

SB

280

Alaska State Legislature

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Session Address

State Capitol; Room 427
Juneau, AK 99801-1182
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Senator John Torgerson

COMMITTEE SUBSTITUTE FOR SENATE BILL 280(FIN) am SPONSOR STATEMENT

The Alaska Constitution states "that all persons are equal and entitled to equal rights, opportunities, and protection under the law; and that all persons have corresponding obligations to the people and to the State." (Article 1, Section 1) Unfortunately, this is not the case today, particularly in regard to local efforts required for state programs. Education is just an example of where one part of the State does not have to contribute anything, while others are required to contribute large amounts.

The constitution also states that "The entire State shall be divided into boroughs, organized or unorganized." (Article X, Section 3) It requires that boroughs formed embrace an area and population with common interests to the maximum degree. Alaska statutes further stipulate that the borough population be "integrated as to its social, cultural, and economic activities." The unorganized borough of Alaska fails to meet this criteria. It is recognized that it embraces an area that is greatly diverse in interests and activities.

CSSB 280(FIN)am is the first step in resolving the above conflicts and concerns. The Department of Community and Regional Affairs is directed to submit third-class borough incorporation proposals for all areas of the unorganized borough to the Local Boundary Commission. These proposals are to be based upon the model borough boundary report issued by the Local Boundary Commission. Once a proposal is accepted by the commission, elections are held in the regions to see if the residents wish to become incorporated. If so an election for assembly members and the selection of borough powers is held and the boroughs are formed upon the certification of the election.

If a region chooses not to incorporate, it becomes a separate unorganized borough. On January 1 of the following year, an annual tax of six mills or the equivalent of such is levied on the full and true value of taxable property in that region. The department of Community and Regional Affairs is directed to present proposed methods of levying and collecting taxes in the separate unorganized boroughs to the legislature by January 1, 1998.

This legislation differs from previous state attempts at incorporation in that it references a specific report as a starting point, sets a deadline for the boundary proposals to be submitted, provides a timeline for the process of borough incorporation, gives the residents the choice of incorporating, and allows for state taxation of the unorganized borough in the event residents choose not to incorporate.

The incorporation of the unorganized areas of the state into boroughs has many advantages both to the state and to the areas themselves. The formation of boroughs and the transfer of duties and responsibilities from the state allow greater local involvement in decision making that directly affects the residents. Currently these residents must depend on lawmakers to make these decisions for them.

While a certain amount of revenues, as well as costs, will be shifted to local governments, there can also be substantial savings realized by the consolidation of services that could occur through borough formation. In the long run, the organization of the entire state into boroughs is the most cost-effective way of providing comparable and equitable services to all the residents.

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COMMITTEE SUBSTITUTE FOR SENATE BILL 280 (FIN) AM SECTIONAL ANALYSIS

Section 1: Legislative finding and purpose

Section 2: Amends AS 29.05.031(a) "Incorporation of a borough or unified municipality" to include third class boroughs

Section 3: Requires the Department of Community and Regional Affairs to submit third class borough incorporation proposals for all parts of the unorganized borough to the Local Boundary Commission. These proposals are to be based on the 1995 report entitled "Model Borough Boundaries." At least one public hearing must be held in each community of at least 500 in the region covered by each proposal.

Directs the state assessor to estimate the full and true value of taxable property in the unorganized borough by January 1, 1997. The borough incorporation proposals are to be submitted according to the following schedule.

- by July 1, 1997: model boroughs with an FY 97 estimated full property value of \$550,000,000 or more
- by July 1, 1998: model boroughs with an FY 97 estimated full property value of \$350,000,000 or more
- by July 1, 1999: model boroughs with an FY 97 estimated full property value of \$75,000,000 or more
- by July 1, 2000: model boroughs with an FY 97 estimated full property value of less than \$75,000,000 or more

Requires the commission to make a determination on each borough proposal within 6 months of its receipt. Directs the commission, after accepting each proposal to notify the director of elections of its acceptance.

Section 4: Directs the Division of Elections, within 30 days after receiving notice from the Local Boundary Commission of its acceptance of an incorporation proposal, to order an election in the proposed borough to determine whether the voters desire incorporation, and if so, to elect the initial borough officials. Requires the election order to specify the dates during which nomination petitions of election of initial officials may be filed.

Section 5: States that if a majority of the voters voting on the question approve incorporation, a region is incorporated as a third class borough on the first Monday following certification of the election.

States that AS 29.05.130-29.05.150 (Integration of special districts and service areas; Transition; and Challenge of legality) and AS 29.05.190-29.05.210 (Organization grants to boroughs; Organization grant fund; and Transitional assistance to boroughs) apply to the boroughs formed by the legislation.

Section 6: Stipulates that if the voters in a region disapprove incorporation, the region becomes a separate unorganized borough on the first Monday following certification of the election.

Further stipulates that on January 1 of the year following the election's certification, an annual tax of six mills is levied each year on the full and true value of taxable property in that unorganized borough. Money from the taxes levied may be appropriated for funding for regional educational attendance areas.

The state assessor is directed to assess the property; collect the taxes levied and deposit them in the general fund; and perform the mandatory duties of a municipality, a board of equalization, or a municipal officer under AS 29.45.010-29.45.500. except that the state assessor may not act through the adoption of an ordinance or grant exemptions from taxation not required under AS 29.56.010-29.45.500.

Section 7: Directs the department of Community and Regional Affairs to develop a proposed method of levying and collecting taxes in the separate unorganized boroughs, proposed rates of taxation, and a proposed method of establishing boards of equalization.

The department is to submit draft legislation to the legislature by January 1998 which establishes a tax system, rates of taxation and a board of equalization in each of the unorganized boroughs. The legislation is to conform the statutes to this act, however it may modify the property tax imposed under this legislation.

Section 8: Repeals AS 29.05.011(a)(5) which requires a community that wishes to incorporate to show a demonstrated need for city government;

Repeals AS 29.05.021 "Limitations on incorporation of a city."

Repeals AS 29.05.031(b) which prohibits the incorporation of a third class borough

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The Local Boundary Commission report entitled "Model Borough Boundaries" creates 19 new boroughs, expands 5 existing boroughs and leaves 11 boroughs unaltered. Senate Bill 280 directs the Department of Community and Regional Affairs and the Local Boundary Commission to follow this report in creating boroughs in the unorganized part of the state, while allowing the commission modify the borders to account for recent developments.

Organized Boroughs and Unified Municipalities Unaltered by Report

| | | |
|---------------------------|---------------------------|---------------------------|
| Aleutians East Borough | Kodiak Island Borough | North Slope Borough |
| Municipality of Anchorage | Lake & Peninsula Borough | Northwest Arctic Borough |
| Kenai Peninsula Borough | Matanuska-Susitna Borough | City & Borough of Sitka |
| | | City & Borough of Yakutat |

Organized Boroughs Expanded by the Report

| | | |
|----------------------|--------------------------|---------------------------|
| Denali Borough | Haines Borough | Ketchikan Gateway Borough |
| Fairbanks North Star | City & Borough of Juneau | |

Organized Boroughs Created by the Report

| | | |
|----------------------------|------------------------|----------------------|
| Aleutian-Military \Combine | Glacier Bay | Prince William Sound |
| Aleutians-West / | Iditarod Region | Pribilof Islands |
| Annette Island Reserve | Kuspuk | Southwest Region |
| Bering Straits | Lower Kuskokwim | Upper Tanana Basin |
| Chatham | Lower Yukon | Wrangell/Petersburg |
| Copper River Basin | Prince of Wales Island | Yukon Flats |
| | | Yukon-Koyukuk |

Schedule of Incorporation

- By July 1, 1997, those model boroughs with an FY 94 estimated full property value of \$550,000,000 or more.
- By July 1, 1998, those model boroughs with an FY 94 estimated full property value of \$350,000,000 or more
- By July 1, 1999, those model boroughs with an FY 94 estimated full property value of \$75,000,000 or more
- By July 1, 2000, those model boroughs with an FY 94 estimated full property value of under \$75,000,000.

| BOROUGH | FY 94 FULL VALUE | POPULATION | PER CAPITA VALUE | YEAR FORM |
|-------------------------|------------------|------------|------------------|-----------|
| Prince William Sound | 1,272,675,200 | 7,613 | 167,171 | 1997 |
| Copper River Basin | 668,865,000 | 2,935 | 227,893 | 1997 |
| Upper Tanana | 554,095,700 | 5,160 | 107,383 | 1997 |
| Yukon Koyukuk | 522,226,500 | 3,318 | 157,392 | 1998 |
| Yukon Flats | 435,075,000 | 1,485 | 292,980 | 1998 |
| Aleutians West/Military | 361,910,300 | 4,505 | 80,335 | 1998 |
| Wrangell-Petersburg | 350,186,100 | 6,352 | 55,130 | 1998 |
| Lower Kuskokwim | 339,446,800 | 13,009 | 26,093 | 1999 |
| Bering Straits | 235,140,200 | 8,763 | 26,833 | 1999 |
| Prince of Wales | 138,869,900 | 5,290 | 26,251 | 1999 |
| Dillingham-Nushagak | 171,120,300 | 4,356 | 39,284 | 1999 |
| Lower Yukon | 94,081,000 | 6,491 | 14,494 | 1999 |
| Pribilof Islands | 59,525,400 | 793 | 75,064 | 2000 |
| Glacier Bay | 56,598,300 | 2,059 | 27,488 | 2000 |
| Chatham Region | 34,490,300 | 1,594 | 21,638 | 2000 |
| Kuspuk | 31,950,000 | 1,575 | 20,286 | 2000 |
| Iditarod | 30,600,000 | 1,545 | 19,806 | 2000 |

Schedule of Borough Incorporation based on FY 94 estimated full & true property values

July 1, 1997: Borough incorporation proposals for the Copper River Basin, Prince William Sound and Upper Tanana

- Local Boundary Commission accepts borough proposal by January 1, 1998;
- Division of Elections holds election for incorporation as third class borough by March 31, 1998
- Borough incorporation if approved occurs approximately mid-April 1998
Organizational grants, transitional assistance and phase in of required local contribution begins and occurs over a four-year period.
- Levying of Tax if incorporation was disapproved begins January 1, 1999.

July 1, 1998: Borough incorporation proposals for Aleutians Military/West, Yukon Flats, Yukon-Koyukuk, and Wrangell-Petersburg

- Local Boundary Commission accepts borough proposal by January 1, 1999;
- Division of Elections holds election for incorporation as third class borough by March 31, 1999
- Borough incorporation if approved occurs approximately mid-April 1999
Organizational grants, transitional assistance and phase in of required local contribution begins and occurs over a four-year period.
- Levying of Tax if incorporation was disapproved begins January 1, 2000.

July 1, 1999: Bering Straits, Lower Kuskokwim, Lower Yukon, Prince of Wales, Southwest Region (Dillingham-Nushagak)

- Local Boundary Commission accepts borough proposal by January 1, 2000;
- Division of Elections holds election for incorporation as third class borough by March 31, 2000
- Borough incorporation if approved occurs approximately mid-April 2000
Organizational grants, transitional assistance and phase in of required local contribution begins and occurs over a four-year period.
- Levying of Tax if incorporation was disapproved begins January 1, 2001.

July 1, 2000: Chatham, Glacier Bay, Iditarod, Kusupuk, Pribiloff, Annette Island Reserve

- Local Boundary Commission accepts borough proposal by January 1, 2001;
- Division of Elections holds election for incorporation as third class borough by March 31, 2001
- Borough incorporation if approved occurs approximately mid-April 2001
Organizational grants, transitional assistance and phase in of required local contribution begins and occurs over a four-year period.
- Levying of Tax if incorporation was disapproved begins January 1, 2002.

**CONSOLIDATION OF SCHOOL DISTRICTS UNDER CSSB 280(FIN) am
If entire unorganized borough incorporates**

| Borough Name | REAA/School District | Notes | Borough Name | REAA/School District | Notes |
|---------------------------|----------------------|-------|--------------------------|----------------------|--------------------|
| Unchanged Boroughs | | | Expanded Boroughs | | |
| Aleutians East | Aleutians East | | Fairbanks | Fairbanks | |
| Anchorage | Anchorage | | Juneau | Juneau | |
| Bristol Bay | Bristol Bay | | Ketchikan | Ketchikan | |
| Kenai Peninsula | Kenai | | Haines | Haines | \ Consolidate 2 |
| Kodiak | Kodiak | | | Skagway | / districts into 1 |
| Lake & Peninsula | Lake & Pen | | Denali | Denali | \ Consolidate 2 |
| Mat-Su | Mat-Su | | | Nenana | / districts into 1 |
| North Slope | North Slope | | | | |
| Northwest Arctic | Northwest Arctic | | | | |
| Sitka | Sitka | | | | |
| Yakutat | Yakutat | | | | |

New Boroughs

| | | | | | |
|---------------------|-------------------|--------------------|-----------------|-------------|--------------------|
| Prince William | Chugach | \ Consolidate 3 | Prince of Wales | Craig | \ Consolidate 4 |
| | Cordova | districts into 1 | | Hydaburg | districts into 1 |
| | Valdez | / | | Klawock | |
| | | | | SE Island | / |
| Copper River | Copper River | | Dillingham | Dillingham | \ Consolidate 2 |
| Upper Tanana | Alaska Gateway | \ Consolidate 2 | | SW Region | / districts into 1 |
| | Delta/Greely | / districts into 1 | Lower Yukon | Kashunamiut | \ Consolidate 3 |
| Yukon Koyukuk | Tanana | \ Consolidate 3 | | Lower Yukon | districts into 1 |
| | Galena | districts into 1 | | St. Mary's | / |
| | Yukon/Koyukuk | / | Pribilof | Pribilof | |
| Yukon Flats | Yukon Flats | | Glacier Bay | Hoonah | \ Consolidate 2 |
| Aleutian West | Adak | \ Consolidate 3 | | Pelican | / districts into 1 |
| | Aleutian Region 1 | districts into 1 | Chatham | Chatham | \ Consolidate 2 |
| | Unalaska | / | | Kake | / districts into 1 |
| Wrangell/Petersburg | Petersburg | \ Consolidate 2 | Kuspuk | Kuspuk | |
| | Wrangell | / districts into 1 | Iditarod | Iditarod | |
| Lower Kuskokwim | Lower Kuskokwim | \ Consolidate 2 | Annette | Annette | |
| | Yupiit | / districts into 1 | | | |
| Bering Strait | Bering Strait | \ Consolidate 2 | | | |
| | Nome | / districts into 1 | | | |

Total of 20 Schools could be consolidated, changing the total number of school districts from 54 to 34

MODEL BOROUGH BOUNDARIES

PURPOSE OF THE MODEL BOROUGH BOUNDARY STUDY

Article X, Section 3 of Alaska's constitution requires the entire state to be divided into boroughs, organized or unorganized. It further provides that each borough must embrace an area and population with common interests to the maximum degree possible.

To carry out the constitutional mandate that the state be divided into boroughs, the 1961 legislature passed a law providing that all areas not within the boundaries of an organized borough constitute a single unorganized borough.¹ At the time the law was passed, no organized borough existed. Thus, all of Alaska was originally within the unorganized borough. The establishment of a single residual unorganized borough was seemingly done to preserve maximum flexibility in the setting of boundaries for organized boroughs.

From its beginning, the unorganized borough has always embraced an area and population with greatly diverse interests. Some take the position that the constitutional mandate that each borough embrace an area and population with maximum common interests was never intended to apply to unorganized

boroughs. However, others take the opposite view.²

In the late 1980's four boroughs attempted to annex portions of the unorganized borough. Several factors precipitated those actions. Among them were declining State aid to local governments and local concerns over the allocation and development of resources.

The unorganized borough's lack of maximum common interests among its parts also contributed to the borough annexation frenzy. In some instances, the annexation petitions precipitated the filing of competing proposals to incorporate new organized boroughs.

In October of 1988, the Kodiak Island Borough petitioned to annex an estimated 12,825 square miles. That prompted residents of the Alaska Peninsula to petition for the incorporation of the Lake and Peninsula Borough. The proposed Lake and Peninsula Borough contained an estimated 16,675 square miles, including much of the territory proposed for annexation to the Kodiak Island Borough.

In May of 1989, the Fairbanks North Star Borough petitioned to annex 216 square miles. The area in question contained substantial taxable property,

¹ That law is currently codified as AS 29.03.010.

² The appendix lists the basis for some of the opposing views.

comprised principally of pump station #7 of the trans-Alaska oil pipeline and some 16 miles of the pipeline. Residents of the adjacent area were hostile to the proposed annexation. While the annexation petition prompted the adjacent region to conduct a study of the feasibility of forming a borough, no competing petition was ever filed.

In June of 1989, the City and Borough of Juneau petitioned to annex 140 square miles. The area in question contained the Greens Creek Mine. Again, while the annexation proposal was resolutely opposed by inhabitants of the adjacent region, no competing borough proposal was filed.

In June of 1989, the Matanuska-Susitna Borough petitioned to annex an estimated 9,844 square miles to and including Healy. In October of that year, residents of the Railbelt Regional Educational Attendance Area filed a competing petition for the formation of the Denali Borough. The boundaries of the proposed Denali Borough encompassed an estimated 9,406 square miles, including much of the territory proposed for annexation by the Matanuska-Susitna Borough. That same month, another group of residents filed an unprecedented third competing petition for incorporation of the Valleys Borough. The Valleys Borough proposal took in an estimated 14,900 square miles, including most of the proposed Denali Borough as well as the community of Nenana.

Amid the intensive activity, it was readily apparent that three groups had a significant stakes in any borough boundary decision. These were residents within the proposed boundaries, people of the adjacent areas and the state as a whole. Further, it was amply evident that proposals for the formation of new boroughs or the expansion of boundaries of existing boroughs are sensitive issues in Alaska. Lawsuits or long-standing boundary disputes tend to

erupt each time a borough incorporation or annexation proposal is advanced.

On the basis of such factors, the Commission concluded that, rather than examining borough boundaries only when petitions are lodged, it would invite public testimony from throughout the entire state and adopt 'model borough boundaries' throughout the unorganized borough. Such 'model' boundaries were to be used as a frame of reference in the evaluation of future petitions. They were to be considered when existing organized boroughs seek to annex unorganized borough territory or when unorganized borough residents petition for borough incorporation.

The Commission and its staff provided by the Department of Community and Regional Affairs (DCRA) began planning the model borough boundary study in mid-1989. They focused first on the areas of the state for which borough annexation or incorporation petitions



were pending. The effort to determine specific boundaries began in earnest in 1990 and was completed by the end of 1992. Specific funding for the project had been appropriated by the Alaska legislature.

Because borough formation and annexation proposals are often very emotional issues in Alaska, the Commission's reason for pursuing the model borough boundary project was occasionally misunderstood. The purpose of the study was not to force the incorporation of new boroughs or to promote annexation to existing boroughs. Instead, the study was intended to enable the Commission and DCRA to be better prepared for future borough petitions through the information and public comment obtained in the study process. The study also encouraged communities in the unorganized borough to consider where future boundaries should be drawn, as well as give guidance to petitioners on the factors which go into borough incorporation decisions.

The Commission adopted two provisions in its regulations relating to model borough boundaries. Both provisions were adopted prior to the completion of the model borough boundaries project.

The first provision relates to the incorporation of new boroughs. 19 AAC



010.060(b) provides that, "*Absent a specific and persuasive showing to the contrary, the commission will not approve a proposed borough with boundaries extending beyond the model borough boundaries adopted by the commission.*"

[effective 10/12/91, register 120]

The second provision relates to borough annexation proposals. 19 AAC 010.190(c) provides, "*Absent a specific and persuasive showing to the contrary, the commission, in its discretion, will not approve a proposed borough or unified municipality with boundaries extending beyond the model borough boundaries adopted by the commission and identified in the 1992 Interim Report on Model Borough Boundaries.*" [effective 7/31/92, register 123]

The provisions in the regulation make it clear that the model borough boundaries are not rigid or unchangeable. Petitioners for borough incorporation or alteration of existing borough boundaries can successfully propose different boundaries if they make a specific and persuasive showing to the Commission why other boundaries are more appropriate.

STUDY PROCEDURES

The Commission began its study of each area by sending out an eight-page tabloid which explained the study and set out the questions the Commission expected to consider in its decision-making process. Each tabloid included a map on which recipients were requested to draw suggested boundaries. DCRA prepared and widely distributed a report of its

findings and recommendations for the area, and then the Commission held hearings in as many communities as resources allowed. At the completion of the project, hearings had been conducted by the Commission in 88 communities (either in person or by teleconference).

The study prompted residents and organizations throughout the state to articulate where they believed future boundaries should be set. Municipal governments and other public and pri-

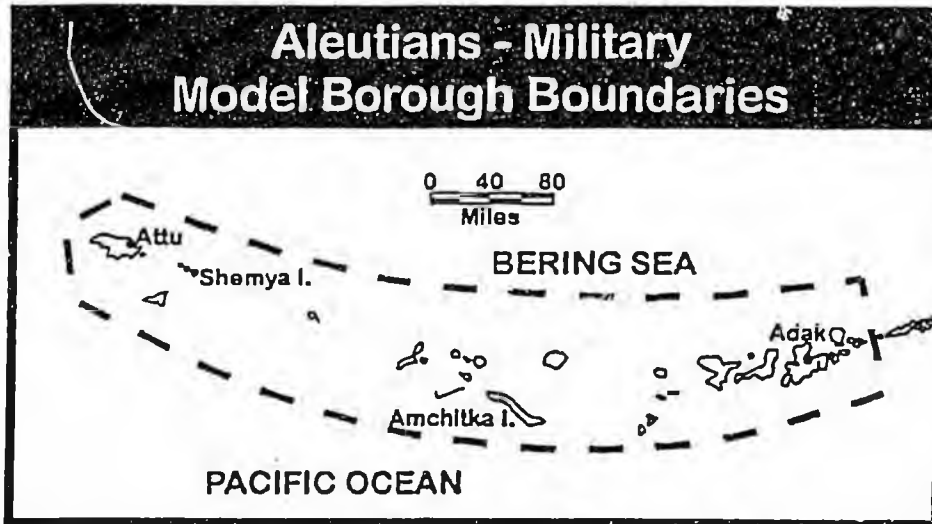
vate local and regional organizations helped execute the model boundaries project. Many hundreds of interested parties provided written comment or oral testimony.

Completion of the study renders the Commission and DCRA much better prepared to evaluate future petitions. A wealth of information and public comment was obtained in the study process.

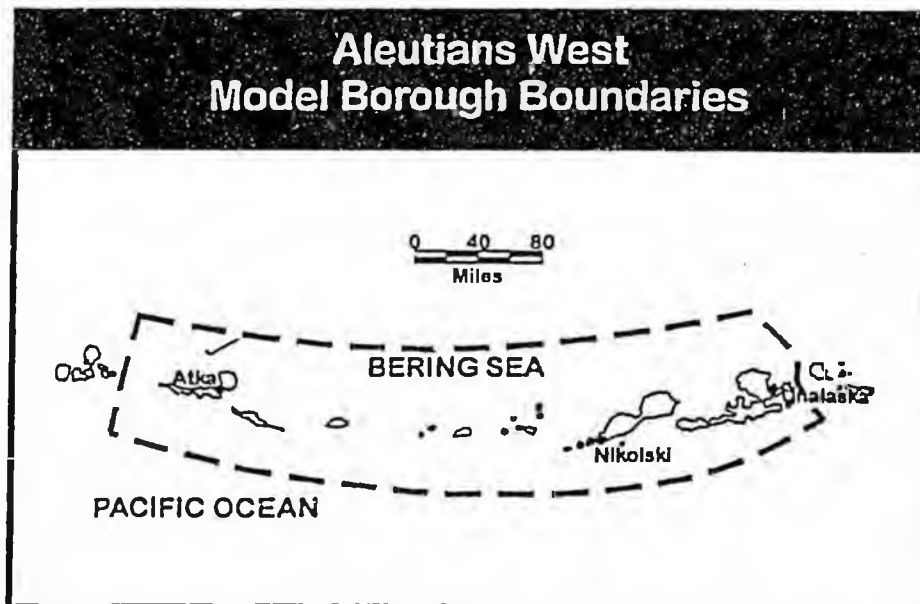
Maps and a brief discussion of model borough boundaries adopted by the Commission follow.

MODEL BOROUGH BOUNDARIES

Aleutians - Military Region. The Commission conducted a public hearing on model boundaries for this region by teleconference with Adak on October 21, 1992. On November 21, 1992, the Commission set model boundaries for the region extending from the mid-point of Fenimore Pass to the boundary of the State at the western end of the Aleutian Chain. The boundaries include the military settlements of Adak, Attu and Shemya. In 1990, the area had a population of 5,345.

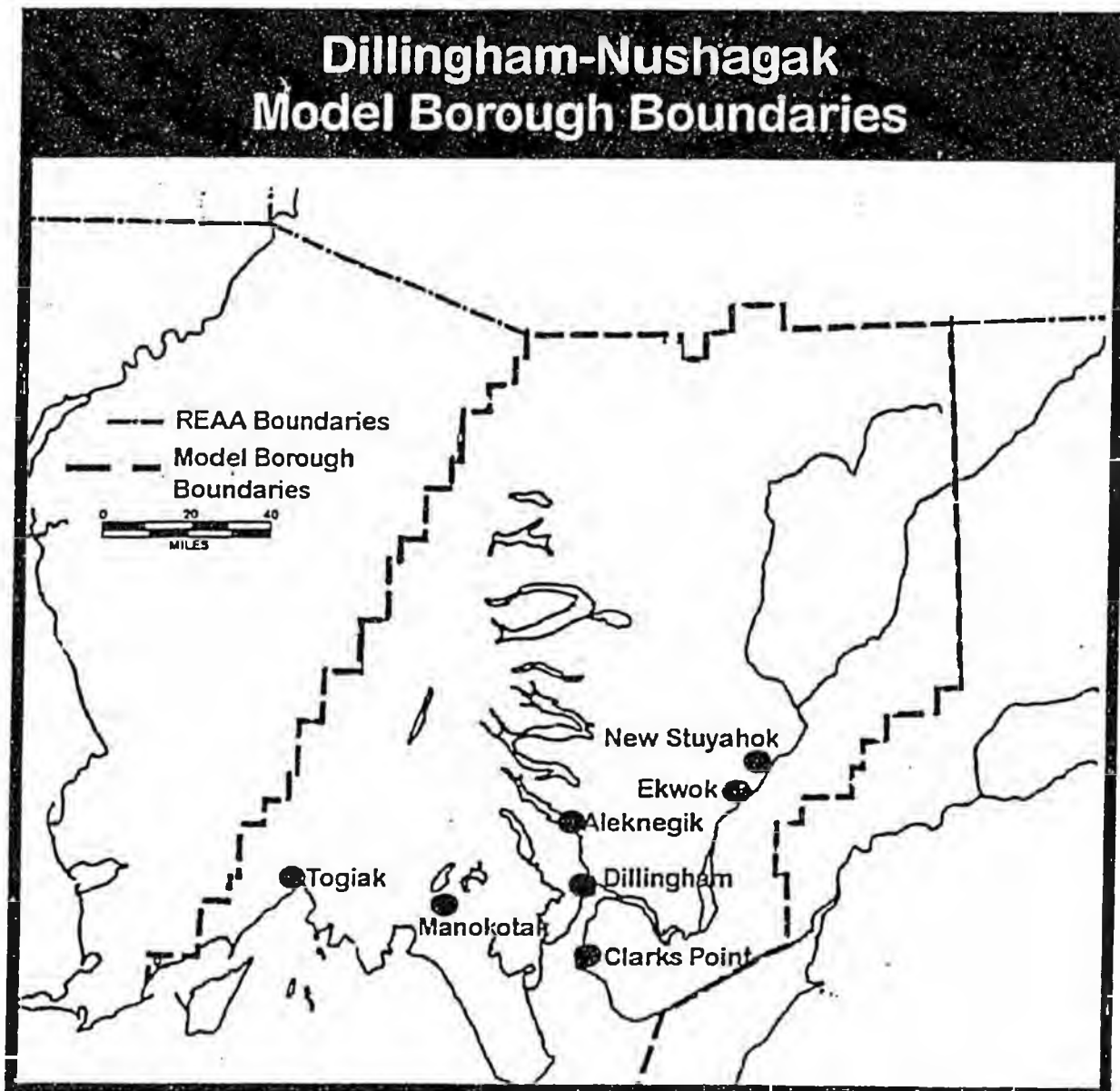


Aleutians West Region. The Commission received testimony on model boundaries in this region through public hearings with teleconference participation from Atka, Unalaska and Akutan on November 5, 1992. The Commission set model boundaries for the area on November 21, 1992. The boundaries extend from the western boundary of the Aleutians East Borough to the mid-point of Fenimore Pass, including Atka, Nikolski and Unalaska. In 1990, the area had a population of 3,232.

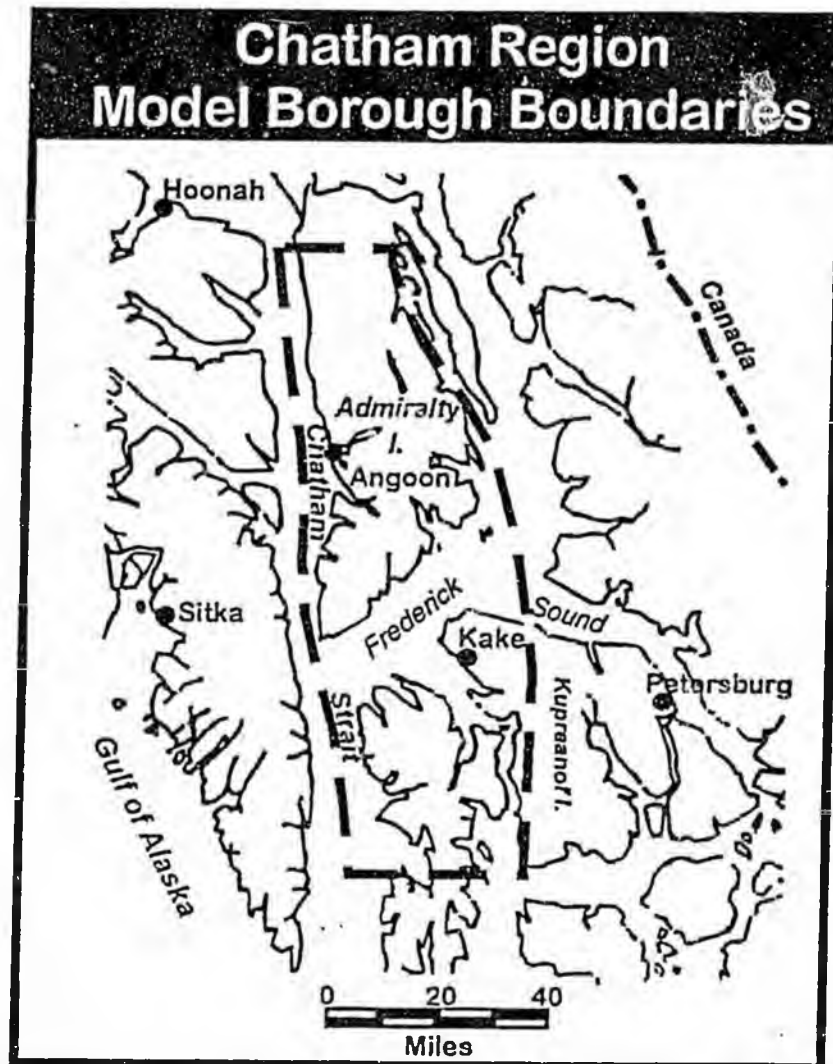


Bristol Bay Region. The Commission conducted public hearings on model borough boundaries for the region in Dillingham, Naknek and Togiak on November 23 & 24, 1992. Kokhanok, Pilot Point, Chignik, Levelock, Egegik, Newhalen, Nondalton and Chignik Lake participated in the November 24 Dillingham hearing by teleconference. Most of the comment and testimony at Naknek urged that Bristol Bay Borough boundaries be left unaltered. Testimony at Togiak suggested a local preference for a Northwest Bristol Bay unorganized borough. Testimony at Dillingham suggested that boundaries based upon existing Dillingham Census Area boundaries would be most appropriate.

On December 4, 1992, the Commission identified model boundaries encompassing the existing Dillingham Census Area. Dillingham, Aleknagik, Clark's Point, Ekuk, Ekwok, Koliganek, Manokotak, New Stuyahok, Portage Creek, Togiak and Twin Hills are included in the model boundaries.

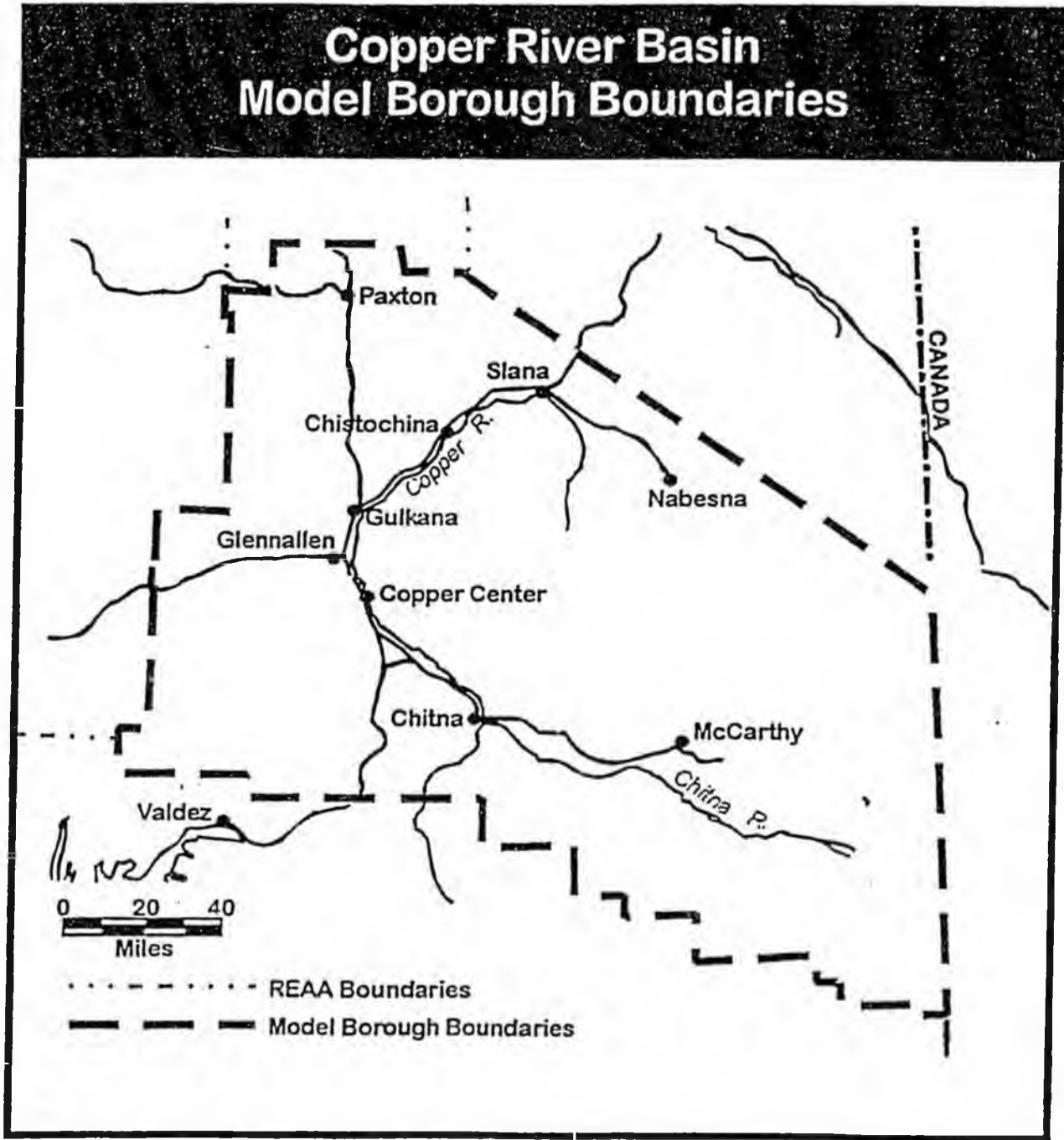


Chatham Region. In November 1990, the Commission conducted public hearings throughout the central portion of Southeast Alaska. Individuals in Gustavus, Haines, Skagway, Yakutat, Tenakee Springs, Pelican, Sitka, Elfin Cove, Port Alexander, Angoon, Hoonah, Kake and Cube Cove participated. On May 8, 1992, the Commission adopted model boundaries for the Chatham region encompassing Kake and Angoon. In 1990, the area had a population of 1,663.

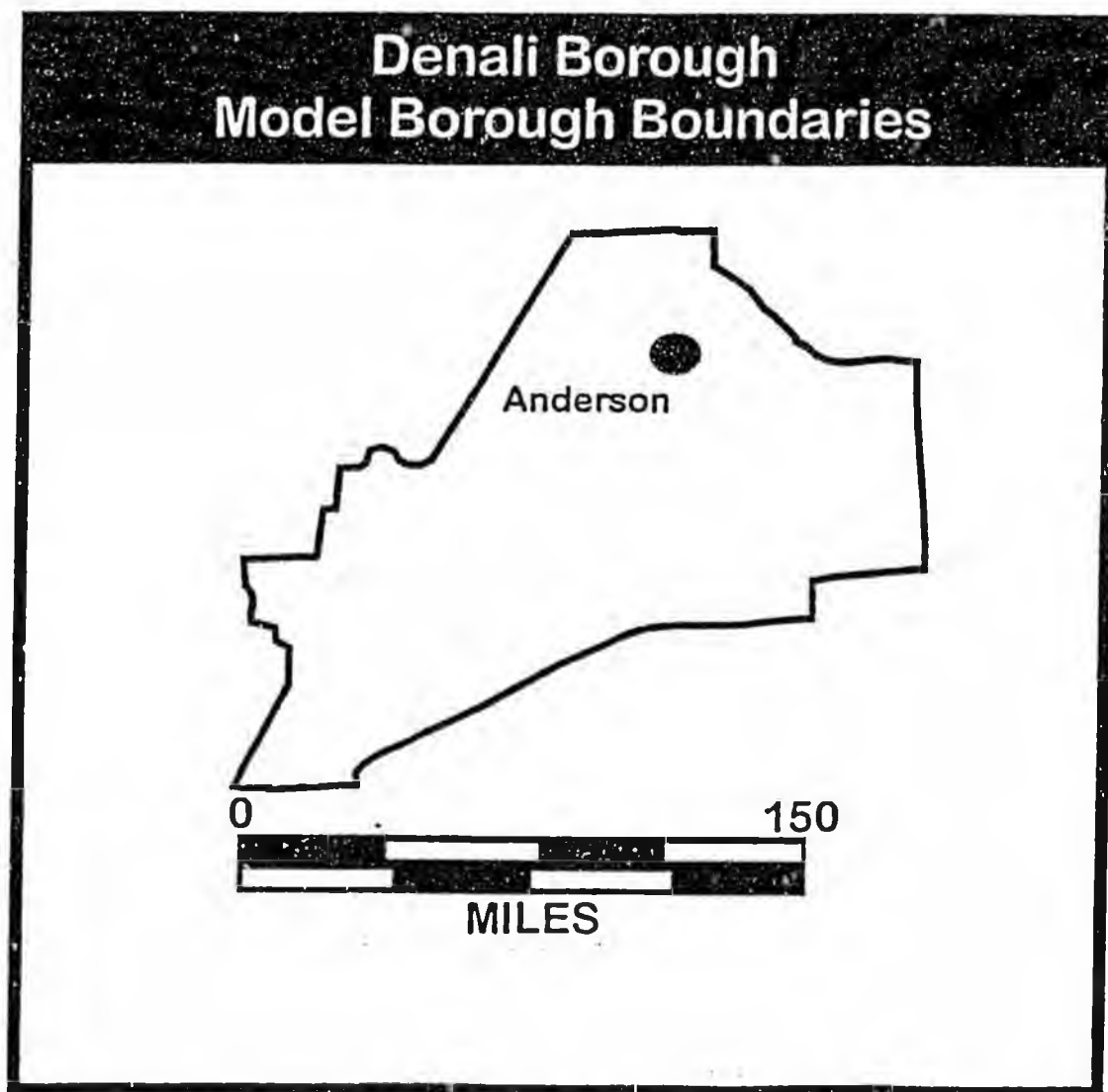


Copper River Basin Region. The Commission held a hearing on model boundaries in Glennallen on May 9, 1992. Additional information concerning the model boundaries for the Copper River Basin was provided to the Commission by residents of the region in June. On November 21, 1992, the Commission determined that the Copper Basin model borough boundaries should follow the boundaries of the Copper River REAA. Communities within the area include, Chistochina, Chitina, Copper Center, Gakona, Glennallen, Gulkana, Kenny Lake, McCarthy, Paxson, Slana, Tazlina and Tonsina. The area encompasses an estimated 20,649 square miles. In 1990, the area had a population of 2,638.

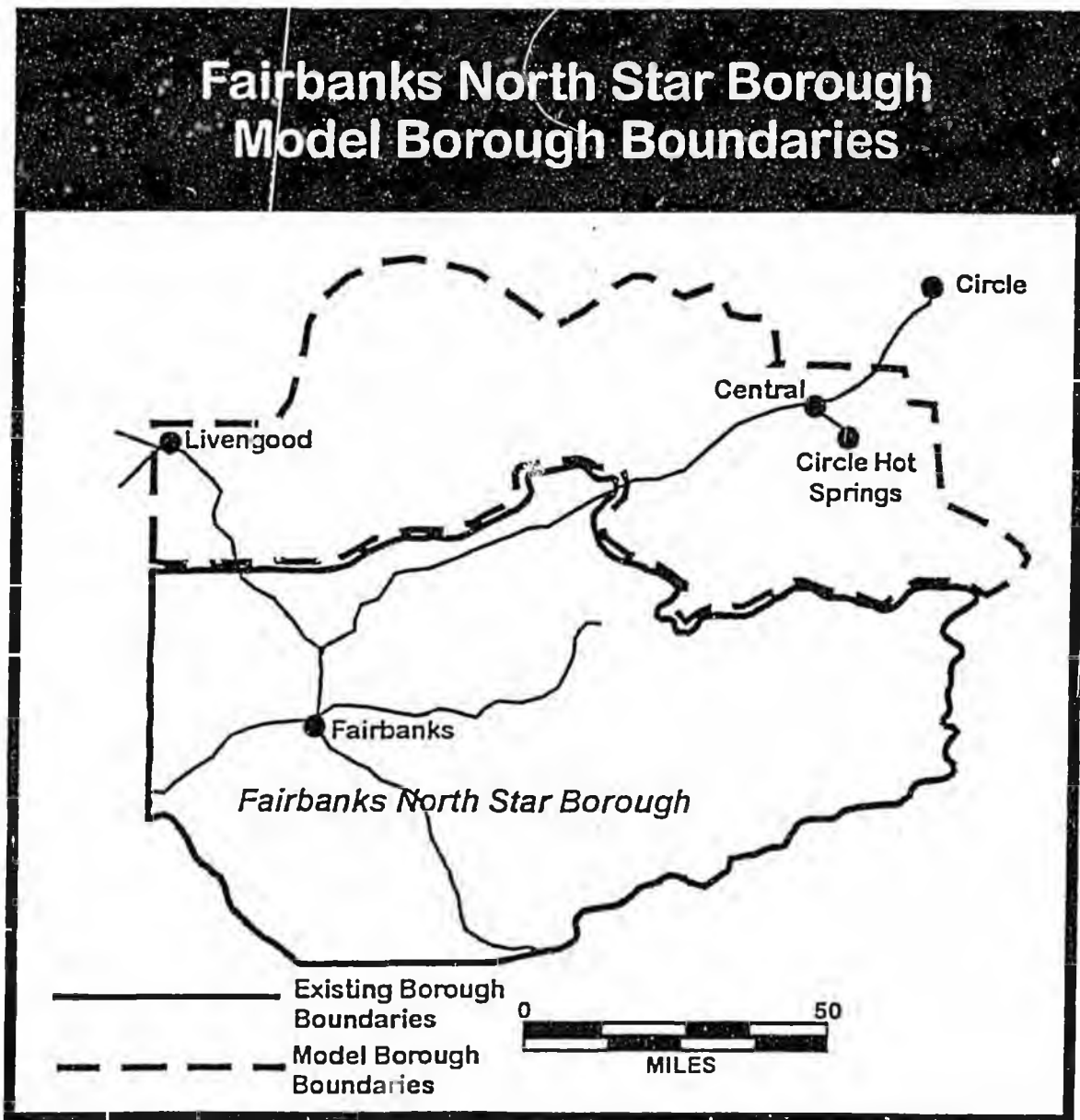
Copper River Basin Model Borough Boundaries



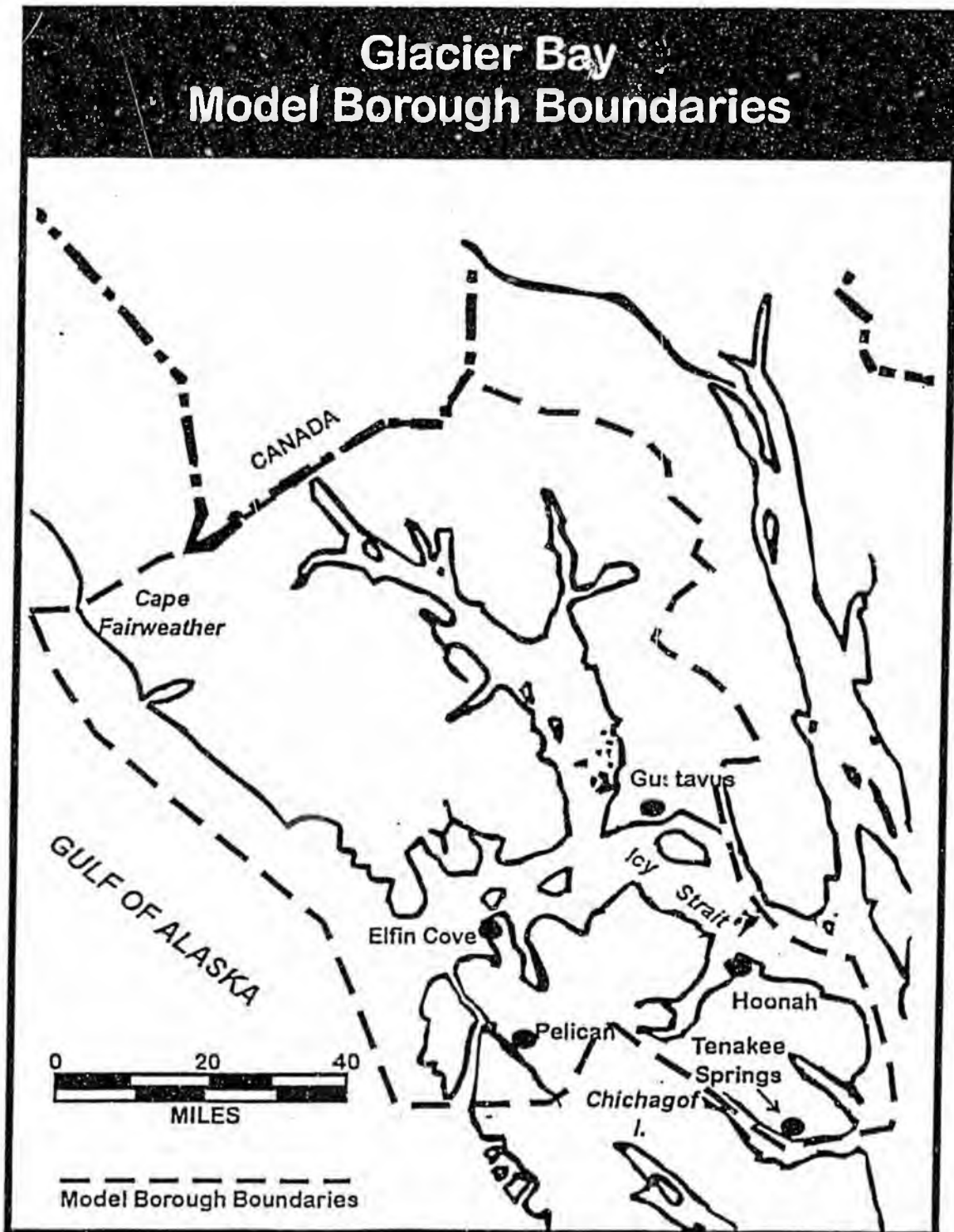
Denali Borough. The Commission conducted public hearings on model borough boundaries for the region in conjunction with hearings on the competing petitions for annexation of territory to the Matanuska-Susitna Borough, incorporation of the Denali Borough and incorporation of the Valleys Borough. Hearings were held in Palmer and Anderson on March 22, 1990. Three more hearings were held in McKinley Park, Fairbanks and Cantwell on March 23, 1990. Two additional hearings were held in Healy and Nenana on March 24, 1990. On April 21, 1990, the Commission held a decisional meeting on the boundaries and the petitions. The boundaries were defined to extend from the northern boundary of the Matanuska-Susitna Borough on the south and from the Delta-Greely Regional Educational Attendance area on the east. The area also takes in that portion of the Denali National Park and Preserve not located within the Matanuska-Susitna Borough. The boundaries border the Fairbanks North Star Borough on the northeast.



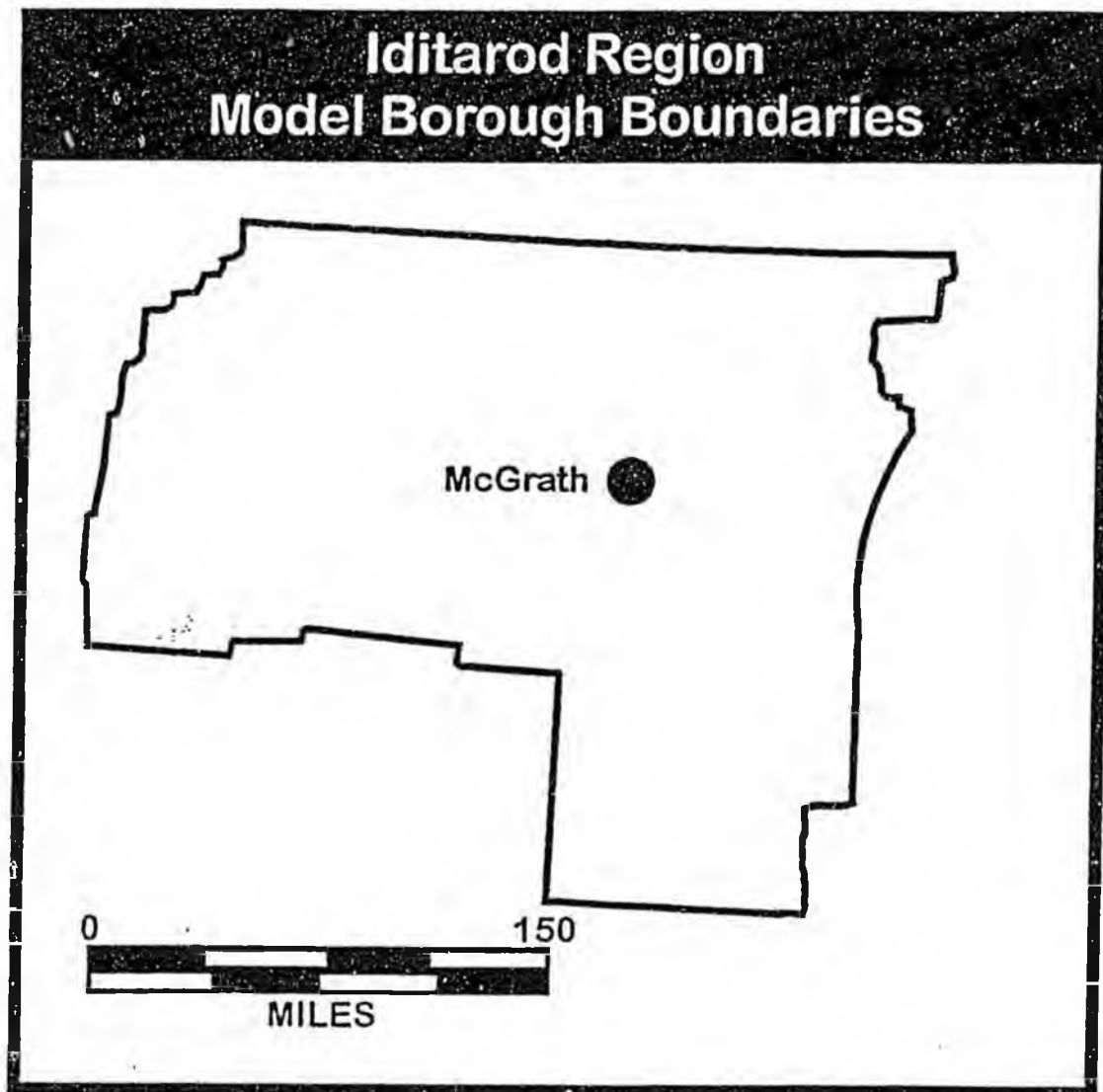
Fairbanks North Star Borough. The Commission conducted public hearings on model borough boundaries for the region in conjunction the petition for annexation of territory to the Fairbanks North Star Borough. Hearings were held in McGrath and Tanana, on May 18, 1990. Two additional hearings were held in Livengood and Fairbanks on May 19, 1990. Two more hearings were held in Fort Yukon and Central on May 20, 1990. On July 14, 1990, the Commission held a decisional meeting on the model boundaries and the petition. The model boundaries of the Fairbanks North Star Borough were defined to include the communities of Livengood, Central and Circle Hot Springs. The model boundaries also encompass the White Mountain National Recreation Area and the Stee le National Conservation Area. The model boundaries of the Fairbanks North Star Borough encompass and estimated 4,918 square miles not presently within the corporate boundaries of the Borough.



Glacier Bay Region. The Commission conducted hearings on model boundaries for this region in Hoonah, Pelican and Gustavus in January 1992. On May 8, 1992,, the Commission defined model borough boundaries for the region extending from Cape Fairweather to Chatham Strait. These model boundaries encompass Glacier Bay and the communities of Elfin Cove, Pelican, Hoonah, Gustavus and Tenakee Springs. In 1990, the region had a population of 1,858.



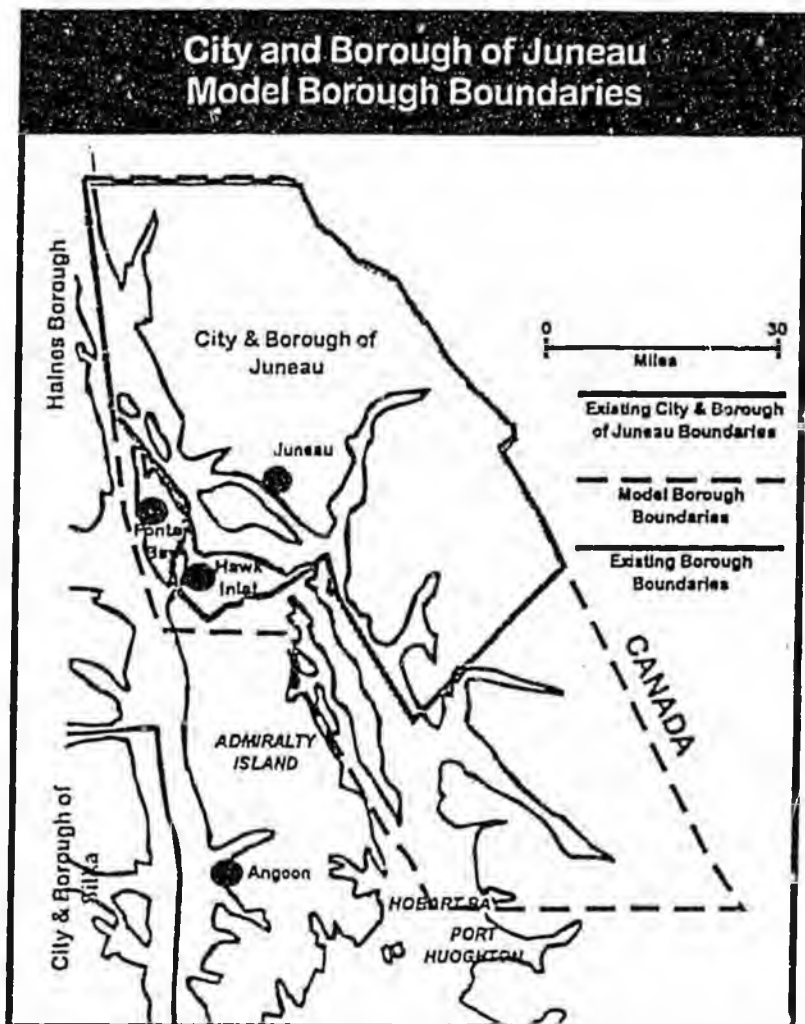
Iditarod Region. The Commission conducted a public hearing on model borough boundaries for the Iditarod region on May 8, 1990. The hearing was held in McGrath, with teleconference sites established in Nikolai and Shageluk. On November 10, 1990, the Commission defined the model borough boundaries for the region to follow the boundaries of the Iditarod Regional Educational Attendance Area, excluding the territory within the model boundaries of the proposed Denali Borough.



City and Borough of Juneau. The Commission conducted a hearing on the model boundaries for the City and Borough of Juneau in July, 1990, but delayed action on the boundaries pending testimony from residents of adjacent regions. In November of 1990, the Commission held model boundary hearings in Kake, Hoonah, Cube Cove, Angoon, Silka, Elfin Cove, Port Alexander, Pelican, Tenakee Springs, Haines, Skagway, Yakutat and Gustavus (due to weather conditions, the hearings were conducted by teleconference.)

In November, 1991, the Commission defined the model boundaries for the City and Borough of Juneau to include the Mansfield Peninsula, Glass Peninsula, and Seymour Canal areas of Admiralty Island. The model boundaries extend south along Stephens Passage to Hobart Bay on the mainland. From there, the boundaries run due east to the Alaska/Canada border. The boundary continues northward along the Alaska/Canada border following the existing boundaries of the City and Borough of Juneau.

The model borough boundaries take in about 2,400 square miles of land and water outside of the current boundaries of the City and Borough of Juneau. The area defined by the model borough boundaries had a 1990 population of 26,938 residents, all but 187 of whom lived within the established corporate limits of the City and Borough of Juneau.

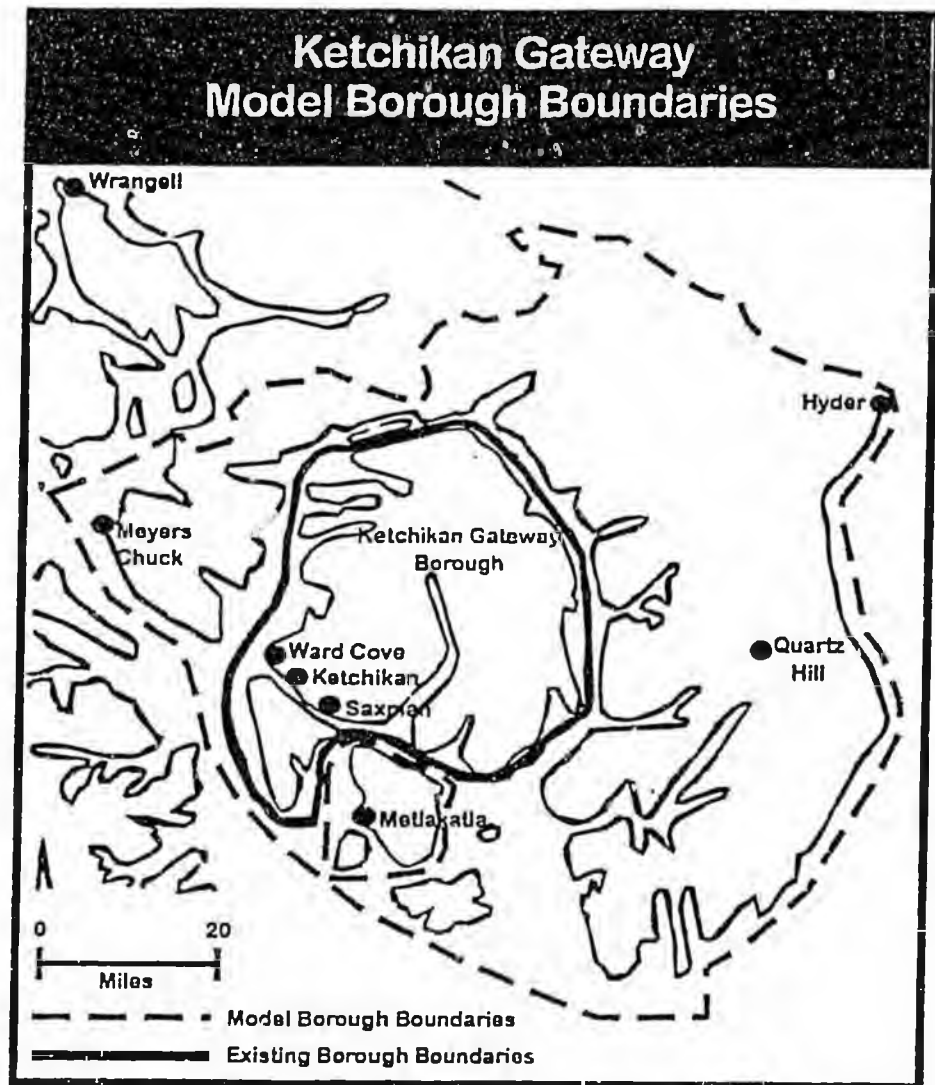


Ketchikan Gateway Borough. The Commission held a hearing on model boundaries for the Ketchikan region in September 1991. Residents of Meyers Chuck and Hyder participated by teleconference. Additional information concerning the model boundaries for the Ketchikan Gateway Borough was provided to the Commission in November of 1991.

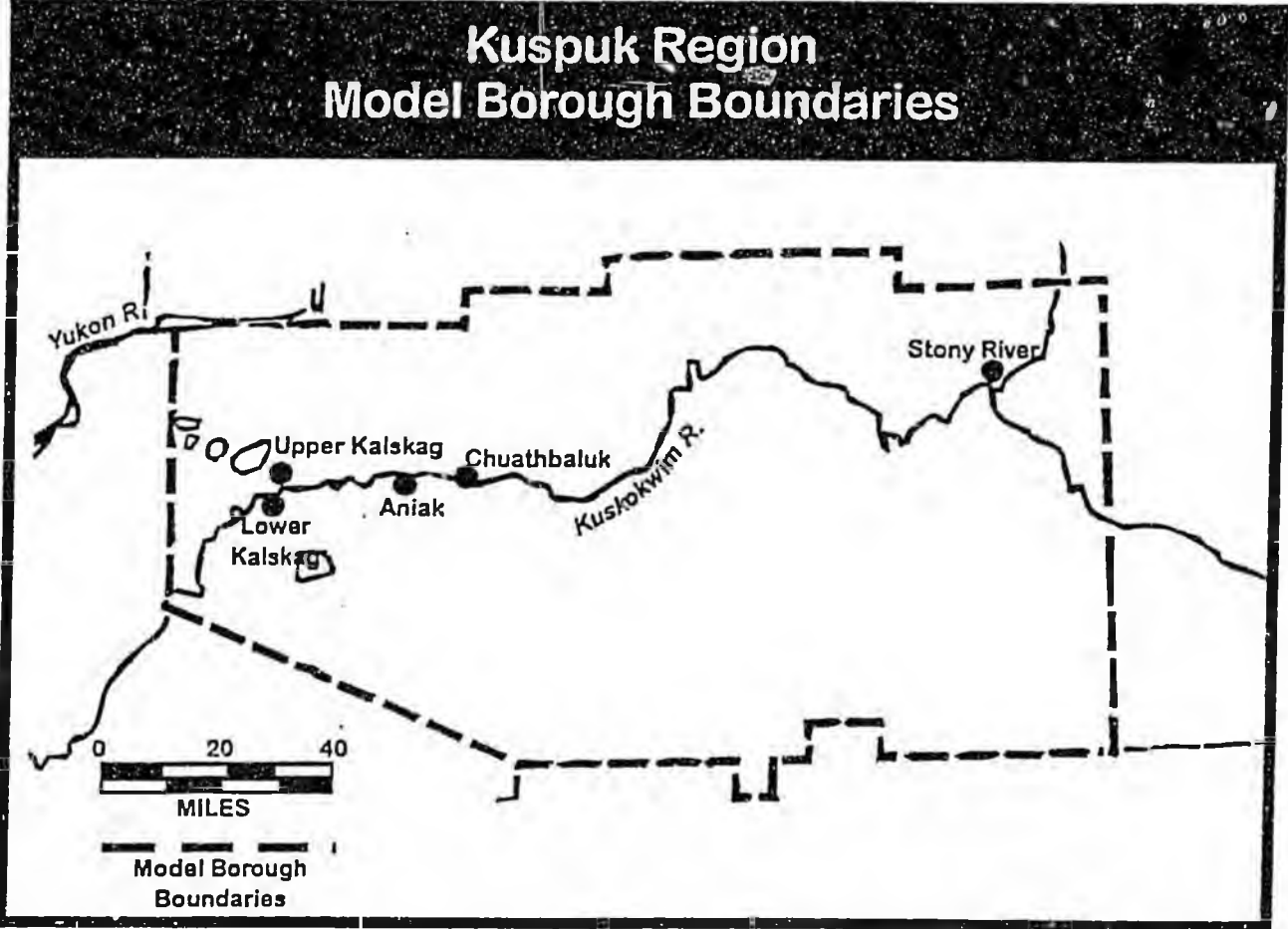
The model borough boundaries defined by the Commission for the Ketchikan area extend from the State's southern boundary along Clarence Strait to Ernest Sound. There, the boundary turns east, following the southern boundary of the Wrangell Ranger District and the northern boundary of the Misty Fjords National Monument to the Alaska/Canada border. From there, the model boundary line turns south along the Alaska/Canada border to the point of beginning. These model borough boundaries exclude the Annette Island Indian Reservation.

The area includes an estimated 7,300 square miles of land and water. Of that, approximately 1,744 square miles are already within the current corporate boundaries of the Ketchikan Gateway

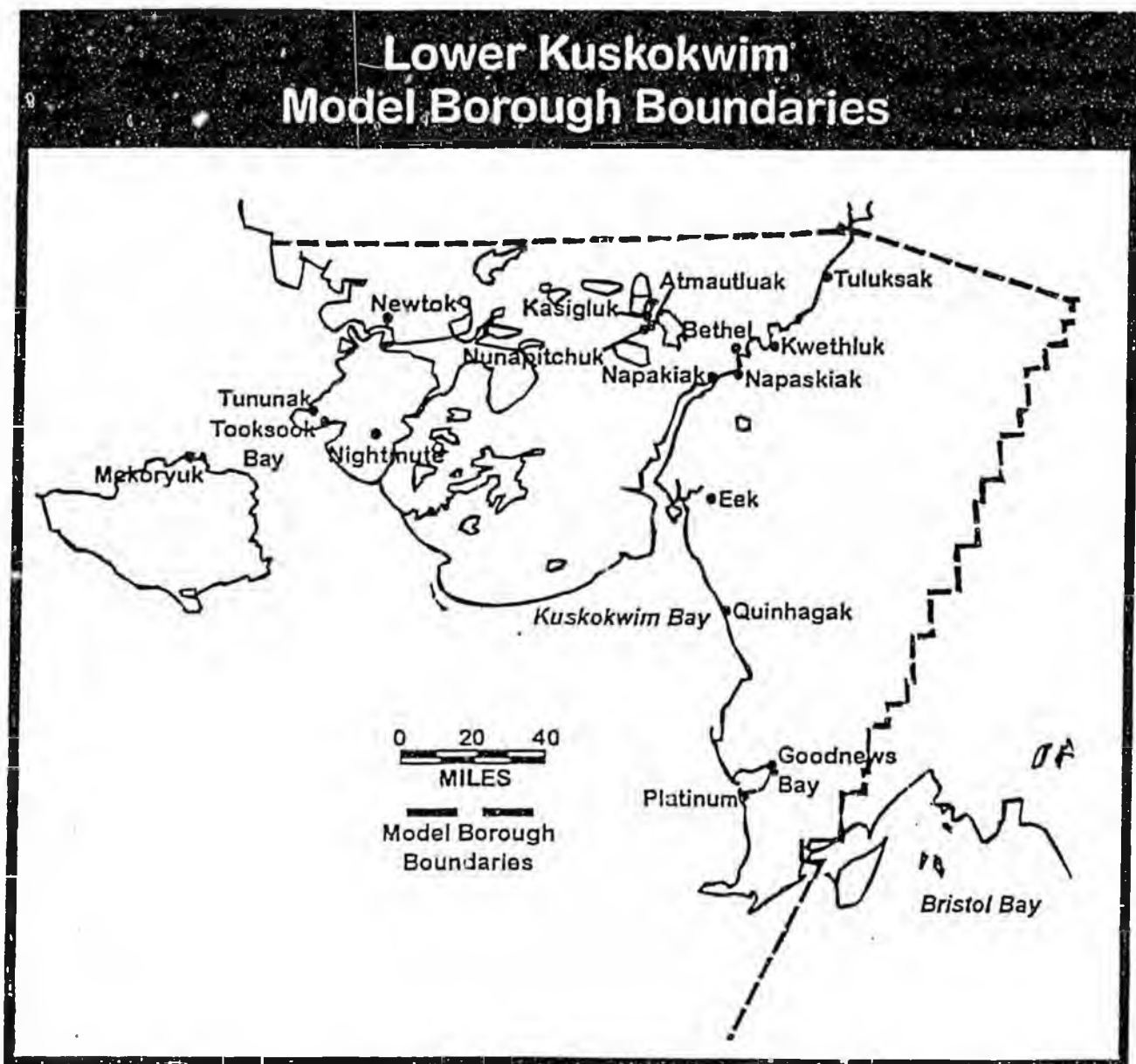
Borough. According to the 1990 Federal Census, the area defined by the model borough boundaries is inhabited by 13,985 people, all but 157 of whom live within the current borough boundaries.



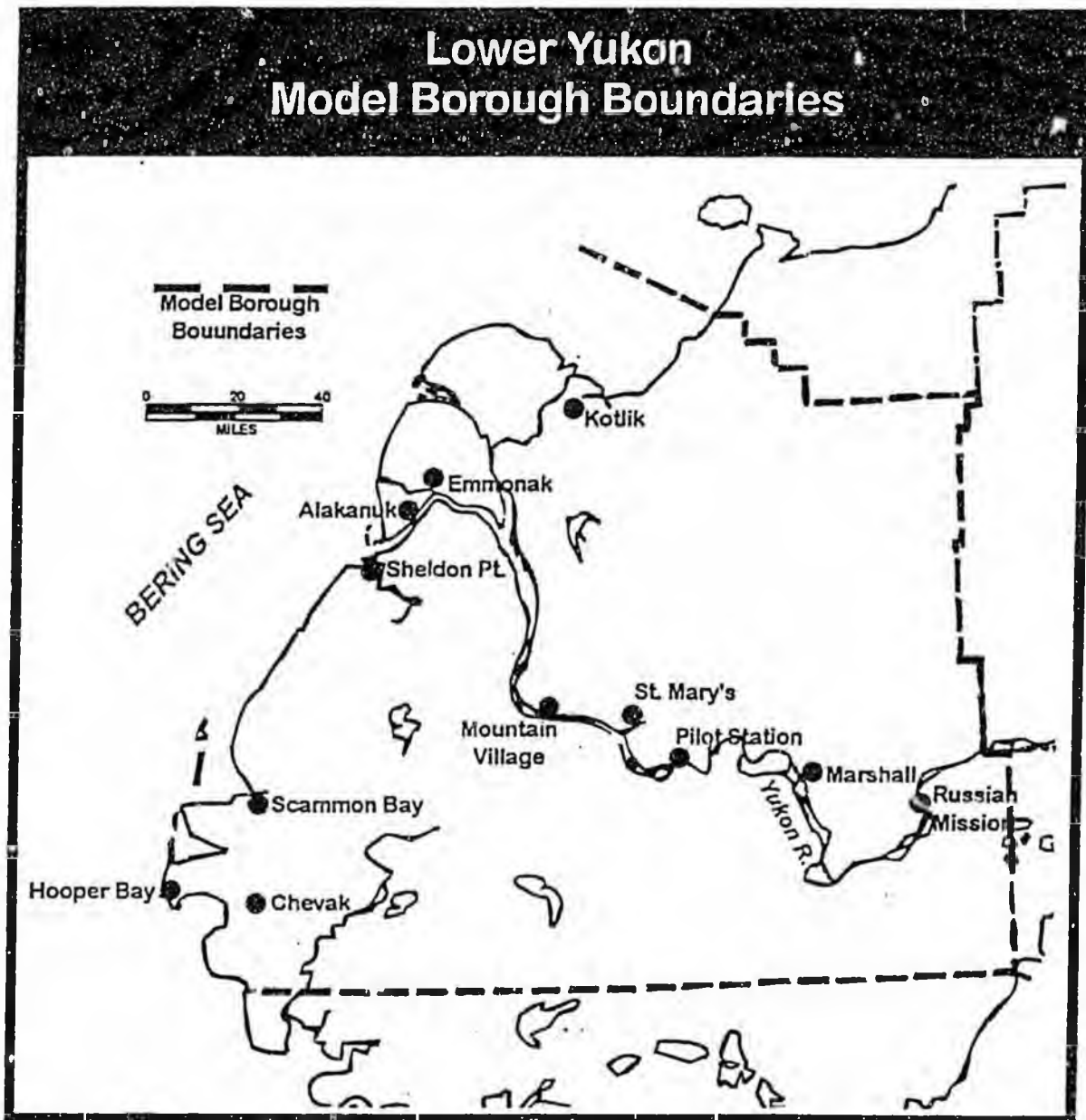
Kuspuk Region. The Commission conducted a public hearing on model borough boundaries for the Kuspuk region in Aniak on October 23, 1992. On November 21, 1992, the Local Boundary Commission set the Kuspuk region model boundaries to conform to those of the Kuspuk Regional Educational Attendance Area. The 1990 population for the region was 1,490 residents. Communities in the region consist of Aniak, Chuathbaluk, Crooked Creek, Sleetmute, Stony River, Upper Kalskag and Lower Kalskag.



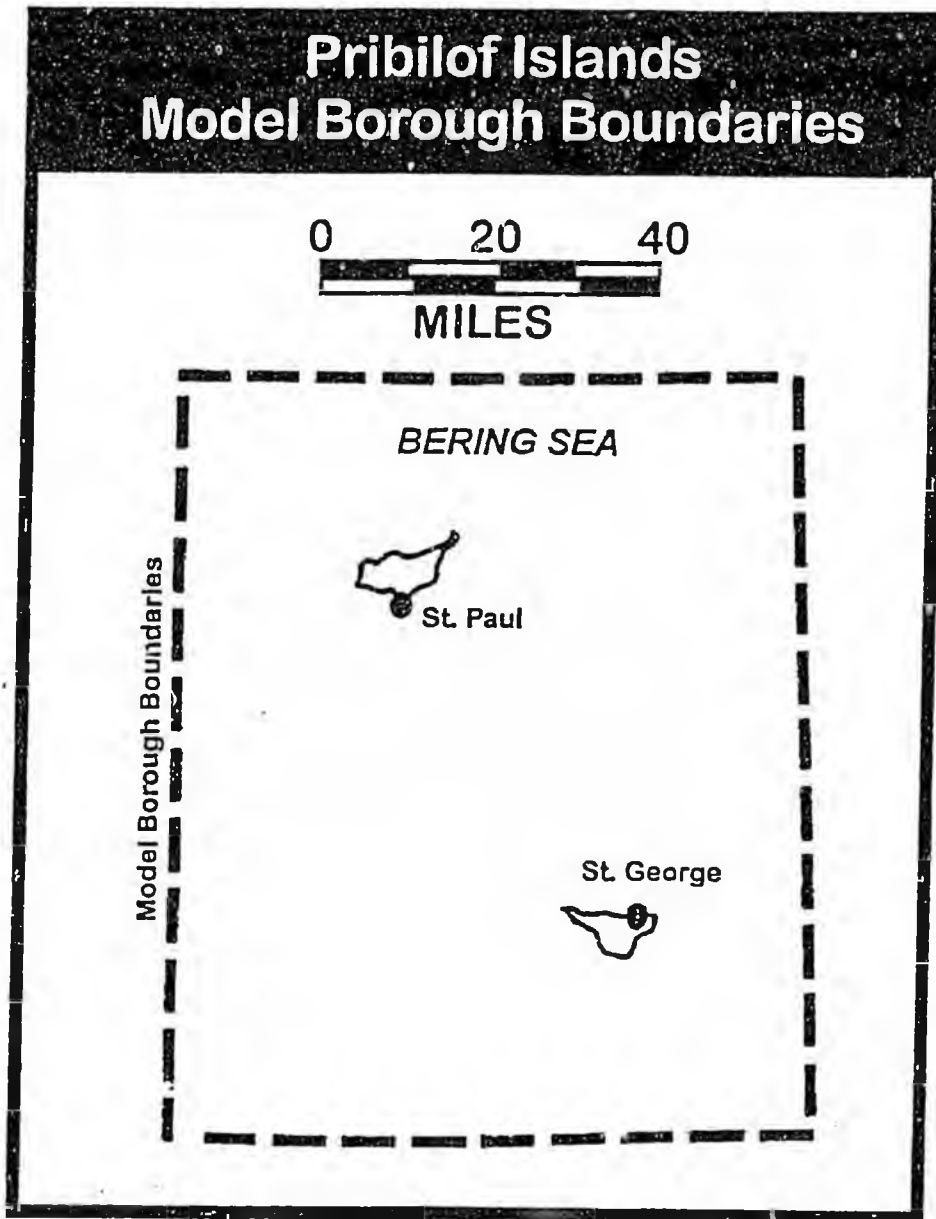
Lower Kuskokwim Region. The Commission held model borough boundary hearings concerning the Lower Kuskokwim region in Bethel on October 24, 1992. On November 21, 1992, the Local Boundary Commission set model borough boundaries for the region to conform to the boundaries of the Lower Kuskokwim Regional Educational Attendance Area (including the smaller Yupiit Regional Educational Attendance Area). The 1990 population of the region was 12,125. The region encompasses 25 communities including Akiachak, Akiak, Atmautluak, Bethel, Chefomak, Eek, Goodnews Bay, Kasigluk, Kipnuk, Kongiganak, Kwethluk, Kwigillingok, Mekoryuk, Napakiak, Napaskiak, Newtok, Nightmute, Nunapitchuk, Oscarville, Platinum, Quinhagak, Toksook Bay, Tuluksak, Tuntutuliak, and Tununak.



Lower Yukon Region. The Commission held model borough boundary hearings for the Lower Yukon region in St. Mary's on October 23, 1992. On November 21, 1992, the Commission set Lower Yukon model boundaries to conform to the Lower Yukon Regional Educational Attendance Area. The model borough boundaries include the smaller Kashunamiut Regional Educational Attendance Area and the St. Mary's City School District. The area also includes the communities of Alakanuk, Chevak, Emmonak, Hooper Bay, Kotlik, Marshall, Mountain Village, Pilot Station, Russian Mission, Scammon Bay, Sheldon Point and Pitka's Point. In 1990, the area's population totaled approximately 5,791.

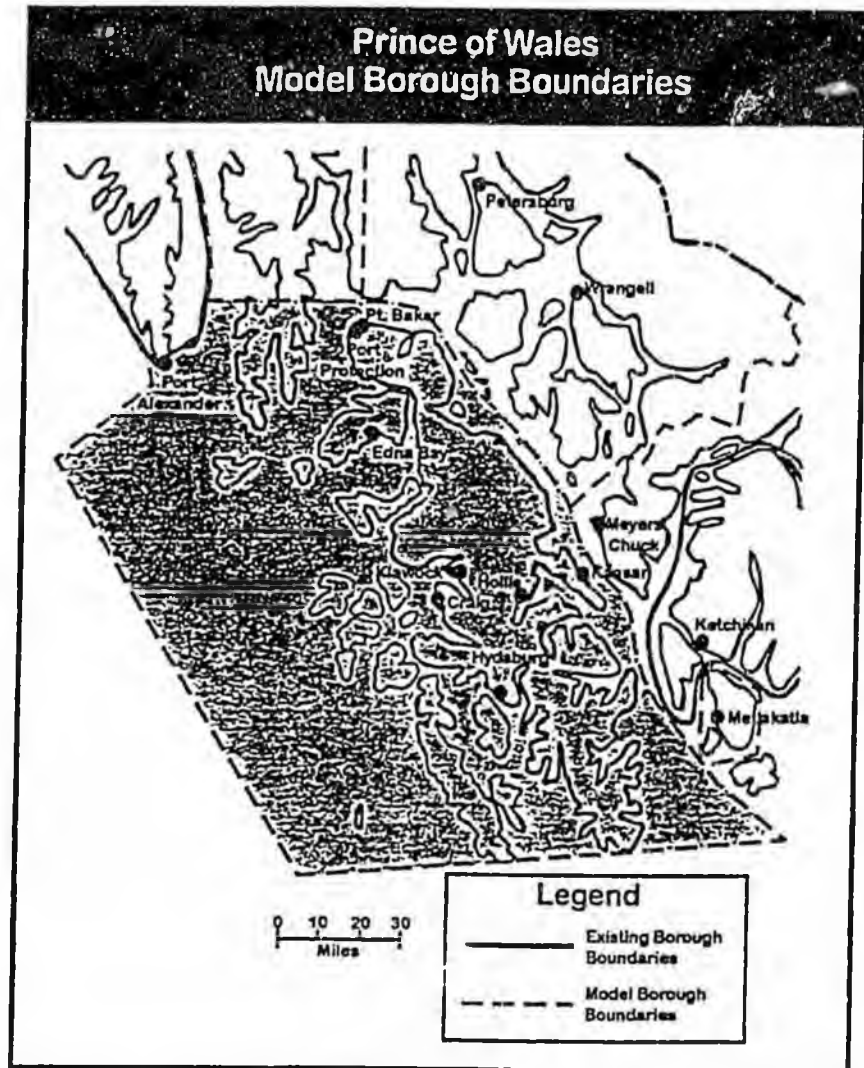


Pribilof Region. The Local Boundary Commission conducted a hearing on model borough boundaries for the Pribilof region on October 20, 1992. Testimony was received by teleconference from St. Paul and St. George. The Commission set model borough boundaries for the area on November 21, 1992. Those boundaries conform to the Pribilof Islands Regional Educational Attendance Area which encompass St. Paul and St. George. That area had a 1990 population of 901.

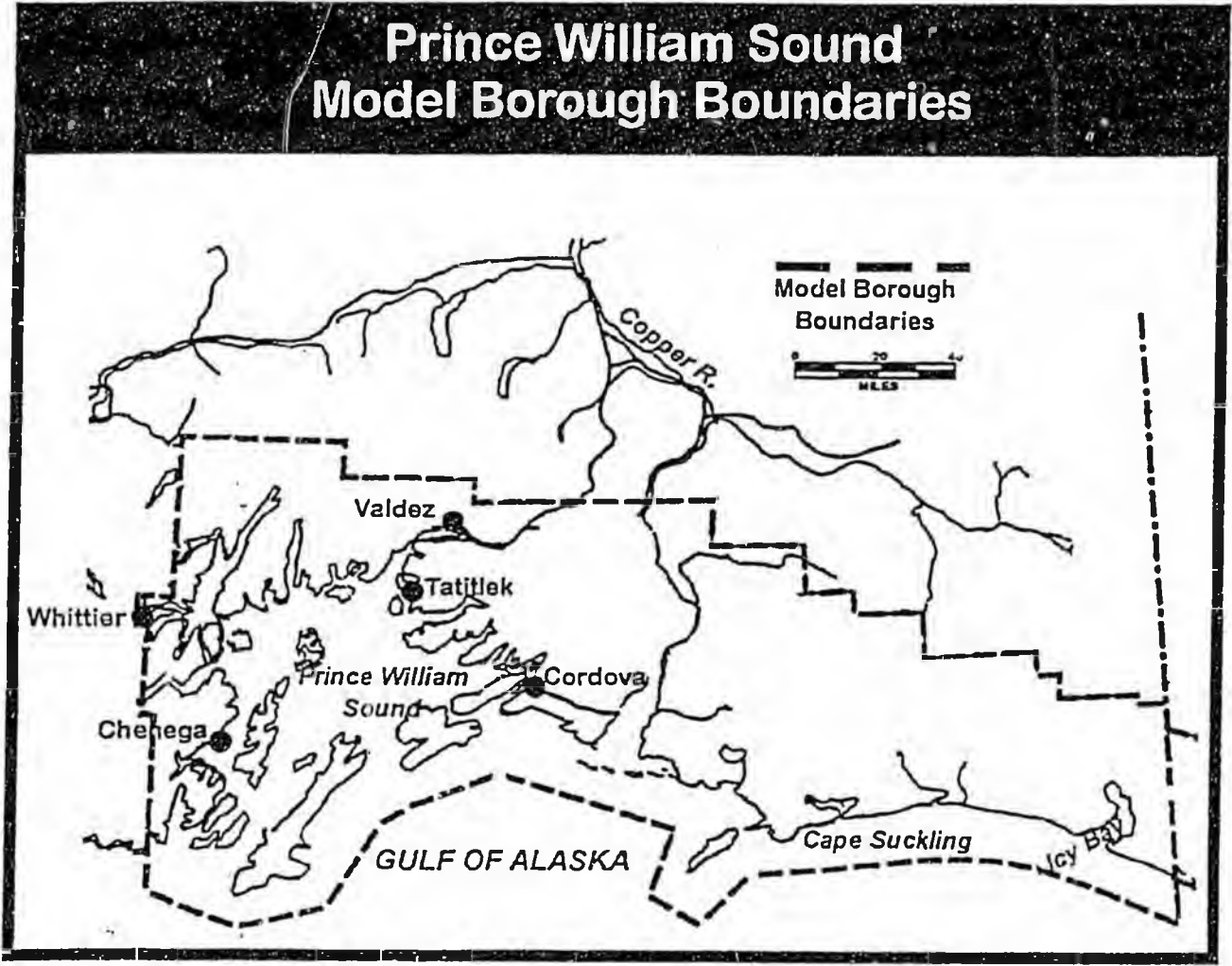


Prince of Wales Island Region. The Commission held its hearing on model borough boundaries for this region in Klawock in September 1991. Additional comments concerning model boundaries for this region were provided to the Commission in November of 1991.

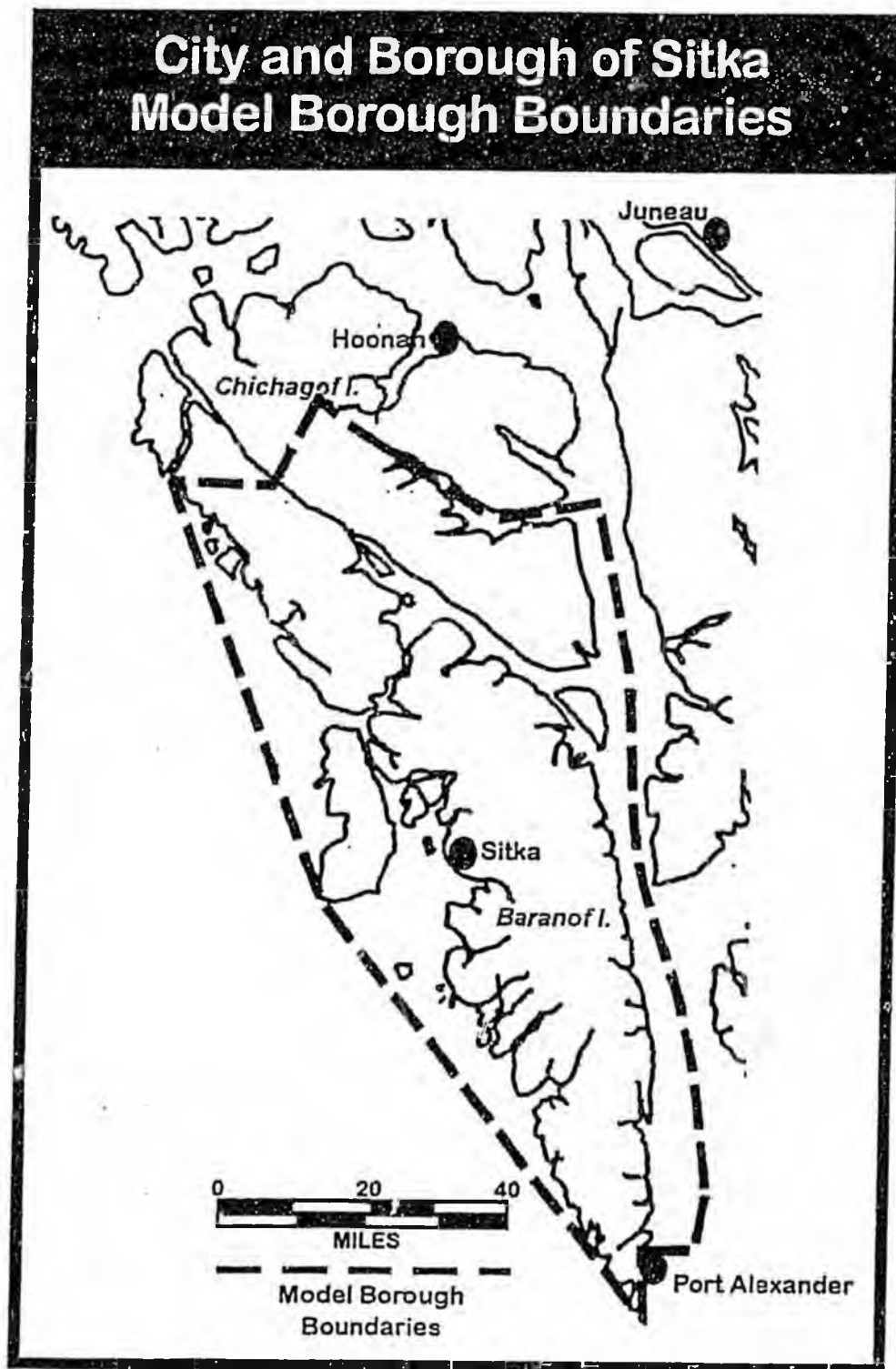
The Commission adopted model boundaries for this region to extend from the southern boundary of the State of Alaska along Clarence Strait and Sumner Strait to an area north of Point Baker (following the Wrangell Ranger District boundary). From there the boundary extends due west across Kuiu Island to the middle of Chatham Strait where it turns south, following the State boundary back to the point of beginning. These model boundaries encompass an estimated 8,200 square miles of land and water. This area is all part of the Southeast Island Regional Educational Attendance Area, and has 4,650+ residents.



Prince William Sound Region. The Commission conducted a public hearing on model borough boundaries for the Prince William Sound region in January 1992. On May 8, 1992, the Commission set model boundaries for the area to conform to the Chugach REAA, including Cordova City School District and the Valdez City School District. The region also includes the City of Whittier and the unincorporated communities of Chenega and Tatitlek. In 1990, the area had a population of 7,189.

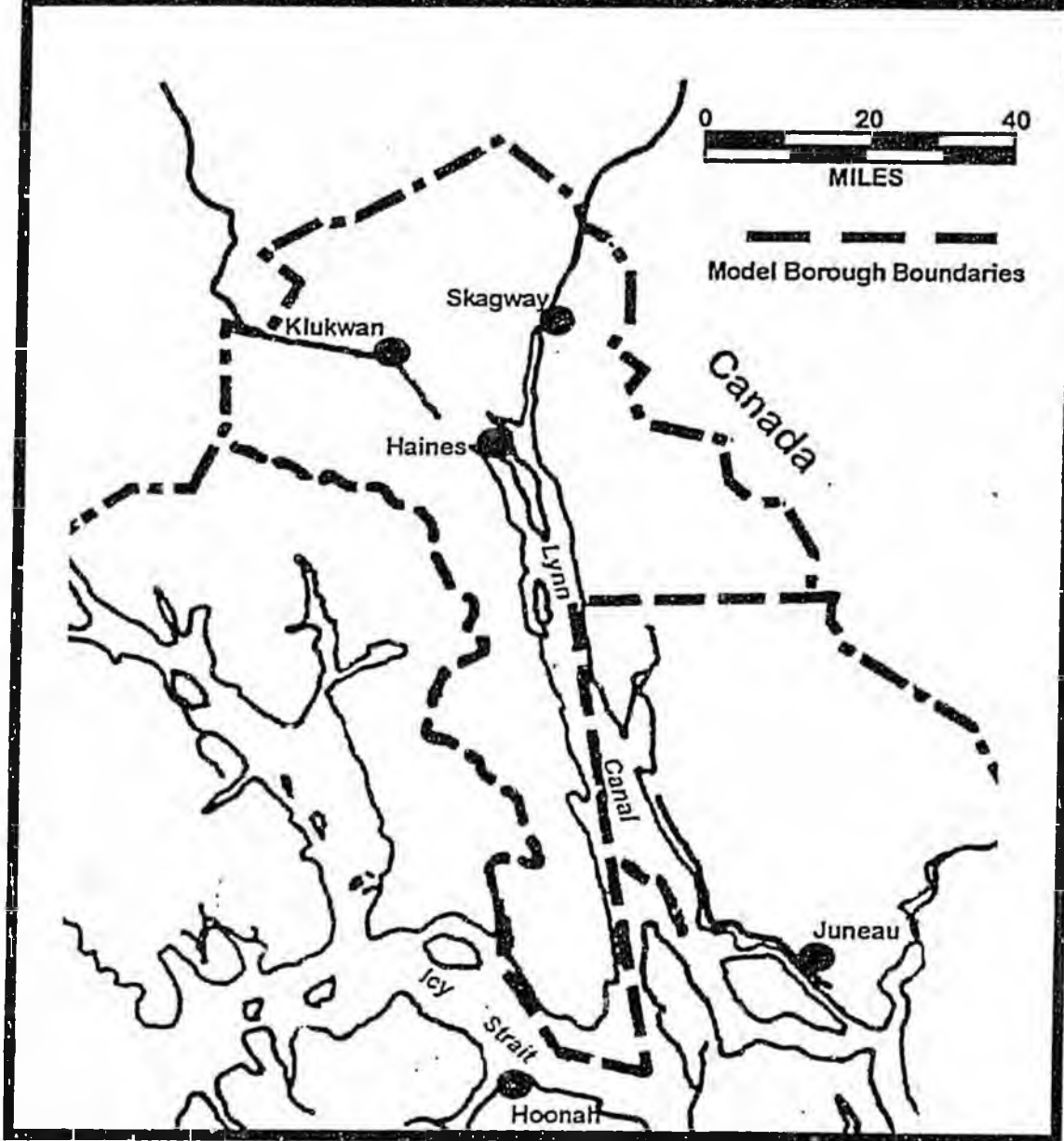


City and Borough of Sitka. The Commission conducted public hearings regarding model borough boundaries for the City and Borough of Sitka by teleconference in November 1990. On May 8, 1992, the Commission set model boundaries for the City and Borough of Sitka identical with its existing boundaries. That area encompasses an estimated 4,849 square miles. In 1990, the area had a population of 8,588.

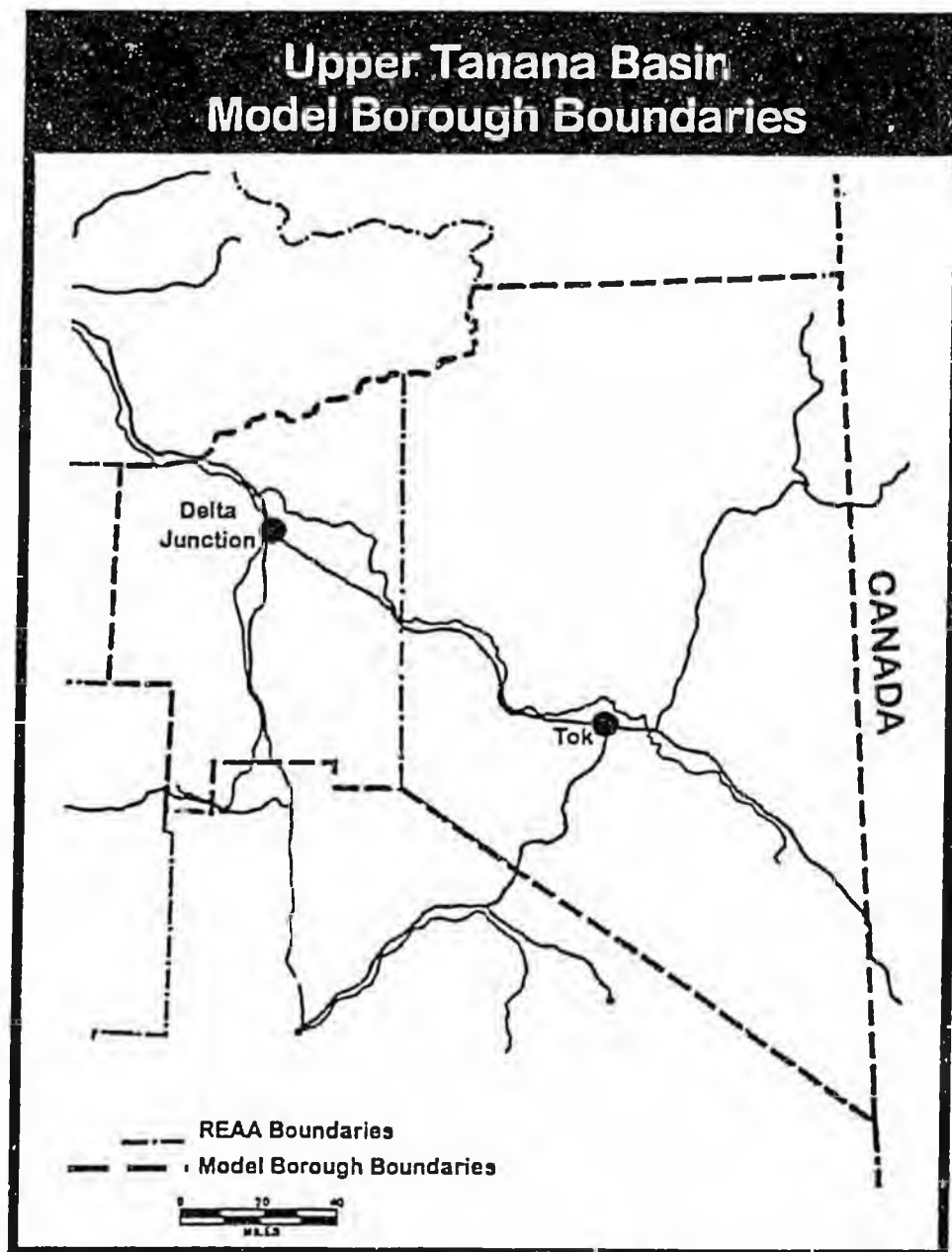


Upper Lynn Canal - Haines Borough Region. On May 8, 1992, the Commission set model borough boundaries for the upper Lynn Canal area. The model boundaries were defined to encompass the area within the present Haines Borough as well as the adjacent City of Skagway and the village of Klukwan. Klukwan is presently an enclave within the Haines Borough. In 1990, the area had a population of 2,938..

Upper Lynn Canal Region Model Borough Boundaries



Upper Tanana Basin Region. The Commission conducted hearings on model borough boundaries for the region in Delta Junction on May 8, 1992 and in Tok on May 9 and June 6, 1992. The Commission set model boundaries for the area on November 21, 1992. The Upper Tanana Basin model boundaries were defined to encompass both the Delta Greely and Alaska Gateway REAA areas. In 1990, the area had a population of 6,021. The model borough boundaries encompass an estimated 26,235 square miles. Communities within the region include two second class cities, the City of Delta Junction and the City of Eagle. Unincorporated communities in the area include Boundary, Chicken, Dot Lake, Dry Creek, the Native Village of Eagle, Fort Greely, Healy Lake, Mentasta Lake, Northway, Tanacross, Tetlin and Tok.

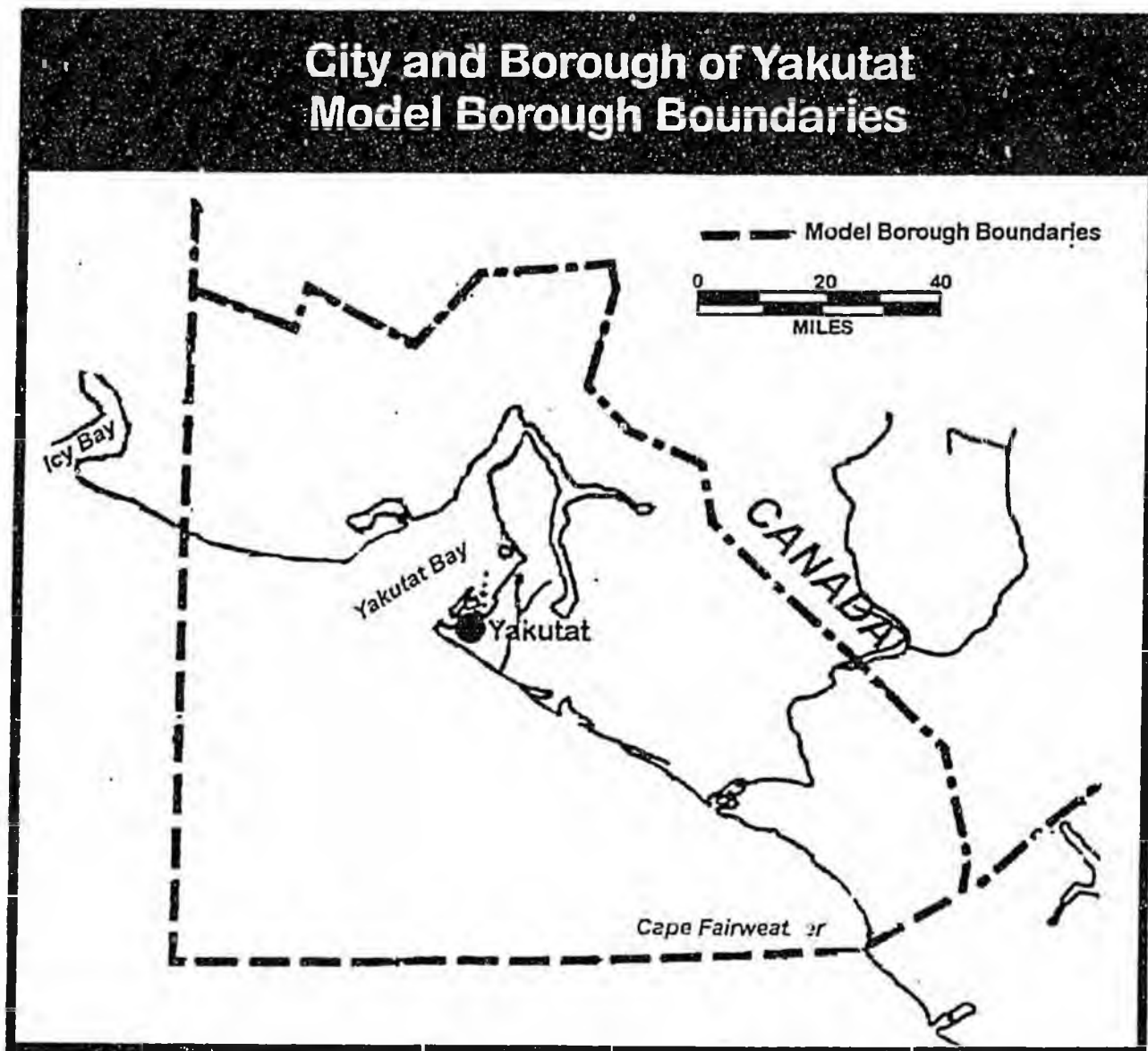


Wrangell/Petersburg Region. The Commission conducted hearings on model boundaries for the region in Wrangell and Petersburg in September 1991. After receiving additional comments in November, the Commission defined model borough boundaries for this region to follow the boundary of the Wrangell Ranger District along the Misty Fjords National Monument to Ernest Sound and along Clarence Strait and Sumner Strait to an area north of the community of Point Baker. From there, the model boundary runs due north to Hobart Bay then due east to the Alaska/Canada border. The boundary then turns south following the border to the point of beginning.

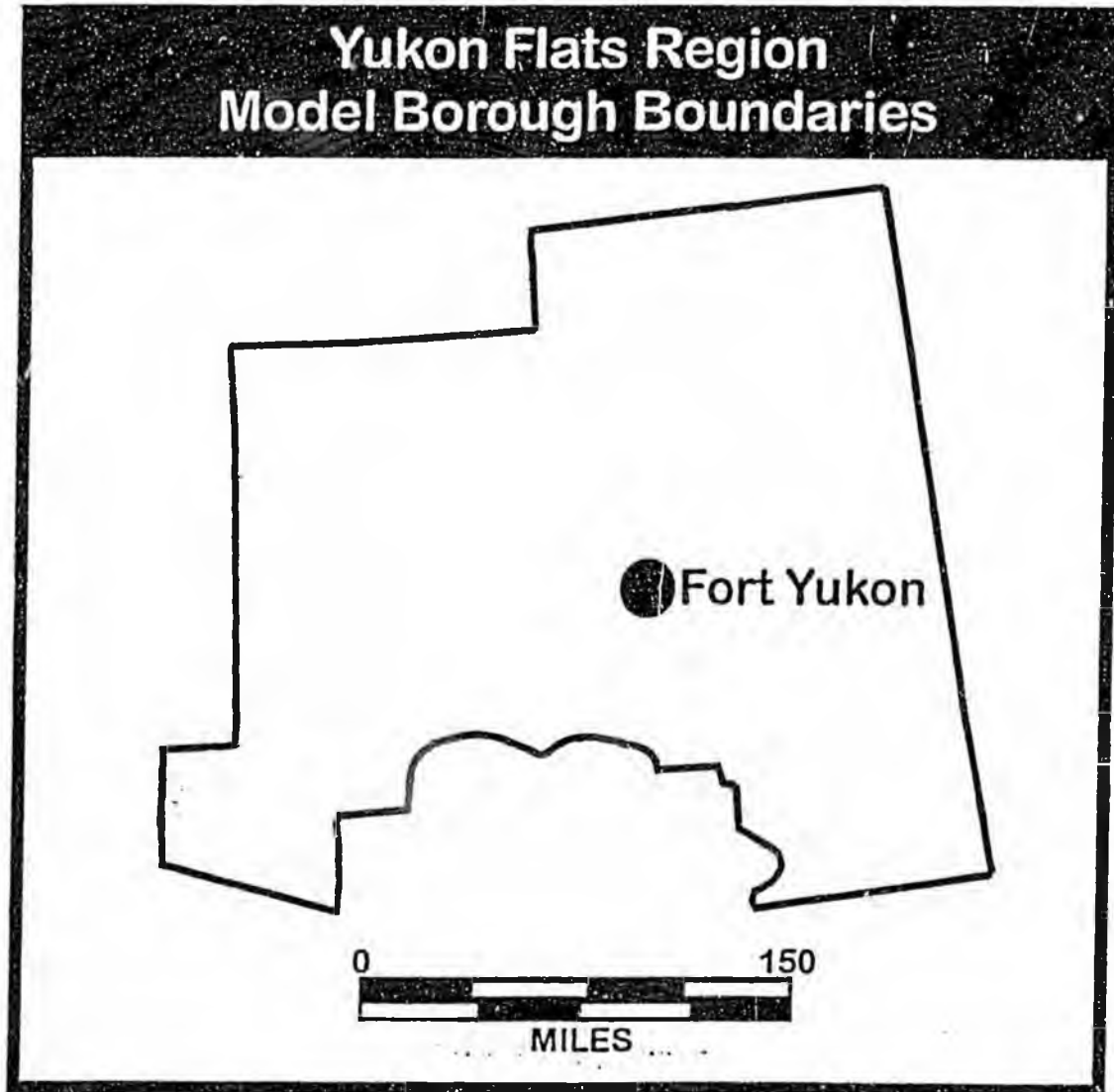
These model boundaries include an area of approximately 7,200 square miles of land and water. The 1990 population of the area was estimated to be approximately 6,000. The model boundaries encompass two complete school districts (Petersburg and Wrangell) and portions of two others (Southeast Island REAA and Chatham REAA).



Yakutat Borough. The Commission set model borough boundaries for the Yakutat region on May 8, 1992. The boundaries are identical to those approved by the Commission for incorporation of the City and Borough of Yakutat. The model boundaries encompass approximately 4,224 square miles with boundaries extending from the 141st Meridian to Cape Fairweather. In 1990, the area had a population of approximately 705.



Yukon Flats Region. The Commission conducted a public hearing on model borough boundaries for the Yukon Flats region on May 20, 1990. The hearing was held in Fort Yukon, with teleconference sites established in Rampart, Birch Creek, Beaver, Arctic Village, Venetie and Stevens Village. On November 10, 1990, the Commission defined the model borough boundaries for the region to follow the boundaries of the Yukon Flats Regional Educational Attendance Area with the exclusion of the territory in the model boundaries of the Fairbanks North Star Borough.



Yukon Koyukuk Region. The Commission conducted a public hearing on model borough boundaries for the Yukon-Koyukuk region on May 18, 1990. The hearing was held in Tanana, with teleconference sites established in Nenana, Ruby, Galena, Nulato, Manley Hot Springs, Kaltag, Hughes, Allakaket and Bettles. On November 10, 1990, the Commission defined the model borough boundaries for the region to follow the boundaries of the Yukon-Koyukuk Regional Educational Attendance Area, excluding the area within the model boundaries of the proposed Denali Borough.



APPENDIX

The following lists certain of the reasons why some believe that the provision of Article X, Section 3 of Alaska's Constitution requiring each borough to embrace an area and population with common interests to the maximum degree possible, applies to both organized and unorganized boroughs.

A direct reading of Article X, Section 3 is unambiguous in its application to unorganized boroughs. The provision states in relevant part, "The entire State shall be divided into boroughs, organized or unorganized. They shall be established in a manner and according to standards provided by law. . . Each borough shall embrace an area and population with common interests to the maximum degree possible. . ."

The Public Administration Service (PAS) expressed the view that unorganized boroughs had to conform to the borough boundary standards.³ On page 52 of its Local Government Under the Alaska Constitution (January 1959) the PAS notes that "*Returning then, to the question of the proper size and number of the initial unorganized boroughs, it would seem desirable to begin with a small number of very large boroughs. One possibility would be to begin with only four, which might correspond precisely or substantially to the four major senate districts. Since these districts were drawn primarily on the basis of the way in which the State is divided into natural 'socio-economic' areas, with drainage and other geographic factors such as mountain barriers being considered in setting the boundary lines, this division of the State might well provide a logical*

³ The PAS, a non-profit organization, was selected by the Alaska Statehood Committee to provide research and consulting services in conjunction with the efforts to develop Alaska's constitution. (See Alaska's Constitutional Convention, Victor Fisher, pages 18 - 21.) The PAS also provided consulting services to the First Alaska State Legislature in the implementation of Alaska's constitution.

basis for the differential treatment of local affairs which, as already indicated, the borough system permits. If experience showed the need for further differentiation, the large boroughs could be broken down into somewhat smaller ones. It is important to remember that it is always easier to subdivide a political area than it is to combine areas previously subdivided." (emphasis added).

The Executive Director of the Alaska Legislative Council held those same views. In a December 1, 1959 paper entitled Local Government and the State Constitution - Constitutional Intent, the John C. Doyle wrote that, "*Under the terms of the proposed article, all of Alaska would be subdivided into boroughs. Each would cover a geographic area with common economic, social, and political interests. Boundaries are to be established by the state. . . Three classes of boroughs might be sufficient, but the legislature is not limited to three. . . The unorganized borough would be the third class borough. . .*"⁴

Vic Fischer states on page 119 of

⁴ The paper was submitted to Representative Peter J. Kalamarides, Chairman of the Alaska Legislative Council with the following statement, "*Attached hereto you will find a report on the local government article of the State Constitution. The report is the one which was submitted by the Committee on Local Government to the Constitutional Convention (1955-56), but it has been revised to reflect the amendments and thinking of the Convention when the proposal was discussed and finally approved on the floor. The Committee's report and comments, and the transcript of the Convention's proceedings were used in preparing this revised report. . .*" At the time the report was submitted, two of the ten members of the Alaska Legislative Council had been delegates to the Constitutional Convention. These were Senator Frank Peratrovich, Vice Chairman of the Council, and Representative Warren A. Taylor.

Alaska's Constitutional Convention (University of Alaska Press 1975) that one of the initial principles set forth by the Convention's Committee on Local Government was that "Provision should be made for subdividing all Alaska into local units (boroughs) based on economic, geographic, social, and political factors; initially, not all need be organized."⁵

Thomas A. Morehouse and Victor Fischer wrote in Borough Government in Alaska under the heading "Organized and Unorganized Boroughs" that, "All of Alaska was to be subdivided into logical borough units. Depending on readiness and capability for government, these would be classified as organized or unorganized boroughs . . ."

Richard W. Garnett, III, wrote in a paper for the Institute of Social, Economic and Government Research that, "The local government article of the state constitution calls for the division of the state into boroughs, organized and unorganized. The language of the article presupposes plural unorganized units.⁶ The specific reference in Section 6 to 'maximum local participation and responsibility' in unorganized boroughs

indicates that manageable units encompassing communities of interest were contemplated for unorganized as well as organized boroughs. It is difficult to believe that the single unorganized borough that now exists complies with the intention expressed in the constitution."

The Local Boundary Commission expressed views consistent with this interpretation during its "Model Borough Boundary Study".⁷ For example, in the LBC's paper announcing the model borough boundary study for the Aleutian/Pribilof Islands Region, the LBC stated, "Clearly, the Unorganized Borough does not meet the requirement of Article X, Section 3 of the Alaska Constitution that, 'each borough embrace an area and population with common interests to the maximum degree possible.'" (August 1991, page A-2)

⁵ Vic Fischer was a Delegate to Alaska's Constitutional Convention and was also a member of the Convention's Committee on Local Government. He is widely regarded as an expert on Alaska's Constitution, particularly the local government article.

⁶ Equalization of Local Government Revenues in Alaska (ISEGR Occasional Papers, January 1973). Richard W. Garnett, III, is a former Assistant Attorney General for the State of Alaska. His remarks may have represented his personal views rather than those of the Department of Law.

⁷ The LBC and its DCRA staff began the Model Boundary study throughout the unorganized borough in mid-1989. The goal of the study was to "identify the best potential boundaries for future boroughs." The project was completed in 1992.

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

GOLDBELT PLACE
801 WEST 10TH STREET, SUITE 200
JUNEAU, ALASKA 99801-1894

(907) 465-2800
FAX (907) 465-4156

March 28, 1996

The Honorable John Torgerson
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

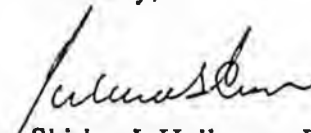
Dear Senator Torgerson:

This purpose of this letter is to correct the record established on SB 280 during the Senate Community and Regional Affairs committee meeting, March 13, 1996. It was estimated \$17.7 million in annual savings would result from the consolidation of approximately 20 school districts as boroughs are incrementally incorporated.

The information compiled by Ms. Deb Davidson, from your office, was researched from the Department of Education's June 1995 publication, "Summary of Alaska's Public School Districts' Report Cards to the Public, School Year 1993-94." The figure Ms. Davidson estimated was totaled by adding the costs of "school administration" listed in an appendix within the report. However, the figure does not reflect what was intended because the report includes in the "administration costs" category, the expenses of site management services, i.e. the costs associated with school principals.

Legislative Audit issued a report a few years ago which estimated cost savings, associated with school district consolidation in the unorganized borough, could range from 5.5% (the percentage referenced from a report conducted by the Institute of Social and Economic Research) to 8.5% (Legislative Audit's percentage associated with merging school districts.)¹ Using DOE FY 94 audit reports, this translates into a potential savings of \$3.36 million, at the low end, or \$5.19 million, the high estimate. These figures more accurately portray the cost savings rather than the \$17.7 million reflected in the committee minutes. School districts would be the recipients of the estimated cost savings, not the formula programs administered through DOE. Restructuring of the administrative unit would be necessary at the local level.

Sincerely,



Shirley J. Holloway, Ph. D.
Commissioner

Attachment

cc: Dr. Jim Elliott, Director of School Finance
Senate Community and Regional Affairs Committee Members

¹ Legislative Audit Report, Potential For Administrative Savings From School District Consolidation. May 11, 1992: p. 17.

REPORT CONCLUSIONS

Using the assumptions, approach, adjustments, and analysis discussed further in this section, we conservatively estimate that \$5.3 million could be saved in district administration costs from the consolidation of schools in the unorganized borough. Our estimates are based on FY 90 expenditures as presented in the audit reports of the various Regional Education Attendance Areas (REAs) and city school districts submitted to the Department of Education. Estimated savings also reflect the assumption that the State's foundation support and local tax effort would remain unchanged.⁸

These estimated savings represent just over 8.5% of the total district administration expenditures statewide. In terms of overall savings to the State the estimated \$5.3 million represents just over 1% of the total FY 90 Foundation Support of \$488 million. In general, our findings appear to be consistent with analysis reported by the Institute of Social and Economic Research (ISER).⁹ In a September 1991 report ISER researchers observed:

Overall, our analysis suggests that if two districts merge to create a new larger district, the combined school district can expect a savings of no more than about 5 percent of operating costs.

District administration savings of 5.5% used as starting place for statewide estimate

As discussed in the Objectives, Scope, and Methodology section, we used the recent formation of the Aleutians East Borough as a case study to evaluate the impact of consolidation on schools. The current superintendent of the new Aleutians East Borough School District (AEBSD) reported that in many respects, the consolidation of schools involved an optimum situation. The two major schools joining the borough district were previously city school districts, with relatively "lean" district administration costs.¹⁰ Compared to

⁸Under the assumption used in the estimates, model boroughs consisting entirely of REAs (such as the Delta/Greely, Alaska Gateway, and Copper River model borough) would not necessarily have any local taxing authority or be required to make a local contribution for school operations. Similarly, model boroughs made up entirely of incorporated communities (such as the Wrangell/Petersburg model borough) or by a combination of incorporated communities and REAs (such as the Calista model borough) would have the same taxing authority currently in place.

⁹ISER released a report in September 1991, funded by the Legislative Budget and Audit Committee entitled *Education Equity and Taxpayer Equity: A Review of the Alaska Public School Foundation Funding Program*. The report examined in great detail the recent trends in public school funding and spending for all three types of school districts operating in the State.

¹⁰For FY 90, when measured on per ADM basis, district administration expenditures for city school districts in unorganized boroughs were about half of that for REAs. An informed observer felt that this reflected the added accountability for city school districts, brought on by the required local tax effort.

REAs, city school districts generally incur less district administrative cost on a per student basis.¹¹

Almost \$5 million of the \$5.3 million estimated savings are based on comparisons

Each projected consolidation involves a different combination of REAs and city school districts. After calculating a 5.5% savings for projected consolidated districts, we also compared the projected average daily membership (ADM) (based on FY 90 reported figures) of the new district to ADM of existing districts. When we identified existing districts with roughly the same ADM, we then compared the projected administration costs of the district with the actual FY 90 costs for the comparable district. This comparison allowed us to assess the reasonableness of our estimated administrative cost savings.

Each projected hypothetical district involves a differing mixture of REAs and city school districts. Depending on the "mix" of districts in the district, the amount of administrative savings that may be possible fluctuates significantly. As reflected in the Schedule of Estimates beginning on page 24 the major part of the \$5.3 million in estimated savings are based on comparisons. As set out in the three following paragraphs, the comparisons in administrative costs of the three new "consolidated" districts and existing districts yielded more than 90% of the estimated savings. This illustrates the limitation of trying to extrapolate the experience of AEBSD on a statewide basis, although the final figure does appear to be consistent with other estimates.

Comparison method produced large projected savings for three new consolidated districts

The Calista Model Borough involves the most extensive, projected consolidation of current REAs and city school districts currently operating in the unorganized borough. Based on FY 90 figures, this new large model borough would have an ADM of more than 6,200. Based on FY 90 enrollment figures, this would make the Calista Borough the fifth largest district in the State, larger than the Juneau School District. The Fairbanks North Star Borough School District has administration expenses of \$5.5 million with more than twice the enrollment. Another comparison is provided by the North Slope Borough which in FY 90 had \$4.6 million in district administration expenses for an enrollment of less than 1,400. Based on these comparisons we conservatively estimated that district administration costs for the new borough would probably not exceed more than \$5 million. Using such a "ceiling" we projected savings of more than \$3.3 million for the schools covered in the projected new borough consolidation.

¹¹Based on FY 90 audited expenditures. REAs spent an average of \$1,400 in district administration per enrolled full-time student (technically referred to as average daily membership or ADM) while city school districts spent on average, just over \$1,000 per ADM. City school districts such as Petersburg and Wrangell with the relatively homogeneous and centrally located population had FY 90 administrative costs of \$265 per ADM and \$550 per ADM, respectively.

¹ Legislative Audit Report, Potential For Administrative Savings From School District Consolidation. May 11, 1991

Ranch House Lodge
Mile 173 Glenn Highway
HC-01 Box 1980
Glennallen, AK 99588

4-20-96

Jeanette James,

In regard to SB 280: -

I am a small business man here in
Glennallen. I see no need for a forced
borough being put upon rural residents.
We have only very limited services in
this area. If a borough ~~tax~~ were
initiated, ~~it~~ it would probably be designed
after a Metropolitan area plan. We would be
paying for all of the services that a Metro
area receives, and you can bet we would never
have any more services than we have now.
Thank you ahead for a NO vote on this matter!!

Sincerely,
Burt Ward

Burt Ward
HC-01 Box 1980
Mile 173 Glenn Highway
Glennallen, AK 99588

2 Update #1

Stayed 907 883 4601
G Lincoln 465-2652

APRIL 21, 1996

TOK AREA CS FOR HB 280 (fin)
LEGISLATIVE ACTION COMMITTEE
BOX 192
TOK, ALASKA 99780
FAX # (907) 883-4601

FAX TO: 465-2381
CHAIRMAN JEANETTE JAMES
HOUSE STATE AFFAIRS COMMITTEE
ROOM 102
CAPITAL BUILDING
JUNEAU, ALASKA

DEAR CHAIRMAN JAMES:

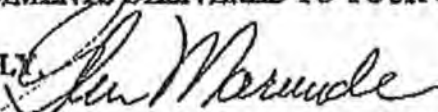
I HEREBY REQUEST THAT YOU RESCHEDULE YOUR COMMITTEE HEARINGS ON CS FOR S. B. # 280 FOR A LATER DATE.

THIS REQUEST STEMS FROM A MEETING HELD LAST NIGHT AT THE TOK CIVIC CENTER. THE MEETING WAS ATTENDED BY APPROXIMATELY 250 TOK AREA CITIZENS WHO WERE MADE AWARE OF THE SUBSTANCE OF SB280 FOR THE FIRST TIME. A REPRESENTATIVE FROM THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS WAS PRESENT TO HELP EXPLAIN THE BILL AND ITS AFFECT ON THE UNORGANIZED BOROUGH. WE WERE SURPRISED AT HOW FAST THIS BILL MOVED THRU THE SENATE AND IS NOW SCHEDULED FOR A HEARING IN YOUR COMMITTEE ON TUESDAY, APRIL 23RD.

I AM SURE THAT THE MEMBERS OF THE HOUSE STATE AFFAIRS COMMITTEE WOULD APPRECIATE THE THOUGHTFUL AND IMPORTANT COMMENTS AND OPINIONS OF THE PEOPLE WHO LIVE IN AN AREA MOST AFFECTED BY THIS BILL. BEFORE A COMMITTEE VOTE IS TAKEN.

WE ARE WORKING AS FAST AS POSSIBLE TO GET ADDITIONAL INFORMATION WE NEED TO FINALIZE OUR CITIZENS COMMENTS. BUT WE ONLY BECAME AWARE OF WHAT THIS BILL MEANS FOR US DURING THE MEETING SATURDAY EVENING. TODAY IS SUNDAY, LEAVING ONLY ONE DAY TO GET OUR COMMENTS DELIVERED TO YOUR COMMITTEE BY TUESDAY.

SINCERELY



GLEN MARUNDE, SB 280 LEGISLATIVE ACTION COMMITTEE



ADMINISTRATIVE & SUPPORT OFFICES
P.O. BOX 80210
4762 OLD AIRPORT WAY
FAIRBANKS, AK 99708

Glenn R. Olson
Superintendent

76432,2450@compuserve.com
(907) 474-9400
Fax 474-0657

April 17, 1996

Representative Jeannette James
State Capitol
Juneau, Alaska 99708

Dear Representative James:

Please do not support the formation of mandatory boroughs (SB 280) in rural Alaska. The current bill if enacted this session does not allow for sufficient analysis of the educational impact on Alaska's school children nor of its economic effect on the citizens and government of Alaska.

The 1992 Audit Report entitled, *Potential for Administrative Savings from School District Consolidation*, conducted by the Division of Legislative Audit points to a litany of reasons why mandatory borough formation is not in the best interests of Alaskans. Among the audits findings were:

- *The state general fund savings generated by consolidation would be relatively small. . .the relatively modest projected savings generated by consolidation would not appear to be enough to warrant extensive revamping of the state's existing education structure.*
- *Further, it is unclear to us. . .how a major consolidation of schools on a statewide basis is necessarily related to improved school performance.*
- *We suggest that a more definitive case for improvement in school performance must be made prior to undertaking any major school consolidation solely for that purpose.*

In comparing city and rural school district administrative costs, the auditors did not examine the school district administrative costs of city and/or borough school districts which are covered either wholly or in part by the city or borough government (e.g., computing services, clerical support, fiscal management, and facility, student and employee insurance). In most if not all city/borough school districts, administrative functions which REAAs must provide and pay for are handled and paid for by the city or borough government. Also not considered by the auditors was the vast expanse of REAAs and how this alone increases administrative costs in REAAs.

As for the claim that rural Alaskans don't contribute their fair share to the funding of schools, please keep in mind two facts:

- 1) The state withholds 90% of eligible impact aid money from REAAs. This is money generated in lieu of local property tax and is local support for schools! It is also a higher per student contribution to schools than that provided by most if not all urban property taxpayers. Furthermore, increasing the deduct simply harms the poorest children in the state.
- 2) *The wealth of Alaska is derived from rural Alaska. There are no oil wells in Anchorage or Fairbanks.*

I implore you to stop this bill from being passed into law. Before you dismantle Alaska's present educational system, please take the time to study and understand the total impact on the children and economy of our great state.

As Americans, I ask that you support the premise upon which our school system is based -- local control of schools. To again form enormous school districts in Alaska with only token local control is a step backward. This was tried before and proven a dramatic failure. While today's rural school districts aren't perfect, they are a vast improvement over yesterday's bureaucratic system.

What will be the cost to all Alaskans be if boroughs are mandated which do not have the wealth necessary to support themselves? Rural Alaskans predominantly live a subsistence lifestyle. Where are they to come up with the 6 mils to support a borough government? Is a system of bankrupt boroughs really in the best interest of all Alaskans? What is the overall cost to the state if mandatory boroughs are formed and the state loses revenue it currently receives? What is the impact of mandatory borough formation on Alaska's children and Alaska's future?

Please take the time to answer all the myriad of questions surrounding the formation of mandatory boroughs before acting. To act in haste is not in the interest of anyone's constituents, be they urban or rural.

Thank you for your thoughtful consideration.

Sincerely,



Glenn R. Olson, Superintendent

cc: Governor Tony Knowles
Senator Georgianna Lincoln
Representative Irene Nicholia
YKSD Regional School Board Members
YKSD Community School Committee Members
YKSD Community Mayors
YKSD Village Chiefs
YKSD Principals

FAX
445 - 2278
2387

RECEIVED BY
APR 11 1995
Rep. Jeannette James

PO Box 228
Healy, Alaska 99743
April 1, 1996

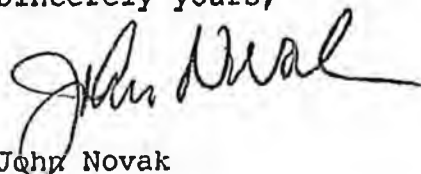
Dear Representative James:

While I am ~~thinking about legislation~~, I wanted to let you know that I am strongly in favor of SB 280 relating to mandatory Borough formation. I hope that this gets some attention in the House soon. The approach seems reasonable and while I am not convinced a great deal of money would be saved, I believe the perception would be that that would happen. It makes sense to have more areas of the state contributing to local needs.

For what it's worth, I also think that taxing tobacco would result in fewer kids smoking. I like your idea of dedicating the tax revenues for youth related expenditures. There already is a mechanism in place by which the legislature annually appropriates some tobacco tax revenues for school maintenance and construction. We would welcome more dollars in that appropriation...

We appreciate your efforts in Juneau.

Sincerely yours,



John Novak

April 16, 1996

Dear Rep. James,

I am writing in opposition to Senate Bill 280 - Mandatory Borough.

Please stop and think before you vote for this poorly thought out bill. There is no provision for collection of the taxes, how many people will be needed to do surveys of taxable assets, how many people can actually be taxed if they are elderly, live on welfare or are below the level of taxable income (many residents in Prince William Sound - including Cordova & Valdez fall into this category and what are the projected administrative costs to name a few weaknesses.

I keep hearing about equal pay for education. My son will be entering his 11th yr in Chugach R.E.A. We have done basic education with no phys ed, no sports trips, no music programs and after just a few (average 4) physical contacts with district ~~rep~~ each year except when special grants (not funded by the state) have provided a few extras. We have no after school programs. Yes, we chose to live

Kenny Cove, Box BSW
Cordova, AK. 99574
April 16, 1996

Dear Representative James

As a registered Republican, I can't understand Republican Senators who advocate less intrusion by government at the same time willing to impose a bureaucracy (borough cracy) on large geographic areas without a prior approval or even a proper input of those affected. S.B. 280 was put on a fast (unthinking) track.

Let's be honest. Have there been any real good surveys to determine how much revenue could be generated from the rural areas. In my area, I think mandatory borough taxation won't even come close to funding education at a 4-6 mill rate if property is appraised at a fair value (for taxation purposes) - as I assume urban property is. If the appraisal is unrealistic, the state still wouldn't get sufficient monies (and foreclosures).

Both urban and rural have benefitted from the oil windfall and who's to judge who got the greater benefit? I believe I pay my "fair" share in all taxes including matching federal funds for roads I don't use.

Consider this as an alternate source of revenue to support basic public education. Deduct sufficient money from the Permanent Fund yearly allotment before making out the checks; A "head" tax like it used to be and should be. Those who wish tennis courts and overbuilt schools - let them pay in addition. My son's gym is the great outdoors Shine or Rain.

Please reply.

Sincerely,
Bob Evanson

House State Affairs -----

POMS on SB 280 - 367 opposed - 0 supports

Poms Windows Application - Poms
File Edit Help
04/22/96 MEMBER OFFICE JAM James
09:12:25

MESSAGE SYSTEM

CONSTITUENCY: Both Constituents And Non Constituents
ZIP CODE RANGE: 000 thru 999
MESSAGE STATUS: All Of Above
DATE RANGE: 010196 thru 041996
BILL#: SB 280 Support
SUBJECT:

EXTRACTING OPTIONS

FILE CONTENT: Word Processing Message Format

- View Mes
- Extract Me
- Count
- On

MSG: 0 Messages Selected

MESSAGE SYSTEM

| | | |
|-----------------|--|-------------|
| CONSTITUENCY: | Both Constituents And Non Constituents | |
| ZIP CODE RANGE: | 000 | thru 999 |
| MESSAGE STATUS: | All Of Above | |
| DATE RANGE: | 010196 | thru 041996 |
| BILL#: | SB 280 | Oppose |
| SUBJECT: | | |

EXTRACTING OPTIONS

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| FILE CONTENT: | Word Processing Message Format |
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- View Mes
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MSG: 367 Messages Selected



INCORPORATION?

.. On Friday of last week Senate Bill 280, sponsored by Senator John Torgeson, a Republican from Kaslof, successfully passed in the Senate. This week, the bill will move to the House of Representatives.

Senator Torgeson says that the "main goal" of Bill 280 is to consolidate the state's 54 school districts into 34 districts. According to Senator Randy Phillips, a Republican from Eagle River, a byproduct of this consolidation will be "more careful" budgeting by bush communities. Since neither of these men represent a bush community, their critics view the bill as a thinly disguised attack on Alaska's rural schools. Certainly, both Torgeson and Phillips seem unaware of the high unemployment rates that exist in the bush. In addition, many of the unincorporated areas have no tax base.

Representative Irene Nicholia, a Democrat from Tanana says that rural districts have already cut expenses by sharing resources. She does not see this bill as providing additional savings for the state. And, in light of the fact that 85% of the state's income is derived from taxes on oil, minerals and timber taken from bush Alaska, Torgeson's bill adds insult to injury.

To implement SB280, unincorporated regions of the state will be forced form a borough or join with a preexisting borough. The penalty for failure to comply with this legislative mandate will be a 6 mill property tax. The tax is expected to provide partial support of the school systems.

The Denali Borough, incorporating the communities of Cantwell, McKinley Park, Healy, Ferry, and Anderson was formed nearly a decade ago. However, Nenana, a "home rule" city, has remained independent all these years. Last Thursday, April 11, a joint meeting of the Nenana School Board and the Nenana City Council was held to discuss this very issue.

Nenana currently levys a tax of 8 mills. This pays for their school, community library, road maintenance, water and sewage systems, fire and police services, and a "skeleton" city government. If Nenana were to join with the Denali Borough, their taxation would be significantly reduced. This reason is the best

argument for joining the Borough. However, some people fear the loss of local control of the school. Other people argue that it would better to have two people on the Denali School Board who are really interested in representing Nenana, than to have four unmotivated local people serving on Nenana's School Board. Then there are those fiercely independent persons who live along the Parks Highway who prefer no government control whatsoever. No doubt they will react strongly to the thought of being absorbed by a borough.

If SB280 passes through the House of Representatives, Nenana residents who oppose consolidation will have no choice. When trying to determine the bill's chances, one must consider that the House is controlled by a Republican majority. However, a lot seems to depend upon which committee receives the bill. Representative Nicholia has already stated her intention to oppose the bill should it be referred to the Community and Regional Affairs Committee.

Should you wish to contact Representative Jeannette James and express your opinion on the matter, you are invited to call 1-800-565-3743.



New Park Development?

This evening, Thursday, April 18, the National Park Service, in cooperation with the South Side Denali Cooperative Planning Team will present a plan for improving access, and recreational opportunities in the south Denali region. The meeting will begin at 6:30 p.m. in Cantwell's Community Hall.

On Sunday, Daily News-Miner columnist Fred Pratt lambasted this Tokositna plan as a "mega-tourism development" initiated by the federal government to solve a federal problem. Pratt says NPS's "main justification for the...development is to take pressure off the Denali National Park road." However, Pratt explains, NPS's plan "can't co-exist with the type of outdoor recreation favored by Alaskans'.

Public comments on the plan and environmental impact statement are being sought through May 21. Comments may be sent to Denali National Park, P.O. Box 9, Denali Park, AK 99755. For a copy of the plan contact Nancy Swanton of NPS at (907)257-2651.

AMENDMENT #1

OFFERED IN THE HOUSE

TO: CSSB 280 (FIN) am

BY REP. IVAN

1 Page 3, Line 18, following "(c)":

2 Insert "A borough incorporation proposal submitted under (b) of this
3 section to the Local Boundary Commission must include an assessment of
4 the taxable property in the region proposed for incorporation prepared by the
5 state assessor based on its full and true value as of January 1 of the year the
6 proposal is submitted."

AMENDMENT #2

OFFERED IN THE HOUSE

TO: CSSB 280 (FIN) am

BY REP. IVAN

- 1 Page 1, Line 5 through Page 2, Line 3:
- 2 Delete all material.
- 3 Renumber sections accordingly.

AMENDMENT #3

OFFERED IN THE HOUSE

TO: CSSB 280 (FIN) am

BY REP. IVAN

1 Page 4, Line 8, following "tax of":

2 Delete "six"

3 Insert "no more than 4.2"

AMENDMENT #4

OFFERED IN THE HOUSE

TO: CSSB 280 (FIN) am

BY REP. IVAN

1 Page 3, Line 5:

2 Insert "(6) determine the feasibility of forming a borough by
3 conducting feasibility studies for each proposed borough using private
4 contractors to conduct the studies.

AMENDMENT#5

OFFERED IN THE HOUSE

TO: CSSB 280 (FIN) am

BY REP. IVAN

1 Page 2, Line 26, after "least":

2 Delete "500"

3 Insert "300"

AMENDMENT #6

OFFERED IN THE HOUSE

TO: CSSB 280 (FIN) am

BY REP. IVAN

1 Page 3, Line 5, following "January 1,":

2 Delete "1997"

3 Insert "2007"

4 Page 3, Line 10, following "July 1,":

5 Delete "1997"

6 Insert "2007"

7 Page 3, Line 12, following "July 1,":

8 Delete "1998"

9 Insert "2008"

10 Page 3, Line 14, following "July 1,":

11 Delete "1999"

12 Insert "2009"

13 Page 3, Line 16, following "July 1,":

14 Delete "2000"

15 Insert "2010"

16 Page 4, Line 25, following "January 1,":

17 Delete "1993"

18 Insert "2008"

TONY KNOWLES, GOVERNOR

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

GOLDBELT PLACE
801 WEST 10TH STREET, SUITE 200
JUNEAU, ALASKA 99801-1894

(907) 465-2800
FAX (907) 465-4156

March 28, 1996

The Honorable John Torgerson
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

SB 280

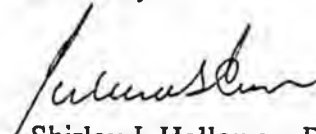
Dear Senator Torgerson:

This purpose of this letter is to correct the record established on SB 280 during the Senate Community and Regional Affairs committee meeting, March 13, 1996. It was estimated \$17.7 million in annual savings would result from the consolidation of approximately 20 school districts as boroughs are incrementally incorporated.

The information compiled by Ms. Deb Davidson, from your office, was researched from the Department of Education's June 1995 publication, "Summary of Alaska's Public School Districts' Report Cards to the Public, School Year 1993-94." The figure Ms. Davidson estimated was totaled by adding the costs of "school administration" listed in an appendix within the report. However, the figure does not reflect what was intended because the report includes in the "administration costs" category, the expenses of site management services, i.e. the costs associated with school principals.

Legislative Audit issued a report a few years ago which estimated cost savings, associated with school district consolidation in the unorganized borough, could range from 5.5% (the percentage referenced from a report conducted by the Institute of Social and Economic Research) to 8.5% (Legislative Audit's percentage associated with merging school districts.)¹ Using DOE FY 94 audit reports, this translates into a potential savings of \$3.36 million, at the low end, or \$5.19 million, the high estimate. These figures more accurately portray the cost savings rather than the \$17.7 million reflected in the committee minutes. School districts would be the recipients of the estimated cost savings, not the formula programs administered through DOE. Restructuring of the administrative unit would be necessary at the local level.

Sincerely,



Shirley J. Holloway, Ph. D.
Commissioner

Attachment

cc: Dr. Jim Elliott, Director of School Finance
Senate Community and Regional Affairs Committee Members

¹ Legislative Audit Report, Potential For Administrative Savings From School District Consolidation. May 11, 1992: p. 17.

REPORT CONCLUSIONS

Using the assumptions, approach, adjustments, and analysis discussed further in this section, we conservatively estimate that \$5.3 million could be saved in district administration costs from the consolidation of schools in the unorganized borough. Our estimates are based on FY 90 expenditures as presented in the audit reports of the various Regional Education Attendance Areas (REAs) and city school districts submitted to the Department of Education. Estimated savings also reflect the assumption that the State's foundation support and local tax effort would remain unchanged.⁸

These estimated savings represent just over 8.5% of the total district administration expenditures statewide. In terms of overall savings to the State the estimated \$5.3 million represents just over 1% of the total FY 90 Foundation Support of \$488 million. In general, our findings appear to be consistent with analysis reported by the Institute of Social and Economic Research (ISER).⁹ In a September 1991 report ISER researchers observed:

Overall, our analysis suggests that if two districts merge to create a new larger district, the combined school district can expect a savings of no more than about 5 percent of operating costs.

District administration savings of 5.5% used as starting place for statewide estimate

As discussed in the Objectives, Scope, and Methodology section, we used the recent formation of the Aleutians East Borough as a case study to evaluate the impact of consolidation on schools. The current superintendent of the new Aleutians East Borough School District (AEBSD) reported that in many respects, the consolidation of schools involved an optimum situation. The two major schools joining the borough district were previously city school districts, with relatively "lean" district administration costs.¹⁰ Compared to

⁸Under the assumption used in the estimates, model boroughs consisting entirely of REAs (such as the Delta/Greely, Alaska Gateway, and Copper River model borough) would not necessarily have any local taxing authority or be required to make a local contribution for school operations. Similarly, model boroughs made up entirely of incorporated communities (such as the Wrangell/Petersburg model borough) or by a combination of incorporated communities and REAs (such as the Calista model borough) would have the same taxing authority currently in place.

⁹ISER released a report in September 1991, funded by the Legislative Budget and Audit Committee entitled *Education Equity and Taxpayer Equity: A Review of the Alaska Public School Foundation Funding Program*. The report examined in great detail the recent trends in public school funding and spending for all three types of school districts operating in the State.

¹⁰For FY 90, when measured on per ADM basis, district administration expenditures for city school districts in unorganized boroughs were about half of that for REAs. An informed observer felt that this reflected the added accountability for city school districts, brought on by the required local tax effort.

¹ Legislative Audit Report, Potential For Administrative Savings From School District Consolidation, May 11, 1992: p. 17.

REAs, city school districts generally incur less district administrative cost on a per student basis.¹¹

Almost \$5 million of the \$5.3 million estimated savings are based on comparisons

Each projected consolidation involves a different combination of REAs and city school districts. After calculating a 5.5% savings for projected consolidated districts, we also compared the projected average daily membership (ADM) (based on FY 90 reported figures) of the new district to ADM of existing districts. When we identified existing districts with roughly the same ADM, we then compared the projected administration costs of the district with the actual FY 90 costs for the comparable district. This comparison allowed us to assess the reasonableness of our estimated administrative cost savings.

Each projected hypothetical district involves a differing mixture of REAs and city school districts. Depending on the "mix" of districts in the district, the amount of administrative savings that may be possible fluctuates significantly. As reflected in the Schedule of Estimates beginning on page 24 the major part of the \$5.3 million in estimated savings are based on comparisons. As set out in the three following paragraphs, the comparisons in administrative costs of the three new "consolidated" districts and existing districts yielded more than 90% of the estimated savings. This illustrates the limitation of trying to extrapolate the experience of AEBSB on a statewide basis, although the final figure does appear to be consistent with other estimates.

Comparison method produced large projected savings for three new consolidated districts

The Calista Model Borough involves the most extensive, projected consolidation of current REAs and city school districts currently operating in the unorganized borough. Based on FY 90 figures, this new large model borough would have an ADM of more than 6,200. Based on FY 90 enrollment figures, this would make the Calista Borough the fifth largest district in the State, larger than the Juneau School District. The Fairbanks North Star Borough School District has administration expenses of \$5.5 million with more than twice the enrollment. Another comparison is provided by the North Slope Borough which in FY 90 had \$4.6 million in district administration expenses for an enrollment of less than 1,400. Based on these comparisons we conservatively estimated that district administration costs for the new borough would probably not exceed more than \$5 million. Using such a "ceiling" we projected savings of more than \$3.3 million for the schools covered in the projected new borough consolidation.

¹¹Based on FY 90 audited expenditures. REAs spent an average of \$1,400 in district administration per enrolled full-time student (technically referred to as average daily membership or ADM) while city school districts spent on average, just over \$1,000 per ADM. City school districts such as Petersburg and Wrangell with the relatively homogeneous and centrally located population had FY 90 administrative costs of \$265 per ADM and \$550 per ADM, respectively.

¹ Legislative Audit Report, Potential For Administrative Savings From School District Consolidation. May 11, 1992

STATE OF ALASKA

DEPARTMENT OF EDUCATION

DIVISION OF SCHOOL FINANCE

GOLDBELT PLACE
801 WEST 10TH STREET, SUITE 200
JUNEAU, ALASKA 99801-1894
(907) 465-8685
FAX (907) 463-5279

March 26, 1996

The Honorable John Torgerson
State Capitol, Room 427
Juneau, Alaska 99801-1182

Dear Senator Torgerson:

The following information has been requested by Deb Davidson and is related to CSSB280, which proposes the mandatory incorporation of certain boroughs in the unorganized borough. Based on the schedule of borough incorporation outlined in section 2 of CSSB280 and the phase-in provisions of AS 29.05.130 and AS 14.17.025(f), all boroughs will be subject to the four mill required local effort of AS 14.17.025 by fiscal year 2007.

Enclosed are the spreadsheets that compare the foundation allocation under the existing program and the allocation proposed under CSSB280 at full implementation in fiscal year 2007.

Please let me know if you have questions regarding the enclosed spreadsheets.

Sincerely,



Eddy Jeans
Project Assistant

Enclosures

cc: Rick Cross, Deputy Commissioner, DOE
Jim Elliott, Acting Director, School Finance, DOE
Karen Rehfeld, Director, Administrative Services, DOE
Kimberly Homme, Special Assistant, DOE

ALASKA DEPARTMENT OF EDUCATION
FY96 FOUNDATION PROGRAM ENTITLEMENTS

Based on first student count period.

| | BASIC NEED \$61,000 | REQUIRED LOCAL | ELIGIBLE PL81-874 | PL81-874 PERCENT | DEDUCTIBLE PL81-874 @ 90% | FY96 FOUNDATION STATE AID | Existing 1994 FULL VALUE DETERMINATION |
|--------------------|------------------------|----------------------|----------------------|---------------------|---------------------------------|---------------------------------|--|
| ADAK | 0 | 0 | \$0 | 100.00% | \$0 | \$0 | |
| ALASKA GATEWAY | 5,494,880 | 0 | 431,782 | 100.00% | 388,604 | 5,106,276 | |
| ALEUTIAN REGION | 610,610 | 0 | 65,498 | 100.00% | 58,948 | 551,662 | |
| ALEUTIANS EAST | 4,268,170 | 356,423 | 745,077 | 37.72% | 252,932 | 3,658,815 | 89,105,700 |
| ANCHORAGE | 234,908,560 | 49,736,435 | 9,630,158 | 64.12% | 5,557,372 | 179,614,753 | 12,434,108,720 |
| ANNETTE ISLANDS | 2,780,990 | 0 | 1,096,313 | 100.00% | 986,682 | 1,794,308 | |
| BERING STRAIT | 19,471,200 | 0 | 4,311,615 | 100.00% | 3,880,454 | 15,590,746 | |
| BRISTOL BAY | 2,637,030 | 707,169 | 333,228 | 59.35% | 177,994 | 1,751,867 | 176,792,300 |
| CHATHAM | 3,274,480 | 0 | 576,956 | 100.00% | 519,260 | 2,755,220 | |
| CHUGACH | 1,853,180 | 0 | 170,447 | 100.00% | 153,402 | 1,699,778 | |
| COPPER RIVER | 5,604,070 | 0 | 113,349 | 100.00% | 102,014 | 5,502,056 | |
| CORDOVA | 3,294,610 | 741,350 | 25,652 | 83.06% | 19,176 | 2,534,084 | 185,337,580 |
| CRAIG | 2,646,180 | 254,661 | 56,010 | 77.72% | 39,178 | 2,352,341 | 63,665,300 |
| DELTA/GREELY | 5,988,980 | 0 | 862,741 | 100.00% | 776,467 | 5,212,513 | |
| DENALI | 3,367,200 | 301,901 | 35,413 | 100.00% | 31,872 | 3,033,427 | 75,475,300 |
| DILLINGHAM | 3,931,450 | 524,049 | 569,637 | 63.95% | 327,855 | 3,079,546 | 131,012,300 |
| FAIRBANKS | 82,993,550 | 13,811,672 | 7,901,408 | 51.87% | 3,688,614 | 65,493,264 | 3,452,917,970 |
| GALENA | 1,601,250 | 79,335 | 353,317 | 29.96% | 95,268 | 1,426,647 | 19,833,700 |
| HAINES | 2,812,100 | 522,856 | 21,222 | 50.48% | 9,642 | 2,279,602 | 130,714,100 |
| HOONAH | 2,179,530 | 96,718 | 571,277 | 16.64% | 85,554 | 1,997,258 | 24,179,400 |
| HYDABURG | 1,034,560 | 23,129 | 42,204 | 13.45% | 5,109 | 1,006,322 | 5,782,300 |
| IDITAROD | 5,843,190 | 0 | 635,009 | 100.00% | 571,508 | 5,271,682 | |
| JUNEAU | 29,272,070 | 7,063,936 | 77,892 | 52.09% | 36,517 | 22,171,617 | 1,765,984,100 |
| KAKE | 1,454,850 | 69,261 | 334,689 | 22.13% | 66,660 | 1,318,929 | 17,315,300 |
| KASHUNAMIUT | 2,208,200 | 0 | 460,927 | 100.00% | 414,834 | 1,793,366 | |
| KENAI | 58,411,770 | 14,163,047 | 94,733 | 51.61% | 44,003 | 44,204,720 | 3,540,761,750 |
| KETCHIKAN | 13,865,910 | 3,942,168 | 28,576 | 58.84% | 15,133 | 9,908,609 | 985,541,900 |
| KLAWOCK | 1,715,930 | 59,329 | 373,452 | 17.21% | 57,844 | 1,598,757 | 14,832,300 |
| KODIAK | 17,883,370 | 3,435,410 | 1,498,140 | 77.00% | 1,038,211 | 13,409,749 | 858,852,600 |
| KUSPUK | 5,654,090 | 0 | 717,779 | 100.00% | 646,001 | 5,008,089 | |
| LAKE AND PENINSULA | 7,259,000 | 273,430 | 983,338 | 16.85% | 149,123 | 6,836,447 | 68,357,600 |
| LOWER KUSKOKWIM | 40,915,140 | 0 | 5,077,348 | 100.00% | 4,569,613 | 36,345,527 | |
| LOWER YUKON | 16,873,820 | 0 | 4,444,484 | 100.00% | 4,000,036 | 12,873,784 | |
| MAT-SU | 65,079,680 | 8,602,703 | 45,126 | 47.44% | 19,267 | 56,457,710 | 2,150,675,790 |
| NENANA | 1,543,910 | 65,098 | 6,069 | 89.06% | 4,865 | 1,473,947 | 16,274,400 |
| NOME | 5,379,590 | 531,875 | 82,694 | 44.13% | 32,844 | 4,814,871 | 132,968,700 |
| NORTH SLOPE | 16,401,070 | 5,489,726 | 3,357,524 | 20.08% | 606,772 | 10,304,572 | 12,291,192,390 |
| NORTHWEST ARCTIC | 18,654,410 | 1,168,962 | 2,468,616 | 46.11% | 1,024,451 | 16,460,997 | 292,240,600 |
| PELICAN | 652,090 | 55,876 | 0 | 91.79% | 0 | 596,214 | 13,968,900 |
| PETERSBURG | 3,965,000 | 808,223 | 25,978 | 47.53% | 11,113 | 3,145,664 | 202,055,700 |
| PRIBILOF | 2,397,910 | 0 | 352,686 | 100.00% | 317,417 | 2,080,493 | |
| SITKA | 9,035,930 | 2,113,115 | 175,979 | 50.15% | 79,428 | 6,843,387 | 528,278,800 |
| SKAGWAY | 1,072,990 | 360,794 | 0 | 64.52% | 0 | 712,196 | 90,198,400 |
| SOUTHEAST | 4,391,390 | 0 | 455,647 | 100.00% | 410,082 | 3,981,308 | |
| SOUTHWEST | 7,465,790 | 0 | 1,045,337 | 100.00% | 940,803 | 6,524,987 | |
| ST. MARY'S | 1,435,940 | 18,134 | 125,845 | 36.08% | 40,864 | 1,376,942 | 4,533,500 |
| TANANA | 1,198,040 | 44,931 | 174,471 | 35.10% | 55,115 | 1,097,994 | 11,232,800 |
| UNALASKA | 2,623,000 | 921,680 | 9,708 | 58.78% | 5,136 | 1,696,184 | 358,385,300 |
| VALDEZ | 5,224,040 | 1,789,344 | 55,397 | 46.28% | 23,074 | 3,411,622 | 1,052,513,810 |
| WRANGELL | 3,137,230 | 592,522 | 5,799 | 49.20% | 2,568 | 2,542,140 | 148,130,400 |
| YAKUTAT | 1,443,870 | 111,204 | 85,961 | 32.35% | 25,028 | 1,307,638 | 27,801,100 |
| YUKON FLATS | 6,551,400 | 0 | 725,222 | 100.00% | 652,700 | 5,898,700 | |
| YUKON/KOYUKUK | 8,126,420 | 0 | 956,026 | 100.00% | 860,423 | 7,265,997 | |
| YUPIIT | 4,844,010 | 0 | 964,975 | 100.00% | 868,478 | 3,975,532 | |
| TOTALS | \$762,733,630 | \$118,836,466 | \$53,758,711 | | \$34,746,308 | \$609,150,856 | \$41,361,020,810 |

ALASKA DEPARTMENT OF EDUCATION
 FY96 FOUNDATION PROGRAM
 Mandatory incorporation of certain boroughs - CSSB280

3/26/96 File:96FND280.XLS

| | BASIC NEED \$61,000 | REQUIRED LOCAL | ELIGIBLE PL81-874 | PL81-874 PERCENT | DEDUCTIBLE PL81-874 @ 90% | FY96 FOUNDATION STATE AID | Estimated 1994 FULL VALUE DETERMINATION |
|-------------------------|------------------------|----------------------|----------------------|---------------------|---------------------------------|---------------------------------|---|
| ADAK | 0 | \$0 | \$0 | 100.00% | \$0 | \$0 | |
| ALEUTIAN WEST | 3,316,570 | 943,989 | 75,206 | 100.00% | 67,685 | 2,304,896 | 361,535,300 |
| ALEUTIANS EAST | 4,266,170 | 356,423 | 745,057 | 37.72% | 252,932 | 3,658,815 | 89,105,700 |
| ANCHORAGE | 234,908,560 | 49,736,435 | 9,630,158 | 64.12% | 5,557,372 | 179,614,753 | 12,434,108,720 |
| ANNETTE ISLANDS | 2,780,990 | 0 | 1,096,313 | 100.00% | 986,682 | 1,794,308 | |
| BERING STRAIT /1 | 25,051,480 | 940,561 | 4,394,309 | 27.51% | 1,087,987 | 23,022,932 | 235,140,200 |
| BRISTOL BAY | 2,637,030 | 707,169 | 333,228 | 59.35% | 177,994 | 1,751,867 | 176,792,300 |
| CHATHAM /1 | 4,729,940 | 137,961 | 911,645 | 27.51% | 225,714 | 4,366,265 | 34,490,300 |
| COPPER RIVER | 5,604,070 | 1,288,936 | 113,349 | 100.00% | 102,014 | 4,213,120 | 668,865,000 |
| DENALI | 4,949,540 | 366,999 | 41,482 | 100.00% | 37,334 | 4,545,207 | 91,749,700 |
| DILLINGHAM /1 | 11,521,680 | 684,481 | 1,614,974 | 27.51% | 399,851 | 10,437,348 | 171,120,300 |
| FAIRBANKS | 82,993,550 | 14,300,072 | 7,901,408 | 53.70% | 3,818,750 | 64,874,728 | 3,575,017,970 |
| GLACIER BAY /1 | 2,831,620 | 226,393 | 571,277 | 27.51% | 141,442 | 2,463,785 | 56,598,300 |
| HAINES/SKAGWAY | 3,884,480 | 894,750 | 21,222 | 100.00% | 19,100 | 2,970,630 | 223,687,500 |
| IDITAROD /1 | 5,843,800 | 122,400 | 635,009 | 27.51% | 157,222 | 5,564,178 | 30,600,000 |
| JUNEAU | 29,272,070 | 7,070,536 | 77,892 | 52.14% | 36,552 | 22,164,982 | 1,767,634,100 |
| KENAI | 58,411,770 | 14,163,047 | 94,733 | 51.61% | 44,003 | 44,204,720 | 3,540,761,750 |
| KETCHIKAN | 13,865,910 | 3,954,768 | 28,576 | 59.03% | 15,182 | 9,895,960 | 988,691,900 |
| KODIAK | 17,883,370 | 3,435,410 | 1,498,140 | 77.00% | 1,038,211 | 13,409,749 | 858,852,600 |
| KUSPUK /1 | 5,654,090 | 127,800 | 717,779 | 27.51% | 177,715 | 5,348,575 | 31,950,000 |
| LAKE AND PENN. | 7,259,000 | 273,430 | 983,338 | 16.85% | 149,123 | 6,836,447 | 68,357,600 |
| LOWER KUSKOKWIM /1 | 45,793,310 | 1,357,787 | 6,042,323 | 27.51% | 1,496,019 | 42,939,504 | 339,446,800 |
| LOWER YUKON /1 | 20,606,410 | 376,324 | 5,031,256 | 27.51% | 1,245,689 | 18,984,397 | 94,081,000 |
| MAT-SU | 65,079,680 | 9,694,707 | 45,126 | 53.46% | 21,712 | 55,363,261 | 2,423,676,790 |
| NORTH SLOPE | 16,401,070 | 5,489,726 | 3,357,524 | 20.08% | 606,772 | 10,304,572 | 12,291,192,390 |
| NORTHWEST ARCTIC | 18,654,410 | 708,838 | 2,468,616 | 27.96% | 621,203 | 17,324,369 | 177,209,500 |
| PRIBILOF /2 | 2,397,910 | 238,102 | 352,686 | 50.00% | 158,709 | 2,001,099 | 59,525,400 |
| PRINCE WILLIAM SOUND /2 | 10,601,800 | 3,560,540 | 251,496 | 50.00% | 113,173 | 6,928,087 | 1,272,675,200 |
| SITKA | 9,035,930 | 2,113,115 | 175,979 | 59.64% | 94,458 | 6,828,357 | 528,278,800 |
| PRINCE OF WALES /2 | 9,840,520 | 555,480 | 927,313 | 50.00% | 417,291 | 8,867,749 | 138,869,900 |
| UPPER TANANA /2 | 11,638,800 | 2,216,383 | 1,294,523 | 50.00% | 582,535 | 8,839,882 | 554,095,700 |
| WRANGELL/PETERSBURG | 7,102,230 | 1,400,741 | 31,777 | 96.73% | 27,664 | 5,673,822 | 350,186,100 |
| YAKUTAT | 1,443,870 | 111,204 | 85,961 | 32.35% | 25,028 | 1,307,638 | 27,801,100 |
| YUKON FLATS /2 | 6,550,180 | 1,740,300 | 725,222 | 50.00% | 326,350 | 4,483,530 | 435,075,000 |
| YUKON/KOYUKUK /2 | 11,011,720 | 2,088,906 | 1,483,814 | 50.00% | 667,716 | 8,255,098 | 522,226,500 |
| TOTALS | \$763,825,530 | \$131,383,716 | \$53,758,711 | | \$20,897,184 | \$611,544,630 | \$44,619,399,420 |

PL81-874 Percentage

| | |
|------------------|-----------|
| ALEUTIANS EAST | 37.72% |
| LAKE AND PENN. | 16.85% |
| NORTHWEST ARCTIC | 27.96% |
| Average | 27.51% |
| | 50.00% /2 |

Change in foundation formula funding

| | Basic Need | 4 Mill Local | Deductible Impact Aid | State Aid | |
|----------------|------------|--------------|--------------------------|-----------|----------------------------------|
| Kuspuk REAA | 5,654,090 | 0 | (646,000) | 5,008,090 | Increase in State Aid 6.8% |
| Kuspuk Borough | 5,654,090 | (127,800) | (177,715) | 5,348,575 | |
| Difference | \$0 | (\$127,800) | \$468,285 | \$340,485 | |

Change in total revenue

| | State Aid | Local Revenue | Impact Aid | Total | |
|----------------|-----------|---------------|------------|-----------|---------------------------------------|
| Kuspuk REAA | 5,008,090 | 0 | 946,230 | 5,954,320 | Increase in Total Revenue 13.5% |
| Kuspuk Borough | 5,348,575 | 464,558 | 946,230 | 6,759,363 | |
| Difference | \$340,485 | \$464,558 | \$0 | \$805,043 | |

Change in foundation formula funding

| | Basic Need | 4 Mill Local | Deductible Impact Aid | State Aid | |
|------------------|------------|--------------|--------------------------|------------|-----------------------------------|
| Pribilof REAA | 2,397,910 | 0 | (317,417) | 2,080,493 | Increase in State Aid -3.8% |
| Pribilof Borough | 2,397,910 | (238,102) | (158,709) | 2,001,099 | |
| Difference | \$0 | (\$238,102) | \$158,708 | (\$79,394) | |

Change in total revenue

| | State Aid | Local Revenue | Impact Aid | Total | |
|------------------|------------|---------------|------------|-----------|---------------------------------------|
| Pribilof REAA | 2,080,493 | 0 | 455,105 | 2,535,598 | Increase in Total Revenue 15.7% |
| Pribilof Borough | 2,001,099 | 476,200 | 455,105 | 2,932,404 | |
| Difference | (\$79,394) | \$476,200 | \$0 | \$396,806 | |

FISCAL NOTE

STATE OF ALASKA

BILL NO. CSSB280 (FIN) am

1996 LEGISLATIVE SESSION

Revision Date: April 22, 1996

Department Affected: Education

Title: "An Act relating to the mandatory incorporation of certain boroughs in the unorganized borough."

BRU: K-12 Support

Sponsor: Senator Torgerson

Component: Foundation Program

Requester: House State Affairs Committee

COMPONENT SERIAL NO. 141

Expenditures/Revenues:

(Thousands of Dollars)

| OPERATING | FY 97 | FY 98 | FY 99 | FY 00 | FY 01 | FY 02 |
|------------------------|-------|-------|-------|-------|---------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND & STRUCTURES | | | | | | |
| GRANTS, CLAIMS | -0- | -0- | -0- | -0- | 2,530.7 | 41.2 |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | | | | | | |

| | | | | | | |
|-----------------------------|-----|-----|-----|-----|---------|------|
| CAPITAL EXPENDITURES | -0- | -0- | -0- | -0- | 2,530.7 | 41.2 |
|-----------------------------|-----|-----|-----|-----|---------|------|

| | | | | | | |
|---------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES | | | | | | |
|---------------------------|--|--|--|--|--|--|

FUND SOURCE

(Thousands of Dollars)

| | | | | | | |
|--------------------------|-----|-----|-----|-----|---------|------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | -0- | -0- | -0- | -0- | 2,530.7 | 41.2 |
| 1005 GF/Program Receipts | | | | | | |
| 1006 GF/MHTIA | | | | | | |
| Other | | | | | | |
| TOTAL | | | | | | |

POSITIONS:

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

Estimate of current year (FY96) impact: \$ -0-

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

Prepared by: Eddy Jeans
 Division: School Finance
 Approved by Commissioner: *Richard S. Cross*
 Agency: Education

Phone: 465-8685
 Date: April 22, 1996
 Richard S. Cross, Deputy Commissioner
 Date: April 22, 1996

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Fiscal Note Analysis for CSSB280 (FIN) am

AS 29.05.130 allows a newly incorporated municipality to integrate service areas within two years after date of incorporation. Regional education attendance areas are included as service areas according to AS 29.03.020. AS 14.17.025(f) allows the phasing-in of local contributions to schools over a four year period after the newly formed borough operates schools. The phase-in provisions are as follows; the first year is zero, the second year is the equivalent of 2 mills, the third year is the equivalent of 3 mills and forth year is the equivalent of 4 mills. Currently, home rule and first class cities in the unorganized boroughs are required to contribute to schools the equivalent of a four mill tax levy. When a first class city is incorporated into a borough, the city's local share to schools is subsidized with state general fund during the phase-in provisions of AS 14.17.025(f). Based on the schedule of borough incorporation outlined in section 2 of CSSB280 and the phase-in provisions of AS 29.05.130 and AS 14.17.025(f), all boroughs will be subject to the 4 mill required local effort of AS 14.17.025 by fiscal year 2007.

Following is the potential increase in required local effort when all boroughs are fully phased-in and contributing at the 4 mill requirement.

| | 4 Mill Equivalent | |
|--|-------------------|----------------------|
| Existing 1994 Full Values utilized in foundation formula excluding North Slope, Unalaska and Valdez. /1 | \$27,658,929,310 | \$110,635,717 |
| Proposed 1994 Full Values utilized in foundation formula excluding North Slope, Aleutians West (Unalaska area) and Prince William Sound (Valdez area). | \$30,694,380,530 | <u>\$122,777,522</u> |
| | Difference | \$12,141,805 |

/1 - North Slope, Unalaska and Valdez full values have been excluded because their required local effort under the foundation program is 35% of basic need of the preceding year.

| | A | B | C | D | E | F | G | |
|----|--|--------|--------|--------|----------|---|-------------------|--|
| 1 | CSSB280 Fiscal Note | | | | | | | |
| 2 | | | | | | | | |
| 3 | | | | | | | | |
| 4 | | | | | | | | |
| 5 | Incorporation | | | | | | | |
| 6 | Date | FY98 | FY99 | FY00 | FY01 | FY02 | | |
| 7 | | | | | | | | |
| 8 | 7/1/98 | C & RA | C & RA | ED | 2,530.70 | (2,460.60) | | |
| 9 | | | | | | (4,991.30) | 2 mill Eq. | |
| 10 | | | | | | | | |
| 11 | | | | | | | | |
| 12 | 7/1/99 | N/A | C & RA | C & RA | ED | 2,501.80 | | |
| 13 | | | | | | | | |
| 14 | | | | Total | 2,530.70 | 41.20 | | |
| 15 | | | | | | | | |
| 16 | KEY | | | | | | | |
| 17 | C & RA = AS 29.05.130, Integration of special districts and service areas - within two years after date of incorporation. | | | | | | | |
| 18 | ED = AS 14.17.025, Local Contributions - four year phase-in of required local effort, after borough operates schools. | | | | | | | |
| 19 | First year is zero, second year equivalent of 2 mills, third year equivalent of 3 mills and fourth year equivalent of 4 mills. | | | | | | | |
| 20 | | | | | | | | |
| 21 | | | | | | | | |
| 22 | | | | | | | | |
| 23 | | | | | | | | |
| 24 | | | | | | | 4 Mill Equivalent | |
| 25 | Existing FY1994 Full Values utilized in foundation formula excluding North Slope, Unalaska and Valdez | | | | | \$27,658,929,310 | \$110,635,717 | |
| 26 | Proposed FY1994 Full Values utilized in foundation formula excluding North Slope, Aleutians West and Prince William Sound | | | | | \$30,694,380,530 | \$122,777,522 | |
| 27 | | | | | | Increases in required local effort by the year 2007 | \$12,141,805 | |
| 28 | | | | | | | | |

To: Eddy Jeans, Department of Education (by fax: 463-5279) [telephone 465-8685]

From: Dan Bockhorst (fax: 269-4539) [telephone 269-4559]

Date: March 5, 1996

Subject: CSSB 280 (C&RA)

For purposes of preparing its fiscal note for the subject legislation, DCRA will assume that incorporation of new boroughs and annexation to existing boroughs and unified municipalities will take effect according to the following schedule:

July 1, 1998

1. Incorporation of Prince William Sound Borough (Chugach REAA, Cordova and Valdez)
2. Incorporation of Copper River Basin Borough (Copper River REAA)
3. Incorporation of Upper Tanana Basin Borough (Alaska Gateway and Delta Greely REAAs)

July 1, 1999

1. Incorporation of Yukon Koyukuk Borough (Yukon Koyukuk REAA, Galena; excludes Nenana)
2. Annexation of Nenana to the Denali Borough
3. Incorporation of Yukon Flats Borough (Yukon Flats REAA, excluding Livengood, Central and Circle Hot Springs)
4. Annexation of Livengood, Central and Circle Hot Springs to the Fairbanks North Star Borough
5. Incorporation of Aleutians-West Borough (Aleutian Region REAA, Unalaska) [note: this would combine two model borough regions into one which appears warranted due to closure of Adak Naval Air Station]
6. Incorporation of Wrangell/Petersburg Borough (Wrangell, Petersburg, Kupreanof) [note: it is possible, indeed likely that DCRA would recommend that Wrangell and Petersburg be allowed to form separate boroughs]

July 1, 2000

1. Incorporation of Lower Kuskokwim Borough (Lower Kuskokwim REAA, Yupiit REAA)
2. Incorporation of Bering Straits Borough (Bering Straits REAA, Nome)
3. Incorporation of Southwest Region Borough (Southwest Region REAA, Dillingham)
4. Incorporation of Prince of Wales Island Borough (portion of Southeast Islands REAA - all of Prince of Wales Island, including Hydaburg, Craig and Klawock, the southern end of Baranof Island including Port Alexander and the southern end of Kuiu Island)
5. Annexation of Hyder and Meyers Chuck to the Ketchikan Gateway Borough

Page 2

6. Incorporation of Lower Yukon Borough (Lower Yukon REAA, Kashunamiut REAA, St. Mary's)

July 1, 2001

1. Incorporation of Pribilof Islands Borough (Pribilof Islands REAA)
2. Incorporation of Glacier Bay Borough (portion of Chatham REAA encompassing Gustavus, Elfin Cove, Freshwater Bay, Game Creek, Whitestone Logging Camp and Tenakee Springs; Hoonah, Pelican)
3. Incorporation of Chatham Borough (Rowan Bay, Cube Cove, Kake, Angoon)
4. Annexation of Skagway and Klukwan to the Haines Borough [note: DCRA may support formation of a separate borough for Skagway]
5. Annexation of Hobart Bay to the City and Borough of Juneau
6. Incorporation of Kuspuk Borough (Kuspuk REAA)
7. Incorporation of Iditarod Borough (Iditarod REAA)
8. Incorporation of Annette Islands Borough (Annette Islands REAA)

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Senate C+RA
2-28-96 1:35pm
SB280

Mary Pagenkopf