

SB

29

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: February 27, 1997

FURTHER REFERRALS:

Date of Committee Action: 4/30/97

The FINANCE Committee considered:

CSSB 29(FIN)

CS FOR SENATE BILL NO. 29(FIN)

STATE AID TO MUNICIPALITIES & UNORG. BOR.

"An Act relating to certain programs of state aid to municipalities and recipients in the unorganized borough; and providing for an effective date."

recommends it be replaced with the following committee substitute

HCS CS SB 29 (FIN)

the same title
 a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____

fiscal note(s) SFC 2/6/97

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Theriault</i>	Theriault			X	
<i>Alan Mulder</i>	Mulder	✓			
<i>Terry Martin</i>	Martin	✓			
<i>John J. Davis</i>	J. DAVIS	X			
<i>James Gussendorf</i>	Gussendorf	X			
<i>John J. Davis</i>	J. DAVIS	X			
<i>Pete Kelly</i>	Kelly			✓	

CHAIR'S SIGNATURE

Gene Theriault
Theriault

FISCAL NOTE

No. 2

STATE OF ALASKA
1997 LEGISLATIVE SESSION

BILL NO. Bill Version: CSSB29(FIN)
(S) Publish Date: 2/6/97

Revision Date: 2/5/97
Title: An Act Relating to state aid to municipalities
Sponsor: Sen. Torgerson

Dept. Affected Revenue
BRU: Revenue Operations
Components: Treasury
Serial # 121

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 98	FY 99	FY2000	FY2001	FY2002	FY2003
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL						
REVENUE	-1005.4	0.0	0.0	0.0	0.0	0.0

FUNDING: (THOUSANDS OF DOLLARS)

General Fund						
Federal Fund						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

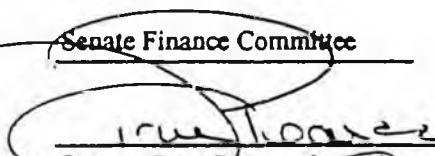
POSITIONS:

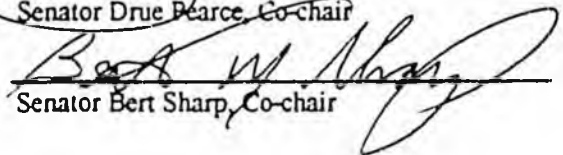
Full-Time						
Part-Time						
Temporary						

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

see attached analysis

Prepared By: Senate Finance Committee



 Senator Drue Pearce, Co-chair


 Senator Bert Sharp, Co-chair

Date: 2/5/97
Phone: 465-4993
Date: 2/5/97
Phone: 465-3004

E.T.

**Analysis of Advance Payment of Municipal Assistance
Income Lost to CBRF**

If Payment Made On:	<u>2/1/98</u>	<u>12/31/97</u>	<u>11/30/97</u>	<u>10/31/97</u>	<u>9/30/97</u>	<u>8/31/97</u>	<u>7/31/97</u>
Income Lost to CBRF:	0	\$167,569	\$335,137	\$502,706	\$670,274	\$837,843	\$1,005,412

Assumptions:

\$28,726,047 = Municipal Assistance Payment

Payment borrowed from CBRF

CBRF Return = 7% (from FY97 draft investment policy for the CBRF)
and capital market assumptions FY97

0-LS0218\H
Cook
4/28/97

adopted NB/obj 4/30/97

HOUSE CS FOR CS FOR SENATE BILL NO. 29(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATORS TORGERSON, Mackie

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to certain programs of state aid to municipalities and recipients
2 in the unorganized borough; and providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * **Section 1.** AS 29.10.200(50) is amended to read:

5 (50) AS 29.60.120(a) and (c) (priority revenue sharing [STATE AID]
6 for health facilities and hospitals);

7 * **Sec. 2.** AS 29.20.640(b) is amended to read:

8 (b) Compliance with the provisions of this section is a prerequisite to receipt
9 of municipal tax resource equalization assistance under AS 29.60.010 - 29.60.080 and
10 priority revenue sharing [STATE AID] for [MISCELLANEOUS] municipal services
11 under AS 29.60.100 - 29.60.180. If a municipality does not comply with this section,
12 the department shall withhold the allocations until the required reports are filed.

13 * **Sec. 3.** AS 29.45.020 is amended to read:

14 **Sec. 29.45.020. Taxpayer notice.** (a) If a municipality levies and collects

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

property taxes, the governing body shall provide the following notice:

"NOTICE TO TAXPAYER

For the current fiscal year the (city)(borough) has been allocated the following amount of state aid for school and municipal purposes under the applicable financial assistance Acts:

PUBLIC SCHOOL FOUNDATION PROGRAM		
ASSISTANCE (AS 14.17)		\$
STATE AID FOR RETIREMENT OF SCHOOL		
CONSTRUCTION DEBT (AS 14.11.100)		\$
MUNICIPAL TAX RESOURCE EQUALIZATION		
[ASSISTANCE] (AS 29.60.010 - 29.60.080)		\$
<u>PRIORITY REVENUE SHARING</u> [STATE		
AID] FOR [MISCELLANEOUS] MUNICIPAL		
SERVICES (AS 29.60.100 - 29.60.180)		\$
<u>REVENUE SHARING FOR COMMUNITIES</u>		
<u>(AS 29.60.350 - 29.60.375)</u>		\$
TOTAL AID		\$

The millage equivalent of this state aid, based on the dollar value of a mill in the municipality during the current assessment year and for the preceding assessment year, is:

	MILLAGE EQUIVALENT	
	PREVIOUS YEAR	THIS YEAR
PUBLIC SCHOOL FOUNDATION		
PROGRAM ASSISTANCE MILLS MILLS
STATE AID FOR RETIREMENT		
OF SCHOOL CONSTRUCTION		
DEBTMILLSMILLS
MUNICIPAL TAX RESOURCE		
EQUALIZATION [ASSISTANCE]MILLSMILLS
<u>PRIORITY REVENUE SHARING</u>		
[STATE AID] FOR [MISCELLANEOUS]		

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

MUNICIPAL SERVICES	...	MILLS	...	MILLS
<u>REVENUE SHARING FOR</u>				
<u>COMMUNITIES</u>	...	<u>MILLS</u>	...	<u>MILLS</u>
TOTAL MILLAGE				
EQUIVALENT	...	MILLS	...	MILLS"

Notice shall be provided

(1) by furnishing a copy of the notice with tax statements mailed for the fiscal year for which aid is received; or

(2) by publishing in a newspaper of general circulation in the municipality a copy of the notice once each week for a period of three successive weeks, with publication to occur not later than 45 days after the final adoption of the municipality's budget.

(b) Compliance with the provisions of this section is a prerequisite to receipt of municipal tax resource equalization [ASSISTANCE] under AS 29.60.010 - 29.60.080 and priority revenue sharing [STATE AID] for [MISCELLANEOUS] municipal services under AS 29.60.100 - 29.60.180. The department shall withhold annual allocations under those sections until municipal officials demonstrate that the requirements of this section have been met.

* Sec. 4. AS 29.45.660(b) is amended to read:

(b) Compliance with the provisions of this section is a prerequisite to receipt of municipal tax resource equalization [ASSISTANCE] under AS 29.60.010 - 29.60.080 and priority revenue sharing [STATE AID] for [MISCELLANEOUS] municipal services under AS 29.60.100 - 29.60.180. The department shall withhold annual allocations under those sections until municipal officials demonstrate that the requirements of this section have been met.

* Sec. 5. AS 29.60.100 is amended to read:

Sec. 29.60.100. Priority revenue sharing for municipal services [REVENUE SHARING PAYABLE]. In addition to the equalization entitlements paid under AS 29.60.010 - 29.60.080, during each fiscal year the department shall pay priority revenue sharing for municipal services to [AID]

(1) [TO] a municipality or other eligible recipient that has the power

1 to provide the services described in AS 29.60.110 - 29.60.130 and exercises the power
2 in the manner required by AS 29.60.100 - 29.60.180;

3 (2) [TO] an unincorporated community under AS 29.60.140.

4 * Sec. 6. AS 29.60.170 is amended to read:

5 **Sec. 29.60.170. Municipal [MISCELLANEOUS] services account.** The
6 **municipal [MISCELLANEOUS] services account** is established. Money to carry out
7 the provisions of AS 29.60.100 - 29.60.180 shall be allocated by the department to the
8 account in accordance with AS 29.60.280. If amounts in the account are insufficient
9 to pay each municipality's or other recipient's share authorized under AS 29.60.100 -
10 29.60.180, the amounts that are available shall be distributed pro rata among eligible
11 municipalities and other recipients.

12 * Sec. 7. AS 29.60.280(b) is amended to read:

13 (b) Money in the **municipal [MISCELLANEOUS] services account** established
14 in AS 29.60.170 that exceeds the amount required to fully fund distributions authorized
15 by AS 29.60.100 - 29.60.180 shall be reallocated to the tax equalization account
16 established in AS 29.60.060 and distributed according to the provisions of
17 AS 29.60.010 - 29.60.080.

18 * Sec. 8. AS 29.60.350 is amended to read:

19 **Sec. 29.60.350. Communities [MUNICIPAL ASSISTANCE] fund.** (a) **To**
20 **implement the revenue sharing for communities program, there [THERE] is**
21 **established in the department the communities [MUNICIPAL ASSISTANCE] fund**
22 **consisting of the base amount account and the per capita account.** The legislature
23 may appropriate to the **communities [MUNICIPAL ASSISTANCE] fund** during each
24 fiscal year **a total [AN] amount equal to or greater than 30 percent of the income tax**
25 **revenue received by the state under AS 43.20.011(e) for the previous fiscal year.**
26 **Unless otherwise provided in the appropriation, the department shall allocate**
27 **money to the base amount account and the per capita account in the same**
28 **proportion as under AS 29.60.360 and 29.60.370 in state fiscal year 1997.**

29 (b) The department shall distribute money from the **communities**
30 **[MUNICIPAL ASSISTANCE] fund** to each municipality on an annual basis as
31 provided in AS 29.60.360 and 29.60.370 **and as adjusted under AS 29.60.373.** A

1 municipality may not receive payment until it submits to the department a resolution
2 approved by the governing body of the municipality that requests the money.
3 Distribution of money from the communities [MUNICIPAL ASSISTANCE] fund to
4 all municipalities must be made on July 31 [FEBRUARY 1] of the state fiscal year
5 for which the appropriation to the fund is made. A municipality that incorporates after
6 July 1 [DECEMBER 31] of a state fiscal year is not eligible for a distribution under
7 this section until the following state fiscal year.

8 * **Sec. 9.** AS 29.60.350 is amended by adding new subsections to read:

9 (c) Money from the revenue sharing for the communities program distributed
10 to a municipality shall be used by that municipality only for the following services in
11 the following ranking of priority:

- 12 (1) police protection and related public safety services;
- 13 (2) fire protection and emergency medical services;
- 14 (3) water and sewer services not offset by user fees;
- 15 (4) solid waste management;
- 16 (5) other services determined by the governing body to have the highest

17 priority.

18 (d) Subsection (c) of this section may not be construed to require a
19 municipality to fund all requests it receives for services in a category with a higher
20 ranking of priority before funding services in a category with a lower ranking of
21 priority.

22 * **Sec. 10.** AS 29.60.360 is amended to read:

23 **Sec. 29.60.360. Base amount account distributions [OF ASSISTANCE].**

24 (a) The base amount to be distributed from the base amount account [MUNICIPAL
25 ASSISTANCE FUND] to each municipality for the fiscal year shall be the amount
26 received by the municipality during fiscal year 1978 under AS 43.70.080 as that
27 section provided before the 1978 amendment. A city incorporated within a borough
28 after June 30, 1977, shall receive as a base amount a share of the amount distributed
29 to the borough in which it is located based on the ratio of population in the city to the
30 total population in the borough. A city incorporated outside a borough after June 30,
31 1977, shall receive as a base amount the amount received by the city in the state most

1 closely approximating it in population at the time of its incorporation. A borough
2 incorporated after June 30, 1977, shall receive as a base amount the amount received
3 by the borough in the state most closely approximating it in population at the time of
4 its incorporation, excluding each borough with a per capita full and true property
5 value exceeding \$500,000. The base amount to be distributed to each municipality
6 organized under federal law shall be the amount received as a base amount by the city
7 most closely approximating it in population on June 30, 1977.

8 (b) If the amount in the base amount account from allocation of
9 appropriations [APPROPRIATED] to the communities [MUNICIPAL
10 ASSISTANCE] fund [BY THE LEGISLATURE] during a fiscal year is insufficient
11 for distribution of the full base amount to each municipality, the department shall
12 prorate the amount available for distribution [ON THE BASIS OF AMOUNTS
13 RECEIVED DURING THE FISCAL YEAR 1978 UNDER AS 43.70.080].

14 * Sec. 11. AS 29.60.365 is amended to read:

15 **Sec. 29.60.365. Municipalities organized under federal law.** To qualify to
16 receive money under AS 29.60.350 - 29.60.375 [AS 29.60.350 - 29.60.370], a
17 municipality organized under federal law as an Indian reserve that existed before
18 enactment of 43 U.S.C. 1618(a) and is continued in existence under that subsection
19 shall form a community development corporation with authority to determine how
20 money received under AS 29.60.350 - 29.60.375 [AS 29.60.350 - 29.60.370] will be
21 used. The charter must require that the governing board of the corporation shall be
22 elected at an annual election open to all residents of the municipality who are
23 registered and qualified to vote in state elections. The department may distribute
24 money for the municipality only to a corporation organized in accordance with this
25 section and only after the corporation has delivered a written waiver of sovereign
26 immunity from legal action by the state to recover all or a portion of the money
27 distributed under AS 29.60.350 - 29.60.375 [AS 29.60.350 - 29.60.370].

28 * Sec. 12. AS 29.60.370(a) is amended to read:

29 **Sec. 29.60.370. Per capita account distribution** [INCREASED
30 ASSISTANCE]. (a) The [IF THE] amount allocated to the per capita account in
31 the communities [MUNICIPAL ASSISTANCE] fund [AT THE TIME OF

1 DISTRIBUTION EXCEEDS THE BASE AMOUNT TO BE DISTRIBUTED UNDER
2 AS 29.60.360, THE EXCESS AMOUNT] shall be distributed to each municipality on
3 the basis of population. Population for the purpose of this section shall be as certified
4 by the commissioner of community and regional affairs. In determining the population
5 of a borough, the population of all cities in the borough shall be deducted from the
6 total population of the borough.

7 * Sec. 13. AS 29.60 is amended by adding new sections to read:

8 **Sec. 29.60.372. Minimum entitlement.** (a) If a municipality qualifies for a
9 payment during a fiscal year under AS 29.60.350 and also under AS 29.60.010 -
10 29.60.080, 29.60.100 - 29.60.180, or 29.60.290, and if the total amount payable to the
11 municipality under those sections is less than a minimum entitlement of \$40,000, the
12 department shall pay to the municipality an amount equal to the difference between
13 the total amount payable under those sections and \$40,000 as adjusted under
14 AS 29.60.373.

15 (b) If the total amount appropriated to the communities fund for a fiscal year
16 is less than \$29,402,300, the minimum entitlement under (a) of this section shall be
17 reduced by a percent equal to the percent of reduction that the amount appropriated for
18 that fiscal year represents when compared to \$29,402,300.

19 **Sec. 29.60.373. Adjustment of payments.** Adjustment of payments shall be
20 determined by prorating amounts payable under AS 29.60.360, 29.60.370, and
21 29.60.372 by a factor that, when applied, reduces all payments in equal proportion so
22 that total payments equal the amount appropriated to the communities fund.

23 * Sec. 14. AS 29.60.375 is amended to read:

24 **Sec. 29.60.375. Definition.** In AS 29.60.350 - 29.60.375 [AS 29.60.350 -
25 29.60.370] "municipality" includes a municipality organized under federal law as an
26 Indian reserve that existed before enactment of 43 U.S.C. 1618(a) and is continued in
27 existence under that subsection.

28 * Sec. 15. AS 29.60.370(b) is repealed.

29 * Sec. 16. This Act takes effect July 1, 1997.

Alaska State Legislature



Committee Membership
Senate Finance
Senate Resources
Senate Rules
Legislative Budget & Audit

Senator John Torgerson

District Address:
145 Main St. Loop; Ste. 226
Kenai, AK 99611
(907) 283-2690
fax 283-9267

Session Address:
State Capitol; Room 514
Juneau, AK 99801-1182
(907) 465-2828
fax 465-4779

CSSB 29 S(FIN) - Sectional Overview

Section 1: Changes name from state aid to priority revenue sharing.

Section 2: Changes name from state aid for miscellaneous municipal services to priority revenue sharing for municipal services.

Section 3: Changes name from state aid for miscellaneous municipal services to priority revenue sharing for municipal services. Requires communities that levy and collect property taxes to list the allocation received from revenue sharing for communities and its millage equivalent on the notice to taxpayer. Currently these funds do not have to be reported to the public.

Section 4: Changes name from state aid for miscellaneous municipal services to priority revenue sharing for municipal services.

Section 5: Changes name from revenue sharing to priority revenue sharing for municipal services.

Section 6: Changes name from miscellaneous services to municipal services.

Section 7: Changes name from miscellaneous services to municipal services.

Section 8: Renames Municipal Assistance Fund to Safe Communities Fund. Allocates moneys to the "base amount account" and the "per capita account" in the same proportion as that for the state fiscal year 1997. Changes the date the funds are distributed from February 1 to July 31.

Section 9: Adds a new section requiring payments received from both accounts in the Safe Communities Fund to be spent on the following services in the following order of priority:

- Police protection and related public safety services;
- Fire protection and emergency medical services;
- Water and sewer services not offset by user fees;
- Solid waste management;
- Other services determined by the governing body to have the highest priority

This section does not require a municipality to fund all requests it receives for services in a category before funding services in another category.

Section 10: This section is renamed to "Base amount account distributions." Excludes boroughs with a per capita full and true property value exceeding \$500,000 when calculating the base amount to be received by new boroughs. Allows the distributions from the base amount account to be prorated if the amount allocated to the account is insufficient to pay the full base amount to each eligible municipality.

Section 11: Extends definition sections to incorporate new sections in this bill.

Section 12: Renames increased assistance to per capita account distribution. Specifies that allocations to the per capita account will be distributed to municipalities on a per capita basis.

Section 13: Adds a new section stating that the minimum entitlement to those communities eligible for payments under equalization of tax resources for municipal services, priority revenue sharing for municipal services and revenue sharing for Safe communities, is \$40,000. Adds an additional section allowing the minimum entitlement to be adjusted (reduced) proportionately in the event future appropriations to the communities fund are reduced.

Section 14: Extends definition sections to incorporate new sections in this bill.

Section 15: Repeals section which specified intent of original legislation that a municipality that levies property taxes reduce those levies in proportion to the amount of state aid received.

Section 16: Establishes effect date of legislation.

SB 29

There are two pots of money discussed in SB 29:

1. State Revenue Sharing:	\$23,666,844 for FY 97
2. Municipal Assistance:	\$29,320,882 for FY 97
Combined Totals:	\$52,987,726 for FY 97

CURRENT PROGRAMS

1. State Revenue Sharing

- Distributed on July 31.
- Primary allocation based on formula (local revenue divided by community tax base multiplied by population). \$25,000 minimum entitlement with a COLA adjustment
- Separate entitlements for (1) roads; (2) hospitals/ health facilities; (3) unincorporated cities not in boroughs; and (4) volunteer fire departments not in boroughs.

2. Municipal Assistance

- Distributed on February 1.
- Base distribution, using 1978 business tax as a base, about \$10 million "hold harmless" is distributed off the top (1/3 of funds)
- Per capita distribution of balance (2/3) among all communities.

What SB 29 does:

1. State Revenue Sharing - changes title to Priority Revenue Sharing; references SRS by way of goal of \$40,000 minimum for combined programs (SRS & MA) No changes to formulas, including the minimum payment of \$25,000 plus cola.

2. Municipal Assistance - now called Safe Communities Fund

- new priority order of expenditures
- removes "hold harmless" the \$10 million which was previously distributed to specific municipalities. (old bus. tax)
- payment date moved to July 31, same as SRS



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

April 3, 1997

Representative Gene Therriault
Alaska House of Representatives
Room 511 State Capitol
Juneau, Alaska 998011182

Dear Representative Therriault:

As you are aware, the Alaska Municipal League and Alaska Conference of Mayors held its annual legislative conference this week in the capitol city. Over 130 municipal officials spent two days discussing important issues to the state and reached consensus on three critical points.


The first is to urge passage of SB 29, Safe Communities Bill, sponsored by Senator John Torgerson. This is the number one priority legislation for local government officials.

The second issue is fixing Alaska's deteriorating public facilities. It is imperative to maintain our infrastructure before the cost of repair increases further. The membership supports SB 37/SB 111, SJR 21, and continued funding for the Municipal Capital Matching Grant Program.

Lastly, every community recognizes how budget cutting to municipal programs has passed the burden down to local taxpayers, which is reflected by increases in sales and property taxes or cuts to critical basic services.

We are enclosing copies of two resolutions which were passed unanimously by the Alaska Conference of Mayors and the Alaska Municipal League Board of Directors. These resolutions outline the united positions of the membership and serve to let you know how strongly they feel on these issues.

Sincerely,



Kevin C. Ritchie
Executive Director

Enclosures

c:/jk/legcom/resoltr.doc

WHY SUPPORT SB 29, THE "SAFE COMMUNITIES" BILL?

- Last session, the "Safe Communities" bill (SB20) **passed the Senate unanimously and passed the House with 38 affirmative votes**, but failed because it was not brought up for a concurrence vote in the Senate in the final minutes of the legislative session.
- AML's Candidate Legislative Survey got the following responses:
 - “Will you support the “Safe Communities” bill when it is re-introduced in the next legislative session?
78% yes, 5% support concept, 15% unsure, 2% no
 - “Should the state be concerned about the impact its budget actions have on local taxes and services? Do you support stabilizing funding for municipal revenue sharing?
89% yes, 2% “if feasible”, 9% no
- The “Safe Communities” bill targets use of the funds for basic public safety and health services. This bill is an important part of the goal of **making neighborhoods safer**.
- Over the past ten years, municipal revenue sharing has been cut nearly 70%. In the past two years, it has been cut 15%. Local taxpayers have already given their fair share to balancing the state budget. **A further cut in municipal revenue sharing is simply an increase to local taxpayers**. The “Safe Communities” bill is an excellent vehicle to create a permanent and stable revenue sharing program.
- The “Safe Communities” bill has unanimous support from all municipalities, from Anchorage to Ouzinkie. The consensus building that created this bill is a good model for achieving consensus on other statewide issues, such as the education formula.

THE FOUR "LEGS" OF SB 29

1. Changes the name to "Safe Communities." Requires the funds received under this program (formerly Municipal Assistance Program) be used primarily for **basic public safety/health services**.
2. Creates a **\$40,000 minimum** payment for small incorporated municipalities. Larger communities contribute approximately \$238,000 of their allocation to raise minimums for small communities. (Anchorage, Fairbanks, Fairbanks North Star Borough, Juneau, Kenai Peninsula Borough, Mat-Su Borough, and all other large municipalities support this provision to reduce dissolutions of small municipalities.)
3. **Removes the 'hold harmless'** clause of the current Municipal Assistance Program. The "hold harmless" provision creates wide variations among funding for communities and is no longer relevant.
4. **Advances the payment date** for Municipal Assistance from February 1 to July 31, which is the same date Revenue Sharing payments are made. This provision **creates the internal equity** in the bill that allows support from all municipalities.



Alaska Municipal League &
Alaska Conference of Mayors
1997 Legislative Platform

1. Approval of the "Safe Communities" bill and maintain current funding for municipal revenue sharing to avoid further state generated local property tax increases. The "four legs" of the Safe Communities bill are:
 - Directs the funds to be used primarily for public safety and health services
 - Establishes a minimum sharing of \$40,000 for small municipalities
 - Removes the "hold harmless" to allow equal treatment to all municipalities
 - Distributes municipal funds on July 31 each year
2. Provide for the long term construction, operation, and maintenance of state and municipal airports, roads, and harbors, including revenue sharing programs for maintenance. Bring state harbors up to an adequate maintenance level through a statewide bond issue, or other funds, to prepare them for possible negotiated transfer to municipalities.
3. Approval of a Long Range Financial Plan that prohibits unfunded mandates and unfunded service responsibilities, adequately funds schools and maintenance of public infrastructure, reasonably reduces state expenses, protects the Permanent Fund, and phases in new tax revenue sources.
4. Actively encourage the construction of a natural gas pipeline with an emphasis on jobs for Alaskans.
5. Restore funding for Municipal Capital Matching Grant Program to \$20 million because local communities can most efficiently determine and meet local capital needs.
6. Create a permanent State/Local Government Partnership Council to negotiate methods to most efficiently provide public services at the lowest possible cost to taxpayers.
7. Provide long term funding of public safety and health services through the equitable sharing of increased statewide alcohol and tobacco taxes, and removing the current prohibition against municipalities voting for local special taxes on the sale or use of alcohol.
8. Reduce the state unfunded mandate for the Senior Citizen Property Tax exemption.
9. Adequately fund a program to construct efficient sanitation systems throughout Alaska.
10. Give communities more tools to reduce youth crime by limiting confidentiality of youth crime information to protect the community, allow municipalities the option of assuming greater jurisdiction over juvenile justice, and limit liability for providing recreational opportunities for youth, such as skateboard parks.

Overview
State Revenue Sharing/Municipal Assistance vs.
Safe Communities Program

CURRENT PROGRAMS

<u>Municipal Assistance</u>		<u>State Revenue Sharing</u>	
<u>Base Distribution</u>	<u>Per Capita Distribution</u>	<u>Primary Allocation</u>	<u>Separate Entitlements</u>
1978 Business Tax as a base (about \$10 million "hold harmless" is distributed off the top)	Per capita distribution of the balance among all communities	$\frac{\text{Total local revenue}}{\text{Community tax base} \times \text{Population}}$ (\$25,000 minimum entitlement)	<ol style="list-style-type: none"> 1. Roads 2. Hospitals/health facilities 3. Unincorporated cities (not in boroughs) 4. Vol. fire departments (not in boroughs)

Distributed annually on February 1st

Distributed annually on July 31st

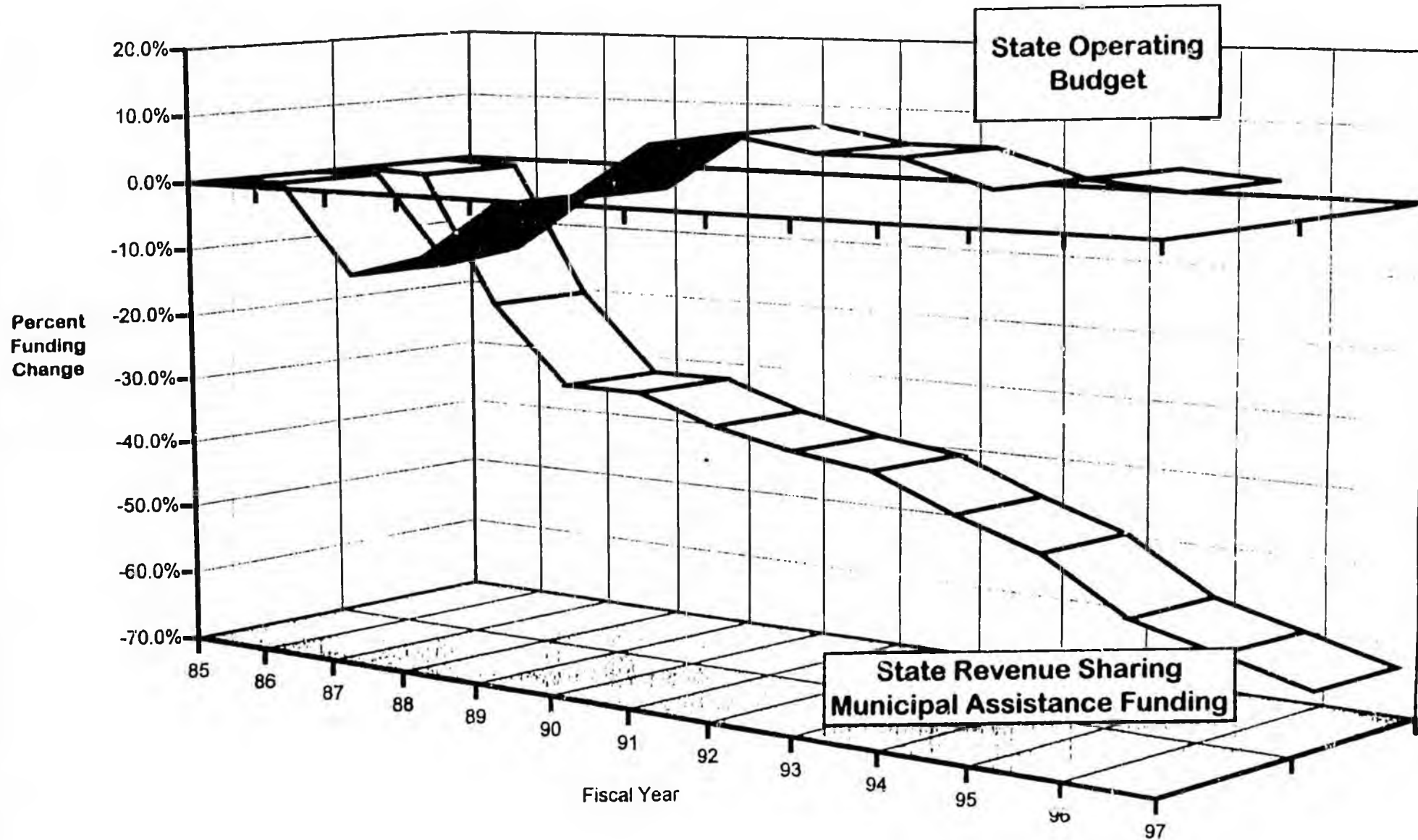
NEW PROPOSAL - SB 29 - SAFE COMMUNITIES

<u>Safe Communities Program</u>	<u>Priority Revenue Sharing Program</u>
All Safe Communities money must be used in the following order of priority: <ol style="list-style-type: none"> 1. Police protection 2. Fire protection & EMS 3. Water & Sewer 4. Solid Waste Mgmt 5. Other services 	Same provisions as State Revenue Sharing above

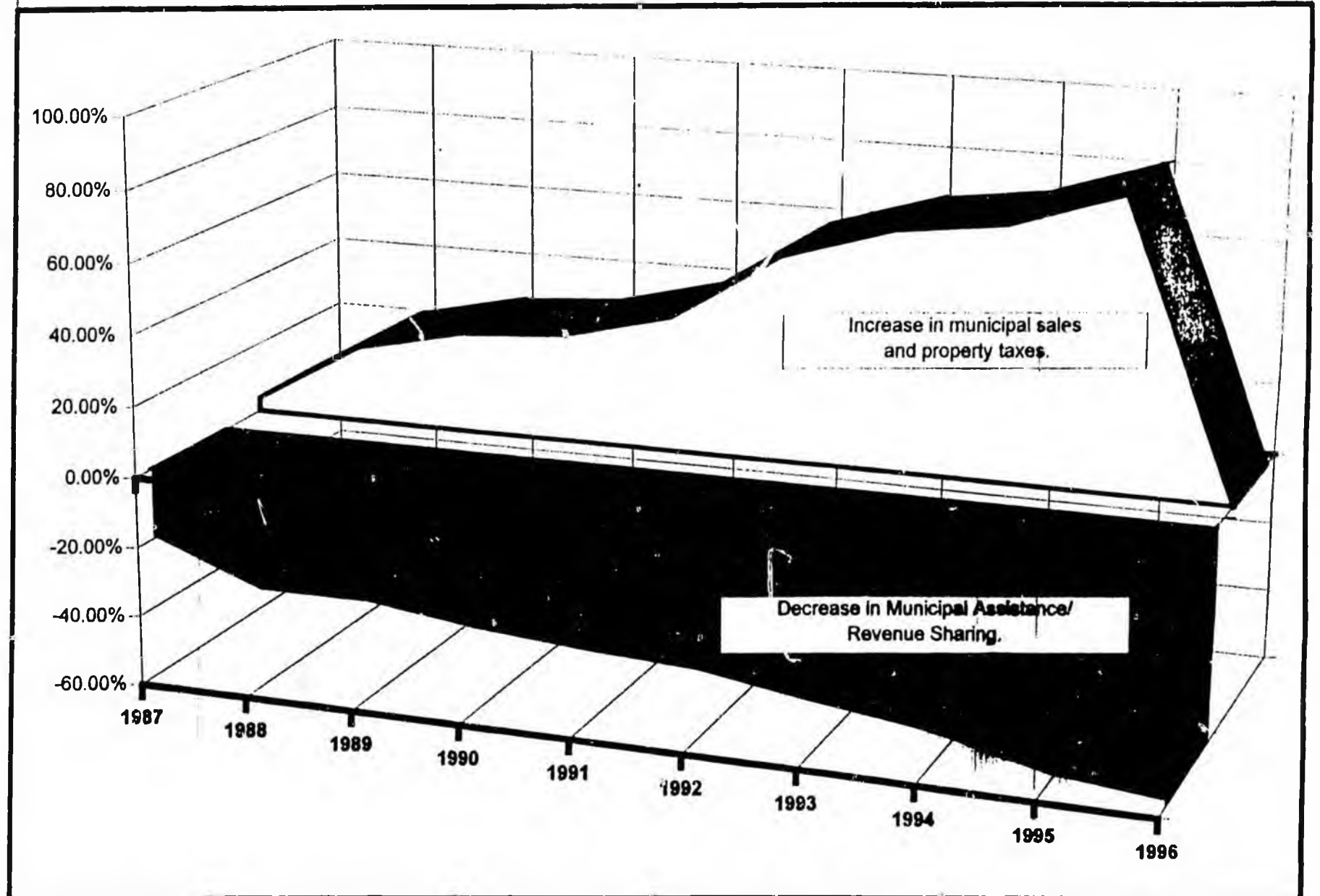
Consolidated Provisions

1. \$40,000 minimum entitlement for the total of both programs (may be prorated if funding is reduced after FY 98).
2. Date of distribution for both programs adjusted to July 31 (Municipal Assistance is currently distributed on February 1).
3. "Hold harmless" provision removed.

**Comparison of State Operating Budget vs.
State Revenue Sharing/Municipal Assistance Funding
FY 85 - FY 97**



Comparison of Decreases in Municipal Assistance/Revenue Sharing vs Increases in Municipal Sales & Property Taxes



Examples of Impacts of Cutbacks in State Revenue Sharing and Capital Project Matching Grants

Aleknagik

"...with the state Revenue Sharing cutbacks, the City had to cut back on staff work hours to part time, with no medical, dental, nor life insurance benefits. ...completely eliminated city's refuse pickup services."

Nondalton

"...due to these funding reductions...this community was left without funding for water/sewer, forced to reduce clinic hours, and could not afford to maintain roads leaving the community with seriously hazardous road conditions upon which children could not be safely transported from school."

Lake and Peninsula Borough

"...Pilot Point Airport. Due to runway deterioration, service was recently interrupted for eight days, disrupting freight...and critical medical evacuation capabilities."

Egegik

"lack of funds for freshwater treatment plant maintenance"

Aleutians East Borough

"decreasing state revenues has shifted more of the burden against local taxes. The AEB already contributes 8 mills (for schools) which does not include another four mills each year in payments on financed school improvements... This in turn has forced us to halt our (school) technology program."

Cordova

"Impacted by cuts in revenue sharing....In 1991, the mil rate was 7.094 and 1996 is projected to be 13.5 without an increase in services. In addition, a flat sales tax has increased from 4% to 6%."

Juneau

"School roof deterioration....on the Marie Drake School, the Mendenhall River School, and the Auke Bay Elementary School....If not repaired in the near future, the deterioration will continue thus increasing the final cost to repair and , if unchecked, could result in the loss of use of a portion of the school facilities."

Sand Point

"The original intent for revenue sharing was for each municipality to receive \$2,500 per mile for road maintenance...now it is only approximately \$917 per mile.... the City was forced to sell its rock crushing equipment to supplement General Fund shortfalls....the roads are washed away due to a lack of culverts and storm drainage placed in even the most critical points due to a lack of funds..."



Legislative Bulletin

Bulletin #20-1

January 24, 1997

First "State of Municipalities" Address

Highlights Tax and Deferred Maintenance Issues

The first annual "State of the Municipalities" address was presented on January 21, 1997, in the Capitol Building by the Alaska Municipal League and the Alaska Conference of Mayors.

The purpose of the address was to give a report to the Legislature and citizens on the status of municipalities in Alaska. An annual address on municipal issues is important because local governments provide half of the public services in Alaska and they most directly represent and impact families, communities, economies, and environments. The address was broadcast statewide on "Gavel to Gavel" and covered by other statewide media.

The address focused on two key issues:

1. **Local property taxes.** Over the years, in efforts to cut the state budget, the state has disproportionately cut money to municipalities intended to keep local taxes low. Additional state pressure to increase local sales and

(continued on page 3)

"Safe Communities" First Bill Out of Legislative Committee

AML Requests New Resolutions from Municipalities

Senate Bill 29, Safe Communities, had its first hearing on Monday, January 27, 1997, by the Senate Community and Regional Affairs Committee and passed out the same day. SB 29, introduced by Senator John Torgerson, is the number one priority legislation for the Alaska Municipal League and Alaska Conference of Mayors. It was the first bill to pass out of a committee this session.

The hearing was held to coincide with the Alaska Municipal League Board of Directors and Alaska Conference of Mayors meeting held in Juneau on January 20-21, 1997.

The League is now seeking resolutions and support letters from municipal members to show our continuing support for the legislation. Please send them to Senator John Torgerson, State Capitol, Juneau, Alaska 99811. His fax number is 465-4779. Please forward a copy to AML. The bill is scheduled for its next hearing in Senate Finance on January 31.

The bill contains the four critical legs as adopted last year. They are:

1. Changes the name to "Safe Communities" (formerly Municipal Assistance) and requires the funds received under this program be used primarily for basic public safety/health services.
2. Creates a \$40,000 minimum payment for small incorporated municipalities. Larger communities contribute approximately \$238,000 of their allocation to raise minimums for small communities. (Anchorage, Fairbanks, Fairbanks North Star Borough, Juneau, Kenai Peninsula Borough, Mat-Su Borough, and all other large municipalities support this provision to reduce dissolutions of small municipalities.)
3. Removes the "hold harmless" clause of the current Municipal Assistance Program. The "hold harmless" provision creates wide variations among

(continued on page 3)

AML Joint Insurance Association Distributes \$300,000 to Municipalities

At its January meeting, the Trustees for the AML/JIA approved \$300,000 be distributed back to its members for the FY 90 policy year. Unlike big insurance companies, the value of a member-owned insurance pool is that the members benefit if the program is successful. The AML/JIA presently has 115 members. For more information on the distribution, call Steve Wells at 1-800-337-3682.

"Safe Communities"

(continued from page 1)

funding for communities and is no longer relevant.

4. **Advances the payment date for Municipal Assistance from February 1 to July 31,** which is the same date Revenue Sharing payments are made. This provision creates the **inter-al equity** in the bill.

Last session, the "Safe Communities" bill (SB20) passed the Senate unanimously and passed the House with 38 affirmative votes, but failed to receive a concurrence vote in the Senate in the final minutes of the legislative session.

Over the past ten years, municipal revenue sharing has been cut nearly 70%. In the past two years, it has been cut 15%. A further cut in municipal revenue sharing is simply an **increased tax burden to local taxpayers**. The "Safe Communities" bill is an excellent vehicle to create a permanent and stable revenue sharing program.

If you have any questions on the bill, please call Kevin Ritchie or Julie Krafft at 586-1525.

National League of Cities Seeks Volunteers

The National League of Cities (NLC) is seeking volunteers to serve on a conference planning committee to help plan the 1997 NLC Congress of Cities conference.

The committee will meet in Philadelphia, Pennsylvania, on April 18 and 19.

If you are interested in serving on the conference planning committee, please call Kevin Ritchie at 586-1525.

"State of Municipalities" Address

(continued from page 1)

property taxes must end if we are to continue building the economies of our communities. This is a greater challenge for the many communities that are facing the loss or partial loss of primary industries.

2. **Repair and improvement of state and local public infrastructure** such as roads, schools, harbors, airports, and jails. The Alaska Conference of Mayors and the Alaska Municipal League are deeply concerned that state budget cuts to maintenance and repair of critical public infrastructure is beginning to threaten the economic potential of our communities. More important, **failure to maintain and repair our public facilities is simply mortgaging Alaska's future.**

The Alaska Conference of Mayors and the Alaska Municipal League pledged to work hand in hand with the Legislature and the Governor to creatively solve these challenges.

The primary presenters were Alaska Conference of Mayors President Mayor Carolyn Floyd; AML President Rosemary Hagevig; and George Wuersch, Assembly Member from the Municipality of Anchorage.

They were supported by:

Karen Parr, Assembly, Fairbanks North Star Borough

Mayor Jerome Selby, Kodiak Island Borough

Mayor Dennis Egan, Juneau

Mayor Alaire Stanton, Ketchikan

Mayor Willie Thomas, Buckland

Mayor Sarah Palin, Wasilla

Roger Clark, Assembly, Northwest Arctic Borough

Mayor Henry Guinotte, Palmer

Mayor Ken Lancaster, Soldotna

Mayor Jack Shay, Ketchikan Gateway Borough

Mayor Sioux Plummer, Skagway

Vice Mayor Tom Quick, Ouzinkie

Michael O'Brien, Bethel

Mayor Edwin Anderson, Bristol Bay Borough

Mayor John Gonzales, Denali Borough

Mayor John Williams, Kenai

Mayor Robert Knight, Nenana

Mayor Tim Volstad, Seldovia

Rose Chandler, Scammon Bay

An eight-page report was made available to the press and attendees, which outlined in greater detail the municipal message. A copy of the report will be sent to AML members. Video tapes of the thirty-five minute presentation are available from the Alaska Municipal League at 586-1325.

Alaska State Legislature



Committee Memberships

Senate Finance
Senate Resources
Senate Rules
Legislative Budget & Audit

Senator John Torgerson

District Address:
145 Main St. Loop; Ste. 226
Kenai, AK 99611
(907) 283-2690
fax 283-9267

Session Address:
State Capitol; Room 514
Juneau, AK 99801-1182
(907) 465-2828
fax 465-4779

SPONSOR STATEMENT - CSSB 29(FIN)

This legislation changes the name of the Revenue Sharing program to "Priority Revenue Sharing for Municipal Services", changes the Municipal Assistance Fund to the Safe Communities Fund and requires that payments from the Safe Communities Fund be used for specific prioritized purposes. The intent of these changes is to more accurately reflect the purposes for which payments received are used. These programs appear to have fostered the perception that it is a type of "slush fund" for communities. The change in name and the requirements for use of the monies help to dispel that notion.

Communities are required to spend funds received from the Safe Communities Fund on specific purposes in the following order of priority: (1) Police protection and related public safety services; (2) Fire protection and emergency medical services; (3) Water and sewer services not offset by user fees; (4) Solid waste management; and (5) Other services the governing body determines to have the highest priority. Communities are not, however, required to fund all requests for services in a category before funding services in another category.

Communities that levy and collect property taxes are required to list the allocation received from the Safe Communities Fund and its millage equivalent on the "Notice to Taxpayers."

This bill also revises how appropriations to the Safe Communities Fund are allocated. In the event appropriations continue to be reduced, allocations to, and the resulting payments from, the base amount account will be proportionately reduced. In the past, this account was "held harmless" and appropriation reductions were taken entirely from the per capita account. This resulted in an inequitable reduction of payments to communities.

The minimum entitlement to communities is increased to \$40,000; based on the FY 97 appropriation. If, however, appropriations continue to decline, this minimum entitlement may be proportionately reduced along with payments from the base amount and the per capita accounts.

Finally, the date of payment has been changed so that communities receive entitlements from both Priority Revenue Sharing and the Safe Communities Fund on July 31. Previously, payments from revenue sharing were made on July 31 and municipal assistance payments were made on February 1.

(4/28/97: CSSB 29 H(FIN): mj)



D✓

MAYOR AND CITY COUNCIL
POST OFFICE BOX 1397, KODIAK, ALASKA 99615

TELEPHONE (907) 486-8635
FAX (907) 486-8600

February 14, 1997

Senator Jerry Mackie
Alaska State Senate
State Capitol
Juneau, AK 99801

Dear Senator Mackie:

Jerry

The Kodiak City Council, at its February 13, 1997, regular meeting, passed Resolution Number 5-97 relating to municipal revenues and programs. A copy is enclosed. Please include this resolution with Senate Bill 29 in the committee folder when it comes up for hearing. Thank you

Sincerely,

CITY OF KODIAK

Carolyn L. Floyd
CAROLYN L. FLOYD
Mayor

CLF/wam

enclosure

CITY OF KODIAK RESOLUTION NUMBER 5-97

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK REQUESTING THE GOVERNOR AND LEGISLATURE CEASE MAKING DISPROPORTIONATE CUTS TO EXISTING MUNICIPAL REVENUES AND PROGRAMS THAT FORCE HIGHER LOCAL TAXES OR CUTS TO BASIC LOCAL PUBLIC SERVICES

WHEREAS oil revenues are collected by the state government, but do not belong to the state government; oil revenues belong to all the people of the state to ensure a basic level of public services in all communities, whether provided by the state or municipal government; and

WHEREAS state revenue sharing with municipalities is not unique to Alaska and is not an oil boom program; every state in the United States provides some form of revenue and Alaska is now below the average among the western states for sharing state revenue with its municipalities; and

WHEREAS the percentage of the state budget appropriated for municipal revenue sharing has now been cut to the same level as in 1972, well before the oil boom; and

WHEREAS since 1986 the state has shifted an estimated \$200 million of costs to local taxpayers through cuts to municipal revenue sharing, transfers of state service responsibilities, and unfunded state mandates on municipalities, while all sales and property tax increases among municipal governments since 1986 total only \$188 million per year; essentially all sales and property tax increases paid by Alaska citizens since 1986 have gone to balance the state's budget; and

WHEREAS since 1986 the state has cut Municipal Assistance/Revenue Sharing by \$83 million, which is approximately twice the amount of any "new tax" proposed by the Long Range Financial Planning Commission for implementation during this century; and

WHEREAS the impact of the state's cuts in revenue sharing, cuts in other municipal programs, and new unfunded mandates on municipalities since 1986 are roughly equal to taking away the value of one Permanent Fund dividend check from every family that pays property taxes; and

WHEREAS approximately half (or \$10 million) of the actual reductions in the State's proposed budget for next year simply "pass the buck" to local taxpayers; and

WHEREAS the proposed state budget for next year would cut the state operations less than 1% while the proposed cut to direct municipal revenue sharing is 8%, or more than eight times greater; and

WHEREAS the state Legislature Research Agency found over six hundred state mandates on local government in statute; e.g., the state unfunded mandate for a senior citizen/disabled veteran \$150,000 property tax exemption alone is estimated to cost cities and boroughs over \$20 million in fiscal year 1997; and

WHEREAS cuts in municipal revenue sharing and the resulting fiscal pressures have been a major factor in municipal dissolutions; many smaller communities are considering unincorporating and giving the responsibility for providing local services back to the state government where the cost

to the state for providing those services will be much higher than the cost of municipal revenue sharing; and

WHEREAS all municipal governments balance their budgets and many municipal governments use long range fiscal planning tools; and

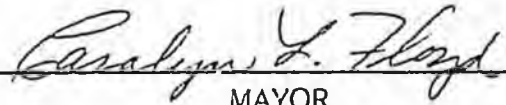
WHEREAS the Alaska Municipal League and the Alaska Conference of Mayors have adopted resolutions supporting the development of a Long Range Finance Plan for Alaska and have offered to work in partnership with the state to develop the plan,

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that the Governor and the Legislature are requested to:


- carefully study the impact of state budget actions and avoid passing a disproportionate share of cuts, transfers, and unfunded mandates on to local taxpayers;
- support the implementation of the "Revenue Sharing for Communities" program developed by the Alaska Municipal League (AML) and the Alaska Council of Mayors (ACoM) to improve and stabilize the current Municipal Assistance and Revenue Sharing Programs; and
- work in formal partnership with the municipalities as proposed by the AML and ACoM to develop a State/Municipal Long Range Financial and Services Plan for Alaska in recognition of the fact that the state and municipal governments jointly provide Alaska's public services and that both serve the same citizens/taxpayers.

PASSE AND APPROVED this 13th day of February, 1997.

CITY OF KODIAK


MAYOR

ATTEST:


CITY CLERK