

**SB**

**142**

**SFIN**

**FILE**

# SENATE COMMITTEE REPORT

## First Committee of Referral

DATE: 3/19/97

FURTHER: Finance

Date of 5-Day Notice: 5/2/97

(in accordance with Uniform Rule 23)  
 (24-hr rule in effect)

DATE TURNED

IN TO OFFICE: 5/7/97

Health, Education and Social Services Committee considered

SENATE BILL NO. 142

"An Act relating to formation of and taxation in regional educational attendance areas; and providing for an effective date."

and recommends:

be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

attached amendment(s)

adopt Letter of Intent by \_\_\_\_\_ Committee

further referral to the \_\_\_\_\_ Committee

Senate Bill:

- same title
- new title

House Bill:

- same title
- technical title
- new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Lyle Green</i>	✓	<i>Loren J. Jensen</i>	✓		
CHAIR: <i>Gov. Will</i>	✓	CHAIR:			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
C+RA	4/8/97		✓
C+RA	4/8/97	✓	
DOE	4/9/97	✓	

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*Include fiscal notes accompanying Governor's bill

5/7/97

AMENDMENT

Offered in the Senate

By Senator Torgerson

TO: SB 142

1 Page 2, line 4:

2 delete:

3 "1999"

4

5 insert:

6 "2000"

7

8 Page 2, line 19:

9 delete:

10 "2000"

11

12 insert

13 "1999"

14

15

# FISCAL NOTE

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

**BILL NO. SB 142**

Revision Date: \_\_\_\_\_ Dept. Affected: Education  
 Title: An Act relating to formation of and taxation in BRU: K-12 Support  
Regional education attendance areas; and providing ... Component: Foundation Program  
 Sponsor: Senator Torgerson, Phillips  
 Requester: Senate Finance COMPONENT SERIAL NO. 141

**Expenditures/Revenues:** (Thousands of Dollars)

OPERATING EXPENDITURES	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0.0	0.0	35.4	35.4	35.4	35.4
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>35.4</b>	<b>35.4</b>	<b>35.4</b>	<b>35.4</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGES IN REVENUES</b>						
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**FUNDING:** (Thousands of Dollars)

1002 Federal receipts						
1003 GF Match						
1004 GF	0.0	0.0	35.4	35.4	35.4	35.4
1005 GF/Program Receipts						
Other:						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>35.4</b>	<b>35.4</b>	<b>35.4</b>	<b>35.4</b>

Estimate of current year (FY97) cost: \$ \$0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

This fiscal note assumes that following school districts will be combined.

	Change in Units
1) Alaska Gateway and Delta Greely School Districts	1.38
2) Lower Kuskokwim and Yupiit School Districts	-0.41
3) Lower Yukon and Kashunamiut School Districts	-0.39
Total	0.58
Units times \$61,000	\$35,380

This fiscal note does not address other potential consolidations of school districts or borough formations.

Prepared by: Eddy Jeans Phone: 465-8679  
 Division: Education Support Services, School Finance Manager Date: 1/20/98  
 Approved by Commissioner: Shirley J. Holloway, Ph.D. Date: 1/20/98  
 Agency: Department of Education

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# FISCAL NOTE

Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
 Title: An Act relating to formation of and BRU: Local Gov't Assistance  
taxation in regional attendance areas ... Component: Local Boundary Commission  
 Sponsor: Sen. Torgerson, Phillips  
 Requestor: Senate FIN. Committee COMPONENT SERIAL NO. 674

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>REVENUE FUND SOURCE:</b>						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current (FY98) impact \$ none

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

**Local Boundary Commission:**

Implementation of this legislation would have no significant impact on the Local Boundary Commission staff. Local Boundary Commission considerations are discussed in the attached pages under the heading "Fiscal Impacts on the Local Boundary Commission."

Prepared by: Michael Cushing, Research Analyst Phone: 465-4751  
 Division: Municipal and Regional Assistance Division Date: 1/22/98  
 Approved by Commissioner: [Signature] Date: 1/22/98  
 Agency: Community & Regional Affairs

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SB 142 FIN

# FISCAL NOTE

Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
 Title: An Act relating to formation of and BRU: Local Gov't Assistance  
taxation in regional attendance areas ... Component: State Assessor  
 Sponsor: Sen. Torgerson, Phillips  
 Requestor: Senate FIN. Committee **COMPONENT SERIAL NO.** 673

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	302.0	302.0	302.0	302.0	302.0	302.0
TRAVEL	30.0	22.5	15.6	15.6	15.6	15.6
CONTRACTUAL						
SUPPLIES	3.0	3.0	3.0	1.5	1.5	1.5
EQUIPMENT	10.5	10.5	2.5	2.0	2.0	2.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>345.5</b>	<b>338.0</b>	<b>323.1</b>	<b>321.1</b>	<b>321.1</b>	<b>321.1</b>
<b>CAPITAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>REVENUE FUND SOURCE:</b>						

FUND NG: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	345.5	338.0	323.1	321.1	321.1	321.1
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>345.5</b>	<b>338.0</b>	<b>323.1</b>	<b>321.1</b>	<b>321.1</b>	<b>321.1</b>

POSITIONS:

FULL-TIME	6	6	6	6	6	6
PART-TIME						
TEMPORARY						

Estimate of current (FY98) impact \$ none

**ANALYSIS: (Attach a separate page if necessary)**  
**Office of the State Assessor:**  
 Implementation of this legislation would have significant impact on the Office of the State Assessor. The above figures represent the department's preliminary assessment of the minimum impacts of this legislation. The department awaits further clarification of this legislation through the committee process. The department's final assessment of fiscal impacts could be much higher than the figures presented here. Details are discussed in the attached pages under the heading "Fiscal Impacts on the Office of the State Assessor."

Prepared by: Michael Cushing, Research Analyst Phone: 465-4751  
 Division: Municipal and Regional Assistance Division Date: 1/22/98  
 Approved by Commissioner: [Signature] Date: 1/22/98  
 Agency: Community & Regional Affairs

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## Attachment: Fiscal Note Analysis for Senate Bill 142

### Effects of SB 142

Under this legislation,

- ◆ DCRA is to divide the unorganized borough into educational service areas along the lines proposed in the 1995 "Model Borough Boundaries" report.
- ◆ The State Assessor's Office will be responsible for assessing value of taxable property, levying a property tax, and collecting the tax in each of these areas beginning January 1, 1999.
- ◆ DCRA is to develop a proposed method of levying and collecting taxes in these areas, including opportunity for public comment.
- ◆ DCRA is to prepare draft legislation reflecting above proposals by January 1, 2000.

### Anticipated Fiscal Impacts of SB 142 on DCRA

This proposal places substantial new demands on the department. The department believes that much of the effort can be performed by existing staff and resources; however, some additional staff would be needed. The incremental expenditures presented in this fiscal note reflect those demands that cannot be met by existing staffing and resources. With regard to this department, there are two areas for which fiscal impacts need to be discussed:

- State Assessor Office support
- Local Boundary Commission support

Fiscal Impacts on these areas are discussed below.

### Fiscal Impacts on the Office of the State Assessor.

This bill requires the State Assessor to complete Full Value Determinations for each of the educational service areas established under this legislation. Additionally, at least for two years, the Assessor is to assess property and collect taxes for these areas and perform the mandatory duties of a municipality, a board of equalization or a municipal official under AS 29.45.010-500.

The fiscal impacts on the Office of the State Assessor are difficult to ascertain. The imposition and operation of separate tax regimens in numerous areas of the unorganized borough are a huge and daunting tasks that would demand significant expenditures for new staff and/or contractual arrangements. Actual collection of taxes is well beyond any current

activities undertaken by the Office of the State Assessor. Consequently, the fiscal impacts presented here should be considered as preliminary and contingent upon further clarification of the requirements of the legislation through the legislative committee process.

Basic requirements for the full value determinations, and the implementation of tax levy will require at the very least the addition in FY 98 of an Assistant State Assessor (Range 20), two Appraisers (new job class, Range 18) and three clerical support positions (Administrative Clerk III, Range 10). This fiscal note provides for these six new positions as well as additional travel and contractual funding associated with minimum establishment and maintenance of taxation regimens in the proposed educational services areas.

There is a vast difference in preparing a full value determination for an area and completing an assessment roll for property assessment and taxation purposes. In order to prepare an assessment roll, a detailed, lengthy process must be undertaken just to discover property ownership and taxability. Only after this discovery process is completed can the valuation step be taken. In order to complete a full value, "typicals" are used. That is the "typical" percentage of exemptions for this or that type and classification of property. Then "typical" value ranges are used for the "typical" number of taxable properties. Therefore, while the full value can be estimated with a minimum number of staff, a completed assessment roll would take a very large number of individuals to reliably cover the unorganized areas. It is likely that the cost of carrying out a property taxation approach would in many areas not be cost effective.

Regarding the long-term implications of this legislation, it is assumed that in the majority of these areas a property tax will not be an economically viable revenue generation alternative. It is conceivable, however, that it may be feasible to implement a property tax in several regions. Those regions which choose other revenue alternatives, such as sales tax, still require a full value determination by the Assessor. Consequently, the minimum requirements for additional positions outlined above would continue into the foreseeable future.

#### **Fiscal Impacts on the Local Boundary Commission (LBC)**

The provisions in SB 142 as written do not require any substantial new effort on the part of the Local Boundary Commission staff and therefore no significant fiscal impacts are anticipated by the department. Section 1 of SB 142, which would take effect July 15, 1999, requires DCRA to divide the unorganized borough into regional educational attendance areas (REAs) using the Local Boundary Commission's model borough boundaries. The bill would result in the following boundary changes to existing REAs:

- merger of Yupiit REA with the Lower Kuskokwim REA;

- merger of Kashunamiut REAA with the Lower Yukon REAA;
- merger of the Alaska Gateway REAA with the Delta Greely REAA;
- creation of a Prince of Wales REAA (from a large portion of Southeast Island REAA)
- creation of a Wrangell-Petersburg area REAA (from a large portion of the Southeast Island REAA and a relatively small portion of the Chatham REAA);
- reconfiguration of the Chatham REAA to include most of Admiralty Island and portions of Kuiu Island and Kupreanof Island;
- creation of a Glacier Bay REAA from a large portion of the Chatham REAA;
- alteration of the boundaries of the Adak and Aleutian Region REAA.<sup>1</sup>

Additionally, the model borough boundaries identified five regions of the unorganized borough that should be annexed to existing organized boroughs. These consisted of portions of the:

- Southeast Island REAA in the model boundaries of the Ketchikan Gateway Borough;
- Chatham REAA in the model boundaries of the City and Borough of Juneau;
- Chatham REAA in the model boundaries of the Haines Borough;
- Yukon Flats REAA in the model boundaries of the Fairbanks North Star Borough;
- Yukon-Koyukuk REAA in the model boundaries of the Denali Borough.

SB 142 does not express any intent that those five areas should be annexed to the five existing boroughs.<sup>2</sup> Therefore, it is assumed for purposes of this fiscal note that DCRA will not initiate the annexation of those areas to the existing boroughs. It is further assumed that those areas will not be formed into separate REAAs, but rather will be included with other REAAs as noted below:

- the area in question within the model boundaries of the Ketchikan Gateway Borough will be included in the new Prince of Wales REAA;
- the area in question within the model boundaries of the City and Borough of Juneau will be included in the revised Chatham REAA;

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<sup>1</sup> The Local Boundary Commission drew model borough boundaries for the Aleutian region prior to the announcement of the closure of the Adak Naval base. The model boundaries divided the Aleutian region into two areas because of the then substantial military population. With the closure of the Adak base, DCRA no longer considers it appropriate to have separate school districts for the region. Ideally, SB 142 would allow the Local Boundary Commission to review and modify the boundaries before they are implemented. Such could be done in manner that results in little or no fiscal impact.

<sup>2</sup> In comparison, SB 30 which was also introduced by Senator Torgerson, expressed specific intent that those five areas would be annexed to existing boroughs.

- the area in question within the model boundaries of the Haines Borough will be included in the Glacier Bay REAA
- the area in question within the model boundaries of the Fairbanks North Star Borough will be included in the Yukon Flats REAA
- the area in question within the model boundaries of the Denali Borough will be included in the Yukon-Koyukuk REAA.

Since the bill does not consolidate city school districts with REAA school districts, some circumstances unintended by the Local Boundary Commission in drawing model boundaries may result. For example, Wrangell and Petersburg would continue to operate separate city school districts while schools, if any, within the remainder of the REAA would be operated by the REAA. Such could be addressed **without fiscal impact** if the bill allowed for the Local Boundary Commission to review and modify the boundaries before they are implemented.

# FISCAL NOTE

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

**BILL NO. SB142**

Revision Date (Note if correction) \_\_\_\_\_ Dept. Affected Office of the Governor  
 Title An Act relating to formation of and taxation BRU Elective Operations  
 In regional educational attendance areas \_\_\_\_\_ Component Elections  
 Sponsor Senator Torgerson  
 Requester Senate Finance Committee Component Serial No. 22

**Expenditures/Revenues**

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY98) cost: none

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

Zero Fiscal Impact

Prepared by Dana LaTour  
 Division Division of Elections  
 Approved by Lt. Governor Fran Ulmer  
 Agency Office of the Lieutenant Governor

Phone 465-5347  
 Date 2/3/98  
 Date 2/3/98

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# FISCAL NOTE

**STATE OF ALASKA**  
**1997 LEGISLATIVE SESSION**

N<sup>o</sup> 1  
 Bill Version: SB142  
 (S) Publish Date: 5/7/97

Revision Date: \_\_\_\_\_ Dept. Affected: Education  
 Title: An Act realting to formation of and taxation in BRU: K-12 Support  
 Regional education attendance areas: and providing ... Component: Foundation Program  
 Sponsor: Senator Torgerson, Phillips  
 Requester: \_\_\_\_\_ COMPONENT SERIAL NO. 141

**Expenditures/Revenues:** (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0.0	0.0	0.0	-22.1	-22.1	-22.1
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-22.1</b>	<b>-22.1</b>	<b>-22.1</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGES IN REVENUES</b>						
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**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	-22.1	-22.1	-22.1
1005 GF/Program Receipts						
Other:						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-22.1</b>	<b>-22.1</b>	<b>-22.1</b>

Estimate of current year (FY97) cost: \$ 0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

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

This fiscal note assumes that following school districts will be combined.

- 1) Alaska Gateway and Delta Greely School Districts
- 2) Lower Kuskokwim and Yupiit School Districts
- 3) Lower Yukon and Kashunamiut School Districts

This fiscal note does not address other potential consolidations of school districts or borough formations.

Prepared by: Eddy Jeans  
 Division: Educaiton Support Services, School Finance Manager  
 Approved by Commissioner: Shirley J. Holloway, Ph.D.  
 Agency: Department of Education

Phone: 465-8679  
 Date: 4/9/97  
 Date: 4/9/97

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# FISCAL NOTE

Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
 Title: An Act relating to formation of and BRU: Local Gov't Assistance  
taxation in regional attendance areas ... Component: Local Boundary Commission  
 Sponsor: Sen. Torgerson, Phillips  
 Requestor: Senate HESS Committee COMPONENT SERIAL NO. 674

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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REVENUE FUND SOURCE:						
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current (FY97) Impact \$ none

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

**Office of the State Assessor:**

Implementation of this legislation would have no significant impact on the Local Boundary Commission staff. Local Boundary Commission considerations are discussed in the attached pages under the heading "Fiscal Impacts on the Local Boundary Commission."

Prepared by: Michael Cushing, Research Analyst Phone: 465-4751  
 Division: Municipal and Regional Assistance Division Date: 4/8/97  
 Approved by Commissioner: \_\_\_\_\_ Date: 4/8/97  
 Agency: Community & Regional Affairs

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# FISCAL NOTE

Revision Date: \_\_\_\_\_ Dept. Affected: Community & Regional Affairs  
 Title: An Act relating to formation of and BRU: Local Gov't Assistance  
taxation in regional attendance areas ... Component: State Assessor  
 Sponsor: Sen. Torgerson, Phillips  
 Requestor: Senate HESS Committee **COMPONENT SERIAL NO.** 673

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	302.0	302.0	302.0	302.0	302.0	302.0
TRAVEL	30.0	22.5	15.6	15.6	15.6	15.6
CONTRACTUAL						
SUPPLIES	3.0	3.0	3.0	1.5	1.5	1.5
EQUIPMENT	10.5	10.5	2.5	2.0	2.0	2.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>345.5</b>	<b>338.0</b>	<b>323.1</b>	<b>321.1</b>	<b>321.1</b>	<b>321.1</b>

<b>CAPITAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>REVENUE FUND SOURCE:</b>						
-----------------------------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	345.5	338.0	323.1	321.1	321.1	321.1
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>345.5</b>	<b>338.0</b>	<b>323.1</b>	<b>321.1</b>	<b>321.1</b>	<b>321.1</b>

POSITIONS:

FULL-TIME	6	6	6	6	6	6
PART-TIME						
TEMPORARY						

Estimate of current (FY97) impact \$ none

**ANALYSIS: (Attach a separate page if necessary)**  
**Office of the State Assessor:**  
 Implementation of this legislation would have significant impact on the Office of the State Assessor. The above figures represent the department's preliminary assessment of the minimum impacts of this legislation. The department awaits further clarification of this legislation through the committee process. The department's final assessment of fiscal impacts could be much higher than the figures presented here. Details are discussed in the attached pages under the heading "Fiscal Impacts on the Office of the State Assessor."

Prepared by: Michael Cushing, Research Analyst Phone: 465-4751  
 Division: Municipal and Regional Assistance Division Date: 4/8/97  
 Approved by Commissioner: \_\_\_\_\_ Date: 4/8/97  
 Agency: Community & Regional Affairs

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## Attachment: Fiscal Note Analysis for Senate Bill 142

### Effects of SB 142

Under this legislation,

- ◆ DCRA is to divide the unorganized borough into educational service areas along the lines proposed in the 1995 "Model Borough Boundaries" report.
- ◆ The State Assessor's Office will be responsible for assessing value of taxable property, levying a property tax, and collecting the tax in each of these areas beginning January 1, 1999.
- ◆ DCRA is to develop a proposed method of levying and collecting taxes in these areas, including opportunity for public comment.
- ◆ DCRA is to prepare draft legislation reflecting above proposals by January 1, 2000.

### Anticipated Fiscal Impacts of SB 142 on DCRA

This proposal places substantial new demands on the department. The department believes that much of the effort can be performed by existing staff and resources; however, some additional staff would be needed. The incremental expenditures presented in this fiscal note reflect those demands that cannot be met by existing staffing and resources. With regard to this department, there are two areas for which fiscal impacts need to be discussed:

- State Assessor Office support
- Local Boundary Commission support

Fiscal Impacts on these areas are discussed below.

### Fiscal Impacts on the Office of the State Assessor

This bill requires the State Assessor to complete Full Value Determinations for each of the educational service areas established under this legislation. Additionally, at least for two years, the Assessor is to assess property and collect taxes for these areas and perform the mandatory duties of a municipality, a board of equalization or a municipal official under AS 29.45.010-500.

The fiscal impacts on the Office of the State Assessor are difficult to ascertain. The imposition and operation of separate tax regimens in numerous areas of the unorganized borough are a huge and daunting tasks that would demand significant expenditures for new staff and/or contractual arrangements. Actual collection of taxes is well beyond any current

activities undertaken by the Office of the State Assessor. Consequently, the fiscal impacts presented here should be considered as preliminary and contingent upon further clarification of the requirements of the legislation through the legislative committee process.

Basic requirements for the full value determinations, and the implementation of tax levy will require at the very least the addition in FY 98 of an Assistant State Assessor (Range 20), two Appraisers (new job class, Range 18) and three clerical support positions (Administrative Clerk III, Range 10). This fiscal note provides for these six new positions as well as additional travel and contractual funding associated with minimum establishment and maintenance of taxation regimens in the proposed educational services areas.

There is a vast difference in preparing a full value determination for an area and completing an assessment roll for property assessment and taxation purposes. In order to prepare an assessment roll, a detailed, lengthy process must be undertaken just to discover property ownership and taxability. Only after this discovery process is completed can the valuation step be taken. In order to complete a full value, "typicals" are used. That is the "typical" percentage of exemptions for this or that type and classification of property. Then "typical" value ranges are used for the "typical" number of taxable properties. Therefore, while the full value can be estimated with a minimum number of staff, a completed assessment roll would take a very large number of individuals to reliably cover the unorganized areas. It is likely that the cost of carrying out a property taxation approach would in many areas not be cost effective.

Regarding the long-term implications of this legislation, it is assumed that in the majority of these areas a property tax will not be an economically viable revenue generation alternative. It is conceivable, however, that it may be feasible to implement a property tax in several regions. Those regions which choose other revenue alternatives, such as sales tax, still require a full value determination by the Assessor. Consequently, the minimum requirements for additional positions outlined above would continue into the foreseeable future.

### **Fiscal Impacts on the Local Boundary Commission (LBC)**

The provisions in SB 142 as written do not require any substantial new effort on the part of the Local Boundary Commission staff and therefore no significant fiscal impacts are anticipated by the department. Section 1 of SB 142, which would take effect July 15, 1999, requires DCRA to divide the unorganized borough into regional educational attendance areas (REAs) using the Local Boundary Commission's model borough boundaries. The bill would result in the following boundary changes to existing REAs:

- merger of Yupiit REA with the Lower Kuskokwim REA;

- merger of Kashunamiut REAA with the Lower Yukon REAA;
- merger of the Alaska Gateway REAA with the Delta Greely REAA;
- creation of a Prince of Wales REAA (from a large portion of Southeast Island REAA)
- creation of a Wrangell-Petersburg area REAA (from a large portion of the Southeast Island REAA and a relatively small portion of the Chatham REAA);
- reconfiguration of the Chatham REAA to include most of Admiralty Island and portions of Kuiu Island and Kupreanof Island;
- creation of a Glacier Bay REAA from a large portion of the Chatham REAA;
- alteration of the boundaries of the Adak and Aleutian Region REAA.<sup>1</sup>

Additionally, the model borough boundaries identified five regions of the unorganized borough that should be annexed to existing organized boroughs. These consisted of portions of the:

- Southeast Island REAA in the model boundaries of the Ketchikan Gateway Borough;
- Chatham REAA in the model boundaries of the City and Borough of Juneau;
- Chatham REAA in the model boundaries of the Haines Borough;
- Yukon Flats REAA in the model boundaries of the Fairbanks North Star Borough;
- Yukon-Koyukuk REAA in the model boundaries of the Denali Borough.

SB 142 does not express any intent that those five areas should be annexed to the five existing boroughs.<sup>2</sup> Therefore, it is assumed for purposes of this fiscal note that DCRA will not initiate the annexation of those areas to the existing boroughs. It is further assumed that those areas will not be formed into separate REAAs, but rather will be included with other REAAs as noted below:

- the area in question within the model boundaries of the Ketchikan Gateway Borough will be included in the new Prince of Wales REAA;
- the area in question within the model boundaries of the City and Borough of Juneau will be included in the revised Chatham REAA;

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<sup>1</sup> The Local Boundary Commission drew model borough boundaries for the Aleutian region prior to the announcement of the closure of the Adak Naval base. The model boundaries divided the Aleutian region into two areas because of the then substantial military population. With the closure of the Adak base, DCRA no longer considers it appropriate to have separate school districts for the region. Ideally, SB 142 would allow the Local Boundary Commission to review and modify the boundaries before they are implemented. Such could be done in manner that results in little or no fiscal impact.

<sup>2</sup> In comparison, SB 30 which was also introduced by Senator Torgerson, expressed specific intent that those five areas would be annexed to existing boroughs.

- the area in question within the model boundaries of the Haines Borough will be included in the Glacier Bay REAA
- the area in question within the model boundaries of the Fairbanks North Star Borough will be included in the Yukon Flats REAA
- the area in question within the model boundaries of the Denali Borough will be included in the Yukon-Koyukuk REAA.

Since the bill does not consolidate city school districts with REAA school districts, some circumstances unintended by the Local Boundary Commission in drawing model boundaries may result. For example, Wrangell and Petersburg would continue to operate separate city school districts while schools, if any, within the remainder of the REAA would be operated by the REAA. Such could be addressed **without fiscal impact** if the bill allowed for the Local Boundary Commission to review and modify the boundaries before they are implemented.