The net effect of the bill is that all capital project grants to municipalities, named recipients, and unincorporated communities would be subject to local financial match requirements, regardless of whether they are funded through the capital project matching grant programs established by this bill or under the existing provisions of AS 37.05.315 - 37.05.317 as amended by this bill.

This bill is important because it expands the role of local communities in determining the capital improvements and capital projects that will best suit their local needs. It is also important because of the precedent it sets in requiring a local stake in capital projects and because it allows limited state financial resources to support a greater number of needed capital projects than otherwise would be possible. For all of these reasons, I seek and encourage your support for this bill.

Sincerely,



Walter J. Hickel
Governor

Capital Project Matching Grant Program
(HB 124-125, SB 88-89)

OVERVIEW

PURPOSES:

- To emphasize local selection and prioritization of community-based capital projects.
- To encourage the selection of high-quality capital projects by establishing a local stake in their success.
- To leverage the effectiveness of State funds by making limited capital budget dollars go farther.

MAIN ELEMENTS:

- Creates a statewide block grant program for local capital projects, with local matching funds requirements.
- Applies the same match requirements to other existing capital project grant programs for municipalities, named recipients and unincorporated communities.
- Establishes a rational process for the review and evaluation of community-based capital project proposals, involving communities, the Legislature and the Governor.

KEY PROVISIONS:

- The Governor must propose funding for projects in his capital budget proposal in the order of priority selected by the communities, subject to available funding, or explain in writing to the Legislature his reasons for departing from communities' stated preferences.
- The FY 1994 proposed funding level for the program is \$67 million.
- Grant funds are allocated annually to all municipalities in the state (based on population and size factors), and to all unincorporated communities eligible for revenue sharing.
- The maximum grant allocation for a community is determined by the program's annual funding level; the minimum is \$25,000.
- Matching funds requirements are based on community population. The maximum local share is 30 percent of total project cost, rising to 50 percent after two years; the minimum is 5 percent, rising to 8 percent.
- Communities may accumulate their annual grant amounts for up to five years, to facilitate the development and financing of larger projects.

**Capital Project Matching Grant Program
Office of the Governor**

HB 124 / SB 88 - SECTIONAL ANALYSIS

SECTION ONE

This section of the bill sets out the purpose of the legislation. Generally, the purpose includes acknowledgement of the continuing need for funding certain kinds of capital projects through other mechanisms than the proposed capital project matching grant program - - e.g., large or regional projects, projects dealing with basic needs such as education or safe water, or projects whose costs exceed the amounts available under the proposed new program.

Specifically, the bill's purpose is to provide an equitable capital project funding system, enhance the role of communities in initiating and prioritizing their capital projects, encourage a sense of local ownership in capital projects through required cost sharing, and provide a more orderly and thoughtful process for the review and evaluation of capital projects.

SECTION TWO

This section of the bill amends AS 36.10.180(a) to make the hiring preferences set out in AS 36.10.150 - .175 apply to grant projects funded through the municipal and unincorporated community portions of the proposed capital project matching grant program (proposed AS 37.06.010 and AS 37.06.020, respectively, as set out in Section 8 of the bill).

These hiring preferences already apply to the existing municipal, named recipient and unincorporated community grant programs under AS 37.05.315, -.316 and -.317, respectively, which are otherwise amended in Sections 3-5 of the bill.

The provisions of AS 36.10.150 - .175 include hiring preferences for qualified residents of identified "zones of underemployment" (§150), for qualified residents of identified "economically distressed zones" (§160), for "economically disadvantaged minority residents" (§170), and for "economically disadvantaged female residents" (§175).

SECTION THREE

This section of the bill amends subsection (a) of AS 37.05.315, the existing statute for grants to municipalities, to require a local financial match for capital project grants funded under that program. (The match provisions are set out in proposed AS 37.06.030 in Section 8 of the bill.)

As defined in AS 37.07.120, "capital projects" and "capital improvements" mean an allocation or appropriation item for an asset with an anticipated life exceeding one year and a cost exceeding \$25 thousand, and include land acquisition, construction, structural improvement, engineering and design for the project, and equipment and repair costs.

SECTION FOUR

This section of the bill amends subsection (a) of AS 37.05.316, the existing statute for grants to named recipients, to require a local financial match for capital project grants funded under that program. (The match provisions are set out in proposed AS 37.06.030 in Section 8 of the bill.)

SECTION FIVE

This section of the bill amends subsection (3) under AS 37.05.317(a) to stipulate that, if no qualified incorporated entity exists to receive a grant to an unincorporated

community under this section, the grant may not be awarded. At present, under the existing provisions of subsection (3), the Department of Community and Regional Affairs must administer such a grant project directly or through its contractors. The amendment is proposed, here, because it would not be appropriate under such conditions to require a financial match from the Department.

SECTION SIX

This section of the bill adds a new subsection (c) to AS 37.05.317, the existing statute for grants to unincorporated communities, to require a local financial match for capital project grants funded under that program. (The match provisions are set out in proposed AS 37.06.030 in Section 8 of the bill.)

SECTION SEVEN

This section of the bill repeals the existing prohibition (AS 37.05.318 - Further Regulations Prohibited) against the promulgation of regulations for grants to municipalities, named recipients and unincorporated communities under AS 37.05.315 - .317, and replaces it with a set of provisions allowing the promulgation of regulations for those grant programs.

The existing provisions of .318 prohibit state agencies from adopting regulations or imposing additional requirements or procedures to implement, interpret, make specific, or otherwise carry out the provisions of AS 37.05.315 - .317, unless required by the federal government for participation in federal programs.

The new set of regulatory provisions set out in this section of the bill stipulates that the Department of Administration (for grants to municipalities under AS 37.05.315), the departments administering grants to named recipients (under AS 37.05.316) and the Department of Community and Regional Affairs (for grants to unincorporated communities under AS 37.05.315) may promulgate regulations, require reports, conduct audits, etc., for purposes of conducting those programs and carrying out the provisions of AS 37.05.315 - .317.

The regulatory provisions set out in this section of the bill also stipulate that these same departments shall promulgate regulations providing for periodic audits of grants made under AS 37.05.315 - .317, and specifically including audit of the departments' methods used to value any contributed labor used to satisfy the local matching share, as well as their methods of confirming that such contributed labor actually was used.

SECTION EIGHT

This section of the bill adds a new Chapter 6 to Title 37 of Alaska's Statutes, setting out the provisions of the proposed capital project matching grant programs. (Technically, there are two separate and distinct matching grant programs - - one for municipalities, and one for unincorporated communities.)

The proposed Chapter 6 includes five sections of statutes:

- Sec. 37.06.010 sets out the proposed Municipal Capital Project Matching Grant Program;
- Sec. 37.06.020 sets out the proposed Unincorporated Community Capital Project Matching Grant Program;
- Sec. 37.06.030 sets out the local matching share requirements for the two programs, above

(plus an equivalent set of local match requirements for grants made to municipal, unincorporated community and named grant recipients under the existing provisions of AS 37.05.315 - .317 as amended in Sections 3, 4 and 6 of this bill, respectively);

- Sec. 37.06.80 provides for the adoption of regulations for the two programs, above; and,
- Sec. 37.06.090 provides a definition of "capital project".

Sec. 37.06.010 - Municipalities

Subsection (a) establishes the Municipal Capital Project Matching Grant Program in the Department of Administration (DOA).

Subsection (b) creates a municipal capital project matching grant fund within DOA, consisting of appropriations to the fund, and provides that appropriations to the fund do not lapse except as provided in (f) of this section. Also provided is that DOA shall establish accounts within the fund for every municipality, that annual appropriations to the fund shall be allocated by formula to each municipality's account, and that interest earnings for each account shall be retained in and become part of each account's balance.

The formula set out in (b) for allocating annual lump-sum appropriations to the fund into the municipalities' accounts stipulates that each municipality shall receive a share of the annual lump-sum appropriation which is equivalent to its population's portion of the sum of all municipal populations in the state, after first adjusting upwards the population counts of smaller municipalities.

The factors by which municipal populations are adjusted are 1.5 for those with populations under 1,000; 1.4 for those of 1,000 - 4,999; 1.2 for those of 5,000 - 10,000; and, 1.0 for those of more than 10,000. These factors are proposed in order to account for the disadvantages which smaller municipalities generally experience relative to larger municipalities regarding their fiscal capacity (including debt capacity and access to capital), their unit costs of constructing capital projects, and their ability to achieve economies of scale in undertaking capital projects and improvements.

(The basis for the population data to be used under this subsection is explained in Subsection (g), below.)

"Municipality", as referred to in the bill, is intended to include all political subdivisions incorporated under the laws of Alaska that are home rule or general law cities, home rule or general law boroughs, or unified municipalities, per AS 29.71.800(13).

Under the approach taken in this section of the bill, incorporated boroughs are the instrumentalities for receiving and administering grants for projects affecting unincorporated communities that lie within borough boundaries; i.e., unincorporated communities which are not eligible for revenue sharing.

Subsection (c) sets a minimum grant amount of \$25,000 for each municipality, subject to available appropriations, with allocations to be reduced pro rata by population if necessary to provide at least the minimum amount to each municipality. If the annual lump-sum appropriation to the fund does not permit at least the minimum amount for each municipality, then it is divided equally among all municipalities.

Subsection (d) requires municipalities to submit their prioritized requests for capital project grants to the Governor each year by October 1, along with information about their local matching shares. The Governor is required to recommend projects from these lists in his or her annual proposed capital budget, and to inform the Legislature in writing if the projects proposed for a municipality differ in order of priority from the priority originally submitted by the municipality.

Subsection (e) stipulates that funds may not be withdrawn by municipalities from their accounts except in accordance with subsequent project-specific appropriations, and that such draws are subject to the local financial match requirements in proposed AS 37.06.030. (Also stipulated are the same covenants governing municipal responsibility for maintaining and operating capital project facilities, and the same hiring preference provisions, which are required at present for grants to municipalities funded under AS 37.05.315.)

Subsection (f) requires municipalities to repay money drawn from their accounts if substantial ongoing work on the respective projects involved does not begin within five years, with all such repayments being deposited in the general fund. Also, if money in a municipality's account is not drawn on for five years, the money lapses into the general fund.

Subsection (g) stipulates that the population data to be used in making allocations among municipalities in Subsection (b), above, are to be those employed in the State's municipal assistance and revenue sharing programs. To avoid double counting, it also is stipulated that for purposes of this subsection the population of a borough (which legally is a municipality) excludes the population of each city within that borough.

Subsection (h) makes the provisions of AS 37.05.321, prohibiting the use of grant money for legislative lobbying, applicable to grants made under this section.

Subsection (i) defines the use of the word "department" in this section as meaning the Department of Administration.

Sec. 37.06.020 - Unincorporated Communities

Subsection (a) establishes the Unincorporated Community Capital Project Matching Grant Program in the Department of Community and Regional Affairs (DCRA).

Subsection (b) creates an unincorporated community capital project matching grant fund within DCRA, consisting of appropriations to the fund, and provides that appropriations to the fund do not lapse except as provided in (h) of this section. Also provided is that DCRA shall establish accounts within the fund for every unincorporated community eligible for revenue sharing in the current fiscal year, that annual appropriations to the fund shall be allocated in equal proportions to each eligible community's account, and that interest earnings for each account shall be retained in and become part of each account's balance.

(An eligible unincorporated community is defined in the bill as any place in the unorganized borough that is not incorporated as a city and in which 25 or more persons reside as a social unit, per AS 29.60.140(b). This is the definition used in the Department of Community and Regional Affairs' state revenue sharing program.)

(Under the approach taken in this section of the bill, incorporated boroughs are the instrumentalities for receiving and administering grants for projects affecting unincorporated communities that lie within borough boundaries; i.e., unincorporated communities which are not eligible for revenue sharing.)

Subsection (c) sets a minimum grant amount of \$25,000 for each unincorporated community, subject to available appropriations. If the annual lump-sum appropriation to the fund does not permit at least the minimum amount for each eligible community, then it is divided equally among all the eligible unincorporated communities.

Subsection (d) provides that DCRA shall determine and designate the entity entitled to represent an unincorporated community for purposes of implementing grants made under this section. (This process is the same as the one currently used in the State revenue sharing program.)

If no qualified entity exists or none is willing, money may not be withdrawn from the community's account and the money allocated to the account lapses into the general fund.

Subsection (e) requires unincorporated communities (i.e., their designated representative entities) to submit their prioritized requests for capital project grants to the Governor each year by October 1, along with information about their local matching

shares. The Governor is required to recommend projects from these lists in his or her annual proposed capital budget, and to inform the Legislature in writing if the projects proposed for an unincorporated community differ in order of priority from the priority originally submitted by the community.

Subsection (f) stipulates that funds may not be withdrawn by unincorporated communities from their accounts except in accordance with subsequent project-specific appropriations, and that such draws are subject to the local financial match requirements in proposed AS 37.06.030. (Also stipulated are the same covenants governing unincorporated communities' responsibility for maintaining and operating capital project facilities, and the same hiring preference provisions, which are required at present for grants to unincorporated communities funded under AS 37.05.317.)

Subsection (g) stipulates that Native village councils acting as unincorporated community representatives under Subsection (d), above, must waive immunity from suit or claims arising from their activities related to grants or draws made under this section. (This is the same provision currently applied to grants made to unincorporated communities under the existing provisions of AS 37.05.317.)

Subsection (h) requires unincorporated communities to repay money drawn from their accounts if substantial ongoing work on the respective projects involved does not begin within five years, with all such repayments being deposited in the general fund. Also, if money in a community's account is not drawn on for five years, the money lapses into the general fund.

Subsection (i) stipulates that the limitations of AS 44.47.140 (powers and duties of DCRA), prohibiting DCRA from operating a rural program costing in excess of \$100 thousand per year, do not apply to grants made under this section.

Subsection (j) makes the provisions of AS 37.05.321, prohibiting the use of grant money for legislative lobbying, applicable to grants made under this section.

Subsection (k) defines the use of the word "department" in this section as meaning the Department of Community and Regional Affairs.

Sec. 37.06.030 - Local Share Requirements

Subsection (a) stipulates that a local matching share is required for all grants to municipalities made under the existing provisions of AS 37.05.315 or under the new program provisions of AS 37.06.010, and all grants to named recipients made under the existing provisions of AS 37.05.316 - - i.e., that each time a municipal or named recipient grantee wishes to draw funds against its allocation, for a project or projects for which it has received a project-specific appropriation, it must make a matching contribution per the provisions set out in this subsection.

The amount of the local share is defined in this subsection as the local share percentage (as specified in this subsection) divided by the state share percentage (defined in this subsection as 1 minus the local share percentage), multiplied by the amount of the grant or draw. Defining the local share in this way essentially means that the local percentage share is the percentage of the total project cost which is to be borne by the grantee.

For appropriations with effective dates no later than July 1, 1994, the local percentage shares for municipalities of various population sizes are:

<u>Share</u>	<u>Population</u>
30 percent	5,000 or more
15 percent	1,000 - 4,999
5 percent	less than 1,000

After two years, i.e., for appropriations with effective dates after July 1, 1994, the local percentage shares for municipalities of these population sizes are:

<u>Share</u>	<u>Population</u>
50 percent	5,000 or more
25 percent	1,000 - 4,999
8 percent	less than 1,000

For named grant recipients, the provisions in this subsection stipulate that the local share percentage shall be equal to that of the community in which the named grant recipient is located, with the additional stipulation that named grant recipients located in unincorporated communities will have a local share percentage of 5 percent for grant funds appropriated with effective dates no later than July 1, 1994, and 8 percent for grant funds appropriated with effective dates after July 1, 1994. (These latter rates are the same as those established for unincorporated communities in Subsection (b) of this

section.)

For municipalities, directly contributed labor, material, equipment, etc., money from non-state sources, funds received through the State municipal assistance and revenue sharing programs, shared state taxes (not otherwise prohibited), and state-reimbursed school construction debt money may constitute the local share. No other money from state sources, including the state-financed portion of assets obtained in part with state funds, may be used as an in-kind contribution towards fulfilling the local matching share.

The same provisions for in-kind matches are permitted under this subsection for named grant recipients, with the exceptions of municipal assistance and revenue sharing, shared taxes, and school construction debt.

In all instances, the Department of Administration shall determine the value of in-kind match contributions for municipalities, and the relevant department administering a named recipient grant shall determine the value of in-kind match contributions for those types of grants.

Subsection (b) stipulates that a local matching share is required for all grants to unincorporated communities made under the existing provisions of AS 37.05.317 or under the new program provisions of AS 37.06.020 - - i.e., that each time an unincorporated community or its designated recipient entity wishes to draw funds against its allocation, for a project or projects for which it has received a project-specific appropriation, it must make a matching contribution per the provisions set out in this subsection.

As with municipalities under Subsection (a), above, the amount of the local share is defined in this subsection as the local share percentage (as specified in this subsection) divided by the state share percentage (defined in this subsection as 1 minus the local share percentage), multiplied by the amount of the grant or draw. Defining the local share in this way essentially means that the local percentage share is the percentage of the total project cost which is to be borne by the grantee.

For appropriations with effective dates no later than July 1, 1994, the local percentage shares for unincorporated communities is 5 percent, rising to 8 percent for grant funds from appropriations with effective dates after July 1, 1994.

The in-kind match provisions for unincorporated communities are the same as those for named grant recipients, except that unincorporated communities may use their state revenue sharing funds for match purposes.

In all instances, Department of Community and Regional Affairs shall determine the value of in-kind match contributions for unincorporated communities or their designated entities.

Subsection (c) stipulates that, for purposes of determining the municipal population thresholds used for matching in Subsection (a) of this section, the population data to be used are those employed in the State's municipal assistance and revenue sharing programs. Similarly, to avoid double counting, it also is stipulated that for purposes of this subsection the population of a borough (which legally is a municipality) excludes the population of each city within that borough.

Sec. 37.06.080 - Regulations

This section provides the Department of Administration and the Department of Community and Regional Affairs with the authority to promulgate regulations for grants made to municipalities and named recipients, and for grants made to unincorporated communities, respectively, under the proposed AS 37.06.010 and .020.

Essentially, these provisions allow the departments to promulgate regulations, require reports, conduct audits, etc., for purposes of conducting the program and carrying out the provisions of this section of the bill. Specifically, this subsection requires that such audits must address the departments' methods used to value any contributions used to satisfy the local share, as well as their methods of confirming that such contributed labor actually was used.

Sec. 37.06.090 - Definition

This section provides the same definition of "capital project" for the new Chapter 6 as that used in the existing provisions of AS 37.05.315 - .317; i.e., an asset with a life span of more than one year and costing at least \$25 thousand (as defined in AS 37.07.120)

SECTION NINE

This section of the bill establishes a first-year (FY 1993) transition schedule for implementing the capital project matching grant programs for municipalities and unincorporated communities (under AS 37.06.010 and AS 37.06.020, respectively, in Section 8 of the bill).

For this initial year of the programs only, this section requires that municipalities and unincorporated communities or their representative entities must submit their prioritized list of proposed capital projects to the Governor by March 1, 1993, or by the effective date of the bill, whichever is later. (The date for all ensuing years would be October 1, as set out in Section 8 of the bill.)

SECTION TEN

This section of the bill stipulates that capital project grants made under the existing provisions of AS 37.05.315-.317 (to municipalities, named recipients and unincorporated communities) as amended by this bill, and grants made under AS 37.07.06 as proposed by this bill, may not be disbursed or drawn upon until after June 30, 1993. This reason for this provision is to allow the departments affected by this bill to have time for developing and promulgating interim regulations before disbursements and draws begin.

SECTION ELEVEN

This section of the bill provides for an immediate effective date.

FISCAL NOTE

Revision Date: _____ Dept. Affected: Community & Regional Affairs
 Title: Capital Project Matching Grants BRU: Local Government Assistance
 Component: Training & Development
 Sponsor: _____
 Requestor: _____ COMPONENT SERIAL NO. 672

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	108.4	113.8	119.5	125.5	131.8	138.4
TRAVEL	27.5	27.5	27.5	27.5	27.5	27.5
CONTRACTUAL	16.8	16.8	16.8	16.8	16.8	16.8
SUPPLIES	3.4	2.2	2.2	2.2	2.2	2.2
EQUIPMENT	5.0	1.0	1.0	1.0	1.0	1.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	161.1	161.3	167.0	173.0	179.3	185.9

CAPITAL						
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REVENUE FUND SOURCE:	1004	1004	1004	1004	1004	1004
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	161.1	161.3	167.0	173.0	179.3	185.9
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	161.1	161.3	167.0	173.0	179.3	185.9

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

Estimate of current (FY93) Impact \$ None

ANALYSIS: (Attach a separate page if necessary)

See attached.

Prepared by: Remond Henderson Phone: 465-4708
 Division: Administrative Services Date: 2/2/93
 Approved by Commissioner: [Signature] DEPUTY COMMISSIONER Date: 2/2/93
 Agency: Community and Regional Affairs

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Position Title Planner II		No. of Positions 1	Range Step 17/A	Barg. Unit GGJ
Time Status FT	Staff Months 12	Location Anchorage		Election District
TYPE OF EXPENDITURE		Amount	Justification	
Salary			<p>One new community planning/land management position is needed to accomplish the program purposes of "improving the process for making grants for capital projects by providing a more orderly and thoughtful planning process that involves the local community..." and enhancing "the roll of communities in initializing and prioritizing the construction of capital projects."</p> <p>The position will target the unincorporated communities and smaller municipalities. It will be able to assist 8 to 12 communities prepare community development strategies and capital project plans. This represents about 10 to 15 percent of the communities who do not have local staff to prepare community development and capital project plans sufficient to accomplish the purposes of this program.</p> <p>The Planner II will also provide the assistance required to acquire and verify the land ownership and value used as local match. This service can be provided for most DCRA and DOA administered grants provided the additional travel funds for existing land management positions are included.</p> <p>The position was not included in the previous fiscal note for similar legislation last year because, prior to FY93 cuts, staff were available to accomplish the above purposes at the levels proposed.</p> <p style="text-align: right;">continued on next page</p>	
Benefits				
Premium Pay				
Other				
Total Personal Services		54,182		
Travel		12,500		
Contractual		8,400		
Commodities		1,750		
Equipment		2,500		
Other				
Total Cost		79,332		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	79,332		
I-A Receipts	1007			
CIP Receipts	1061			
Other				

**REQUEST
FOR
NEW
POSITION**

AGENCY Community & Regional Affairs
 BRU Local Government Asst.
 COMPONENT Training & Development

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FY 94

H-8/24
 No. 2

(continued Planner II)

Additional travel is also included to support existing land management positions travel to assist communities. These funds were not requested last year, but the 20 percent cut in travel funds drastically reduced staff ability to travel to communities to provide assistance.

The new position will be located in anchorage.

REQUEST
FOR
NEW
POSITION

AGENCY Community & Regional Affairs
BRU Local Government Assistance
COMPONENT Training & Development

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FY94

11/23/24
No. 2

Position Title Local Government Specialist III		No. of Positions 1	Range / Step 17/A	Org. Unit GGU
Time Status FT	Staff Months 12	Location Anchorage		Election District
TYPE OF EXPENDITURE		Amount		
Salary				
Benefits				
Premium Pay				
Other				
Total Personal Services		54,182	54182	
Travel		15000		
Contractual		8400		
Commodities		1700		
Equipment		2500		
Other				
Total Cost		81782		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts 1002				
G. E. Match 1003				
General Fund 1004		81782		
LA Receipts 1007				
CF Receipts 1061				
Other				
<p>Justification</p> <p>A new Local Government Specialist (LGS) position to assist the unincorporated communities do the financial planning and management necessary to secure the financial match and to achieve and demonstrate the financial ability to operate and maintain the facility.</p> <p>This LGS will be able to assist 8 to 12 communities with capital project planning. This represents about 11 to 20 percent of unincorporated communities who require assistance to do effective financial planning and management.</p> <p>This position was not included in the previous Fiscal Note for similar legislation last year because, prior to FY 93 cuts, staff were available to adequately accomplish the above purposes.</p> <p>Additional travel is also included to support existing LGS positions travel to assist communities. These funds were not requested last year, but the 20 percent cut in travel funds drastically reduced staff ability to travel to communities to provide assistance.</p> <p>The new position will be located in Anchorage.</p>				

**Request For
New Position**

AGENCY Dept. Community and Regional Affairs
municipal Government Assistance
 COMPONENT Training and Development

FY 94

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Revised Date:

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FISCAL NOTE

No. 5

Bill Version: HB 124

(H) Publish Date: 2/3/93

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Revision Date: _____
Title: Capital Matching Grants
Sponsor: Governor
Requestor: Governor

Department Affected: Environmental Conservation
BRU: Facilities, Construction & Operation
Component: Facilities Construction

COMPONENT SERIAL NO. 673

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES	0.0	0.0	0.0	0.0	0.0	0.0
EQUIPMENT	0.0	0.0	0.0	0.0	0.0	0.0
LAND&STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

REVENUE						
FUND SOURCE:						

FUNDING:

1002 FEDERAL RECEIPTS	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF MATCH	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/PROGRAM RECPT	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS: NONE

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ NONE

ANALYSIS: (Attach a separate page if necessary.)

See attached

Prepared by: Janice Adair
Division: Commissioner's Office

Phone: 465-5010

Date: 1/28/93

Approved by Commissioner: [Signature]
Agency: Department of Environmental Conservation

Date: 1/28/93

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

The capital matching grants bill does not impact the three (3) capital construction grant programs currently within the Department of Environment Conservation's authority.

AS 46.03.030 establishes a 50% matching program for municipalities for the construction of public water supplies, treatment and distributions systems and public sewage collection, and treatment and discharge facilities.

AS 46.03.032 establishes the Alaska Clean Water fund to meet federal matching requirements for sewer facility construction as well as a State Clean Water Fund (which has not been capitalized) to fund both solid waste management and public drinking water facilities.

AS 46.07 establishes the Village Safewater program. AS 46.07.040 specifically states that "A contribution toward the cost of the construction of a facility may not be required from its users."

None of these statutes are amended or repealed by the proposed legislation.

Before DEC will forward any request for a capital construction project on to OMB for funding consideration, we actively work with the local governments in both the municipalities and the villages to ensure the project is supported, and can be operated and maintained by the community. We have long considered the ability and willingness of the community to financially support both the operations and maintenance of the facility as the kind of support that is indicative of a successful village project.

FISCAL NOTE

No. 6
 Bill Version: HB 124
 (H) Publish Date: 2/3/93

STATE OF ALASKA
 1993 LEGISLATIVE SESSION

Revision Date: _____
 Title: "An Act relating to ... capital project
 matching grant programs ..."
 Sponsor: Rules Committee
 Requestor: Governor

Department Affected: Labor
 BRU: All
 Component: All

COMPONENT SERIAL NO. _____

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ None

ANALYSIS: (Attach a separate page if necessary)

Prepared by: David Teal, Director Phone: 465-5981
 Division: Administrative Services Date: 1/28/93

Approved by Commissioner: Charles W. Mahlen
 Agency: Department of Labor Date: 1/28/93

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FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

No. 4
Bill Version: HB 124
(H) Publish Date: 2/3/93

Revision Date: _____
Title: Establishing the Capital Matching Grants Program
Sponsor: Rules
Requestor: Governor

Department Affected: Commerce and Economic Development
BRU: All
Component: _____
COMPONENT SERIAL NO. _____

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
----------------------	---	---	---	---	---	---

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

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

Estimate of current year (FY 93) impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Guy Bell, Director
Division: Administrative Services

Phone: 465-2505
Date: January 27, 1993

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development

Date: 1-28-93

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FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

No. 3
Bill Version: HB 124
(H) Publish Date: 2/2/93

Revision Date: _____
Title: 'An Act relating to grants to municipalities . . .'
Sponsor: Rules
Requestor: _____

Department Affected: Administration
BRU: Administrative Services
Component: Administrative Services
COMPONENT SERIAL NO. 46

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	225.4	225.4	225.4	225.4	225.4	225.4
TRAVEL	15.0	15.0	15.0	15.0	15.0	15.0
CONTRACTUAL	3.5	3.5	3.5	3.5	3.5	3.5
SUPPLIES	.8	.8	.8	.8	.8	.8
EQUIPMENT	15.0	3.0	3.0	2.0	2.0	2.0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	259.7	247.7	247.7	246.7	246.7	246.7

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	259.7	247.7	247.7	246.7	246.7	246.7
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	259.7	247.7	247.7	246.7	246.7	246.7

POSITIONS:

FULL-TIME	4.0	4.0	4.0	4.0	4.0	4.0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) impact: None

ANALYSIS: (Attach a separate page if necessary.)
See attached.

Prepared by: Sharon Barton, Director
Division: Administrative Services

Phone: 465-2277
Date: _____

Approved by Commissioner: Nancy Bear Usera
Agency: Administration

Date: 1/26/93

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ANALYSIS

Four permanent full-time positions will be added to the one existing Grant Administrator position to create a grants section within the Department of Administration, Division of Administrative Services.

The four new positions are:

Administrative Officer III (21 A)

This position will oversee the section and write regulations for the existing Municipal Grant Program and the new Capital Project Matching Grant Program.

Internal Auditor III (19 A)

This position will be responsible for auditing grantees use of grant funds and would determine the validity of each grantees' proposed match.

Grant Administrator II (17 A)

This position will manage the new Capital Project Matching Grant Program.

Accounting Clerk III (10 A/B)

This position will assist in the processing of grant agreements and payments.

New computer equipment will be purchased for each of the four new positions.

- Travel funding is requested for on-sight auditing.

FISCAL NOTE

Revision Date: _____ Dept. Affected: Community and Regional Affairs
Title: Capital Project Matching Grants BRU: Administration and Support
Component: Administrative Services
Sponsor: _____
Requestor: _____ COMPONENT SERIAL NO. 684

Expenditures/Revenues: (Thousands of Dollars)

OPEATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	97.7	102.6	107.7	113.1	118.8	124.7
TRAVEL	5.0	5.0	5.0	5.0	5.0	5.0
CONTRACTUAL	6.0	6.0	6.0	6.0	6.0	6.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	13.0	1.0	1.0	1.0	1.0	1.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	122.7	115.6	120.7	126.1	131.8	137.7

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

REVENUE FUND SOURCE:	1004	1004	1004	1004	1004	1004
----------------------	------	------	------	------	------	------

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	122.7	115.6	120.7	126.1	131.8	137.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	122.7	115.6	120.7	126.1	131.8	137.7

POSITIONS:

FULL-TIME	2	2	2	2	2	2
PART-TIME						
TEMPORARY						

Estimate of current (FY93) impact \$ None

ANALYSIS: (Attach a separate page if necessary)

SEE ATTACHED

Prepared by: Remond Henderson Phone: 465-4708
Division: Administrative Services Date: 2/2/93
Approved by Commissioner: B. R. J. [Signature] DEPUTY COMMISSIONER Date: 2/2/93
Agency: Community and Regional Affairs

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Position Title Grant Administrator III		No. of Positions 1	Range / Step 19A	Barg. Unit CCU
Time Status Full-time	Staff Months 12	Location Juneau		Election District 4
TYPE OF EXPENDITURE		Justification		
Salary	Amount 44,976	<p>1. Write and implement state regulations pertaining to all legislative grants designated to the department</p> <p>2. Supervise grants section totalling 2 staff positions</p> <p>3. Recommend, develop and implement changes in program operations, internal procedures, operational guides, etc.</p> <p>4. Trains and provides technical assistance to departmental Local Government Specialists doing on-site monitoring on behalf of grants section through workshops and individual contacts.</p> <p>5. Negotiate, write, and administer grant agreements which includes identifying specific project requirements (permits, site control, match, etc.)</p> <p>6. Prepare grant closures and ensure that the terms and conditions of the grant agreements and match have been met and that all funds are expended in accordance with state law and departmental policy.</p> <p>(continued on next page)</p>		
Benefits	16,704			
Premium Pay				
Other				
Total Personal Services	61,680			
Travel	5,000			
Contractual	5,000			
Commodities	500			
Equipment	8,000			
Other				
Total Cost	18,500			
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts 1002				
G.F. Match 1003				
General Fund 1001	80,180			
LA Receipts 1007				
CFP Receipts 1061				
Other				

**Request For
New Position**

AGENCY Community and Regional Affairs
 DEPT Administration and Support
 COMPONENT Administrative Services

FY 94

Page 2 of 4

Revised Date:

Nov 1 1994

Page 2 - Grant Administrator III

7. Conduct in-depth review of progress and financial reports submitted by grantees and resolve any problems.

ADDITIONAL
EXPLANATION
FORM

AGENCY Comm. & Reg. Affairs

BRU Admin & Support

COMPONENT Administrative Svcs.

FY 94

Page 3 of 4

Revised Date

No. 1
10
1

Office of the Governor
State of Alaska

CAPITAL PROJECT MATCHING GRANT PROGRAM

(HB 124 - SB 88)

QUESTIONS AND ISSUES

General

- ***The current system for funding discretionary capital project grants works fine, and in many cases already includes local financial participation.***

While some capital projects proposed by communities do include local financial participation, State funding dollars would go much farther if all such projects included local matching funds. Additionally, the current process frequently is haphazard, with projects selected as often for political reasons as for their merit or real need, which makes it difficult for communities to conduct effective planning.

- ***What commitment is there from the Governor that this matching grant proposal will work, when other programs predicated on local participation may not be adequately funded or are being cut back (e.g., municipal assistance)?***

The proposed matching grant program is one of the highest priorities of this administration. While funding for all programs is subject to the availability of revenue for appropriation, funding for this program will be strongly supported by the Governor because of the program's likely effectiveness in optimizing local capital development decisions and in leveraging State development funding.

Formula Programs

- ***The proposed program would create yet another formula program, at a time when formula-driven costs are increasing and needs for existing formula programs are not being met.***

The proposed matching grant program is different from other "formula" programs because its funding level would be completely discretionary, subject to the desires of the Legislature and the Governor. It therefore would not establish a cost center which would grow in uncontrolled fashion, like other, less tractable formula programs. To the contrary, the proposed block grant program would maximize both the efficiency of State funding as well as the efficiency of capital project planning, and in this sense actually help to reduce, rather than compound, the State's growing formula programs "problem".

- ***Other formulas will be affected by the projects built with matching grant funds.***

Projects built with matching grant funds will not affect other formula programs any more or less than projects undertaken through the current discretionary approach. If anything, the improved planning made possible through the proposed matching grant program will help to reduce the extent and magnitude of unintended and unforeseen impacts of capital projects on other formula programs.

Fairness

- ***Basing grant amounts on population overlooks disparities among communities' needs, especially between urban and rural communities.***

Grant amounts in the proposed program are not based solely on population. Rather, community populations are adjusted through the use of a set of numerical factors in the grant allocation formula, specifically to account for: (1) the generally higher unit costs of capital projects in smaller and more rural communities; (2) the relatively smaller debt capacity of smaller communities, compared to larger communities; and, (3) the relatively limited ability of smaller communities to enjoy the economies of scale enjoyed by larger communities in undertaking capital projects and improvements.

Very small, unincorporated communities do receive a fixed grant allocation amount under the proposed program. It is important to note, however, that the proposed program is not designed or intended to address the larger set of unmet major community and regional capital development needs in the state, either in incorporated or unincorporated areas. The need for using

other mechanisms to address these larger needs is emphasized in the intent section of the enabling legislation for this program.

- ***The proposed program may be unfair to those communities which already have bonded to meet their capital needs.***

This is not likely to be an issue, as the proposed program focuses on relatively small capital projects for which communities would not likely undertake bonding anyway. The real issue is that, with revenues expected to decline, everybody's dollars will need to be stretched and used more effectively. The proposed matching grant program will help to do just that.

- ***The proposed local matching share requirement for unincorporated communities is too low, and thus is unfair to larger communities.***

As a group, unincorporated communities often have been "forgotten" in the past. They do not enjoy many of the resource advantages of larger communities, especially those deriving from the benefits of economies of scale and access to capital (both human as well as financial). Those in rural areas of the state also face notably higher unit costs for construction and development projects. The relatively low match requirement for unincorporated communities is therefore explicitly intended to address some of these disadvantages. In this regard, it should be noted that this low match requirement applies only to unincorporated communities located in the unorganized areas of the state; all others receive grants through their borough governments, which are subject to the higher tiers of match requirements applied to municipalities.

Fiscal Capacity

- ***The proposed program is another case where the fiscal capacity of local communities is being ignored by the Administration; we are pushing more responsibilities down to local governments, but not doing anything to enhance their fiscal capacities.***

Community differences regarding fiscal capacity are explicitly addressed in the proposed program, both in the program's grant allocation formula as well as in its matching grant requirement provisions. These considerations, plus the various in-kind allowances permitted to satisfy the match requirement, have been formulated specifically to address the constraints posed by the limited nature of local communities' fiscal capacities.

- ***This program overestimates the ability of a community to provide matching funds, especially in smaller rural communities.***

In order to allow all communities to participate, the proposed program allows a broad use of in-kind items (e.g., labor, materials, equipment, land, shared taxes, reimbursements, etc.) as allowable sources or types of matching funds. Also allowed for meeting the match requirement are municipal assistance and revenue sharing funds, and funds from any non-state sources. All of these provisions in the proposed program will help communities, and especially smaller rural communities, to meet the matching funds requirement.

Eligibility

- ***The level of funding proposed for the program determines whether a given project is eligible for the program.***

Under any block grant program, unless other specific eligibility provisions apply, a project is neither "eligible" or "ineligible" for funding; it is simply either affordable or not - - if not, supplementary funding must be found. The proposed program proposes no such eligibility criteria for projects; rather it allows funding to be used for any type of capital project, as currently defined in law.

Matching Requirements

- ***Small rural communities, in particular, will have difficulties in meeting their match requirements, even with the use of in-kind contributions.***

The proposed program is intended for relatively small capital projects (not for larger area-wide or regional projects), so meeting the matching requirements should not be overly difficult, even for small rural communities. This is especially true if the program's in-kind match provisions are taken into consideration, and all the more true if land or other forms of shared state revenues (shared taxes, school debt reimbursement, etc.) are allowed as an in-kind match, as they are in the proposed legislation.

- ***It is not realistic to assume that small communities and villages will be able to count on contributed labor as a means of meeting their match requirements.***

The program does not assume that small communities and villages will be able to depend on a steady supply of manpower. It does assume, however, that, no matter how small, communities will be able to provide a mix of cash, contributed materials, equipment and supplies, and contributed manpower, sufficient to meet their matching funds requirements. Considering that (1) smaller projects are the focus of the proposed program, (2) matching funds.

like the State grant funds themselves, can be accumulated over time, (3) a variety of forms of in-kind contributions can be used, and (4) the match requirements for the smallest communities is initially only 5 percent, the proposed program's match requirements should not be viewed as especially burdensome.

- ***The State (DOA, DCRA) will encounter major difficulties in attempting to place a value on manpower, materials, etc., which may be contributed by communities to meet their match requirements.***

The departments of Administration and Community and Regional Affairs anticipate no major difficulties in assigning such values, as valuations of in-kind contributions for grant projects are routinely conducted by state government. There should be no difficulty in adopting or adapting statewide or regional prevailing wage standards through (e.g.) the Department of Labor, or materials cost standards through (e.g.) the Department of Transportation and Public Facilities for such purposes, or other such benchmarks.

Borough/Municipal Powers

- ***The differing powers and limitations of boroughs and municipalities will make it difficult to decide whether one or the other, or both, should be the proper grant recipient.***

One of the most important aspects of the proposed program is to emphasize local selection of capital projects - - primarily, on the basis that communities know best their own needs and development requirements, and are in the best position to choose the timing of their projects as well as the best manner of utilizing their financial and human resources to develop those projects. Part of this increased freedom of choice is, of course, the responsibility of having to make those choices.

Given this freedom of choice, communities will need to work out for themselves the best approaches to cooperative development of their projects. Certainly, nothing in the proposed program limits communities or boroughs in their freedom to make these choices, or in their flexibility regarding methods of working together for such purposes. (The Alaska Constitution is actually quite permissive in this regard - - see Article X, Section Thirteen: Agreements, Transfer Of Powers.) Additionally, the State will be available to assist communities and boroughs in formulating such cooperative agreements and approaches, if requested.

- ***The proposed program may put too much power into the hands of the State's municipalities.***

This is unlikely, as the proposed program deals primarily with relatively smaller capital projects. Given that major capital projects will continue to be funded through other mechanisms, and that boroughs and municipalities would be encouraged under the program to work together in the selection, planning and implementation of projects, it seems more likely that the proposed program would tend to engender or reinforce an equitable sharing of local roles and responsibilities.

Funding

- ***The possibility exists that, in any given year, inadequate funding levels for the program may result in no projects at all getting built; i.e., communities may have to "bank" their grant awards until sufficiently large amounts of funding can be accumulated.***

The possibility of inadequate funding levels for capital projects, such as it is, is neither increased nor diminished by the proposed program.

Costs

- ***Funding grant projects in all municipalities and unincorporated communities will create a large deferred maintenance problem, statewide, because communities will not have enough money to provide maintenance.***

It is not expected that the proposed program will either diminish or exacerbate existing problems of deferred facilities maintenance. Since communities will be contributing their own money to projects under this program, however, and since the program will enhance communities' abilities to adequately plan for projects, it is expected that the maintenance costs of new facilities will tend to receive their proper attention before construction is undertaken.

House Bill 124

SENATE BILL NO. 88, by the SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR. Seeks to establish capital project matching grant programs for municipalities and unincorporated communities, and to establish local share requirements for other capital project grants to municipalities, named recipients, and unincorporated communities (see accompanying letter from the Governor).

Introduced February 3, 1993 and referred to the Senate Community and Regional Affairs Committee, and the Senate Finance Committee.

In his message accompanying the bill, Governor Hickel stated:

In accordance with art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill establishing capital project matching grant programs for municipalities and unincorporated communities, and establishing local share requirements for other capital project grants to municipalities, named recipients, and unincorporated communities.

The capital project matching grant programs and the local share requirements for other capital project grants have two main objectives. One objective is to encourage a sense of local ownership in capital projects by requiring municipalities, unincorporated communities, and named grant recipients to participate financially in them. This local participation will help grantees to determine their highest priorities and help ensure that only the most important and cost-effective projects are undertaken. The second objective is to leverage the use of state money in the financing of capital projects, which will be a particularly important policy to adopt given the expected decline of state revenue in the future. In addition, the new capital project matching grant programs for municipalities and unincorporated communities provide an orderly and thoughtful planning and review process that involves local communities, the executive branch, and the legislature.

There is a distinction between the new capital project matching grant programs and the new local share requirements for other capital project grants. It is intended that the new matching grant programs be used for relatively small capital projects proposed by municipalities and unincorporated communities, and that the new local match requirements for municipalities, named recipients, and unincorporated communities apply to other types of larger capital projects funded through grants made under AS 37.05.315 - 37.05.317.

INTRODUCTION OF BILLS (Senate)

SB 88 (cont'd)

HB:24

The focus of this bill is the proposed new capital project matching grant programs in AS 37.06. Much like a block grant program, these programs would establish two funds (one with individual accounts for all municipalities and one with individual accounts for all unincorporated communities participating in the state's revenue-sharing program) from which small-scale capital projects can be funded by project-specific appropriations. (I am also transmitting a companion bill making appropriations to the two funds, as the first step in this funding process.) The projects would be selected and prioritized at the local level, well before each year's legislative session, and a prioritized project list would be submitted to the governor for inclusion in the capital improvements program. The governor would provide the legislature with reasons for any differences between the local list and the capital improvements program submitted to the legislature. In each case, the projects funded by the appropriations would be subject to local financial match requirements, including allowances for in-kind matching contributions. In addition, under the bill, the same local match requirements and in-kind allowances would be extended to all grants currently made to municipalities, named recipients, and unincorporated communities under AS 37.05.315 - 37.05.317.

My Office of Management and Budget has prepared a section-by-section description of the bill which is available for your review.

The net effect of the bill is that all capital project grants to municipalities, named recipients, and unincorporated communities would be subject to local financial match requirements, regardless of whether they are funded through the capital project matching grant programs established by this bill or under the existing provisions of AS 37.05.315 - 37.05.317 as amended by this bill.

This bill is important because it expands the role of local communities in determining the capital improvements and capital projects that will best suit their local needs. It is also important because of the precedent it sets in requiring a local stake in capital projects and because it allows limited state financial resources to support a greater number of needed capital projects than otherwise would be possible. For all of these reasons, I seek and encourage your support for this bill.

Appropriations
(capital project matching grant programs)

HB 125
SENATE BILL NO. 89, by the SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR.
Makes appropriations in the amount of \$67,000,000 for the capital project matching grant programs (see accompanying letter from the Governor).

Introduced February 3, 1993 and referred to the Senate Community and Regional Affairs Committee, and the Senate Finance Committee.



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

Date: March 1, 1993

To: Representative Harley Olberg, Chair
and Members, House Community and Regional
Affairs Committee

From: Kent E. Swisher, Executive Director

Subject: HB 124, Capital Matching Grant Programs

Although the Alaska Municipal League supports the concept of matching capital grants, we have a number of concerns with the proposal before the committee, which are expressed in the attached position statement.

Our major concerns are that:

The minimum amount for small jurisdictions (\$25,000 per year) simply isn't enough to be meaningful in terms of a capital project. AML believes that the minimum should be at least \$50,000 per jurisdiction per year.

The distribution formula is population based and does not adequately recognize community need.

The match requirements do not recognize community ability to pay, and the costs of local project administration are not included as eligible matching costs, and the use of funds from other sources for match is limited.

Section 315 grants, the Legislature's discretionary grants to local government would be subject to new matching and administrative regulation requirements.

We hope that the Committee might be disposed to remedy these concerns and send forward an amended version of HB 124.



AML POSITION ON MATCHING CAPITAL GRANTS

The Alaska Municipal League supports the concept of matching grant programs for capital purposes provided that such programs meet the criteria set forth below: *

1. Provide project determination at the local level,
2. Provide a minimum entitlement that is meaningful, i.e., not less than \$50,000 per municipality per year,
3. Provide equitable distribution of funds according to population, services provided, and/or need,
4. Provide for differentials in construction costs, urban vs. rural,
5. Provide for accountability, and
6. Require a local contribution (local match) which is a weighted local contribution based on local wealth (ability to pay). Local governments should be able to use as match the value of municipal land or other assets, and/or any funds available to them from any source not limited by other law or contract.

*From AML Resolution 93-8, adopted November 14, 1992 (attached).

As a matter of general policy, the League supports a statutorily enacted block grant program which deals with local concerns regarding adequacy and certainty of funding, coupled with a recognition of local need and ability to pay.

In reviewing HB 124, we see that it meets, in whole or in part, some, but not all of these criteria. The amount to be provided as a minimum is less than adequate, and the matching requirements contained in the bill do not fully recognize limitations on community ability to pay. The value of local administrative expense does not seem to be recognized as a match element, and local government would also wish to be able to use any funds from local, state or federal sources as match.

Additionally, some of the flexibility now available in Section 315 grants, the legislature's discretionary grants to municipalities, will be lost if new statutory match requirements are imposed on that program as well as on grants under the proposed new program. The League is also concerned that the present bar against administrative regulations on Section 315 grants would be repealed under HB 124.

AML continues to support the concept of matching capital grants as an additional form of financial assistance for local government and hopes that legislation more closely conforming to the criteria set forth in AML Resolution 93-8 will ultimately be enacted.



HOUSE COMMUNITY AND REGIONAL AFFAIRS

DATE: 3/4/93

PLACE: Rm. 124

SUBJECT OF MEETING:
 HB 124
 HB 125

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Shelby STASINY	OMB					(Y) N	
Jim KOHWE	SEC. CONFERENCE	124 W. 5th / JUNEAU	99801		403-3445	(Y) N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	



HOUSE COMMUNITY AND REGIONAL AFFAIRS

SUBJECT OF MEETING:

DATE:

PLACE:

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Jack Farsnoli	Governor	OMB		3568 6-6090	3568	<input checked="" type="radio"/> Y <input type="radio"/> N	NB 124 / 125
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	
						<input type="radio"/> Y <input type="radio"/> N	