

HB

20

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 6
 Bill Version: CSHB 20(FIN)
 (H) Publish Date: 3/26/02

Revision Date/Time (Note if correction): 03/25/2002 2:15 PM Dept. Affected: DCED
 Title: Aid to Municipalities and others BRU: Community Assist & Econ. Dev. (405)
 Component: Municipal Dividend Program
 Sponsor: Representative Moses
 Requester: House Finance Component No.: N/A

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	39,930.8	39,780.8	40,455.8	40,455.8	40,455.8	40,455.8
Miscellaneous						
TOTAL OPERATING	39,930.8	39,780.8	40,455.8	40,455.8	40,455.8	40,455.8

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES (1041)	59,333.3	60,000.0	60,666.0	61,333.3	62,000.0	62,666.6
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
AIDEA Dividend	(15,000.0)	(15,000.0)	(15,000.0)	(15,000.0)	(15,000.0)	(15,000.0)
Other (Municipal Dividend Fund)	54,930.8	54,780.8	55,455.8	55,455.8	55,455.8	55,455.8
TOTAL	39,930.8	39,780.8	40,455.8	40,455.8	40,455.8	40,455.8

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

The bill establishes a new Municipal Dividend Fund within the Department funded from a portion of the excess earnings of the Permanent Fund. The Alaska Permanent Fund Corporation has estimated that the transfer to the Municipal Dividend Fund would be \$59.3 million in FY 03 and increase by \$666,667.0 annually thereafter. Each fiscal year the legislature may appropriate money in the Municipal Dividend Fund for the State Revenue Sharing and Safe Communities programs. The Legislature may also appropriate monies from the Municipal Dividend Fund to the Capital Matching Grant program through the capital budget (this amount was \$15.0 million in FY 02 funded by the AIDEA dividend) and for payment to municipalities for costs of confinement and care of state prisoners. This fiscal note reflects the replacement of \$15.0 million of AIDEA dividend funds with Municipal Dividend Program funds.

See page two for additional analysis.

Prepared by: Pat Poland, Director Phone 907-269-4580
 Division: Community and Business Development Date/Time 3/25/02 2:15 PM
 Approved by: Deborah B. Sedwick, Commissioner Date 3/25/2002
 Agency: Department of Community & Economic Development

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. CSHB 20(FIN) - FN#6

ANALYSIS CONTINUATION

This fiscal note was calculated assuming the FY 03 - 08 funding level for the State Revenue Sharing and Safe Communities Programs will be \$39,630,753, an increase of \$10 million over the FY 02 appropriation level. Additionally, the fiscal note was based upon an estimation that an additional 30 unincorporated communities located within organized boroughs would become eligible for funding under the Capital Matching Grants Program beginning in FY 05 and each would be fully funded at the \$25,000 statutory level. Finally, the fiscal note reflects one new city incorporation in FY 03 and one second class city reclassification to first class or home rule in FY 03.

DCED FY03 Distribution of Municipal Dividend Program Funds

Safe Communities	\$21,775.6
Revenue Sharing	17,855.2
New Eligible Communities	300.0
Capital Matching Grants	<u>15,000.0</u>
Total	\$54,930.8

CS FOR HOUSE BILL NO. 20(RLS)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY THE HOUSE RULES COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES MOSES, Davies, Foster, Wilson, Hudson, Mulder, Bunde, Stevens, Joule, Lancaster, James, Kapsner

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to organization grants to cities, to state aid for unincorporated
2 communities, and to municipal dividends."

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

4 * **Section 1.** AS 29.05.180(a) is amended to read:

5 (a) To defray the cost of transition to city government and to provide for
6 interim government operations, each city incorporated after June 30, 2002,
7 [DECEMBER 31, 1985] is entitled to [AN] organization grants [GRANT OF \$50,000
8 FOR THE FIRST FULL OR PARTIAL FISCAL YEAR] after incorporation as
9 follows:

10 (1) \$100,000 for the city's first full or partial fiscal year;

11 (2) \$50,000 for the city's second fiscal year; and

12 (3) \$25,000 for the city's third fiscal year.

13 * **Sec. 2.** AS 29.05.180(b) is amended to read:

14 (b) To defray the cost of reclassification, each second class city in the

1 unorganized borough incorporated before January 1, 1986, that reclassifies as a first
2 class city or adopts a home rule charter after June 30, 2002, [DECEMBER 31, 1985]
3 is entitled to [AN] organization grants [GRANT EQUAL TO \$50,000 FOR THE
4 FIRST FULL OR PARTIAL FISCAL YEAR] after reclassification as follows:

5 (1) \$200,000 for the city's first full or partial fiscal year;

6 (2) \$100,000 for the city's second fiscal year;

7 (3) \$50,000 for the city's third fiscal year.

8 * Sec. 3. AS 29.60.140 is amended to read:

9 Sec. 29.60.140. State aid for [TO] unincorporated communities. (a)
10 Subject to (c) of this section, the [THE] department shall pay for [TO] each
11 unincorporated community an entitlement each fiscal year to be used for a public
12 purpose. The department shall pay an entitlement for an unincorporated
13 community in a borough or unified municipality to that borough or unified
14 municipality. The borough or unified municipality may use the money from the
15 entitlement only for the benefit of that unincorporated community. The
16 department with advice from the Department of Law shall determine whether there is
17 in each unincorporated community in the unorganized borough an incorporated
18 nonprofit entity or a Native village council that will agree to receive and spend the
19 entitlement. If there is more than one qualified entity in an unincorporated community
20 in the unorganized borough, the department shall pay the money under the
21 entitlement to the entity that the department finds most qualified to receive and spend
22 the money. The department may not pay money under an entitlement to a Native
23 village council unless the council waives immunity from suit for claims arising out of
24 activities of the council related to the entitlement. A waiver of immunity from suit
25 under this subsection must be on a form provided by the Department of Law. If there
26 is no qualified incorporated nonprofit entity or Native village council in an
27 unincorporated community in the unorganized borough that is willing to receive
28 money under an entitlement, the entitlement for that unincorporated community may
29 not be paid. Neither this subsection nor any action taken under it enlarges or
30 diminishes the governmental authority or jurisdiction of a Native village council. If at
31 least \$41,472,000 is appropriated for all entitlements under as 29.60.010 - 29.60.310

1 for a fiscal year, the entitlement for each unincorporated community under this
2 subsection for that year equals \$40,000. Otherwise, the entitlement equals \$25,000.

3 (b) In this section "unincorporated community" means a place [IN THE
4 UNORGANIZED BOROUGH] that is not incorporated as a city and in which 25 or
5 more persons reside as a social unit.

6 * **Sec. 4.** AS 29.60.140 is amended by adding a new subsection to read:

7 (c) The department may pay an entitlement under (a) of this section for an
8 unincorporated community in a borough or unified municipality only if the borough or
9 unified municipality on a service area basis provides at least three of the following
10 services within the community:

- 11 (1) fire protection and emergency services;
- 12 (2) water and sewer;
- 13 (3) solid waste management and disposal;
- 14 (4) public road or ice road maintenance;
- 15 (5) public health.

16 * **Sec. 5.** AS 29.60 is amended by adding a new section to article 3 to read:

17 **Sec. 29.60.330. Municipal dividend fund.** There is established in the
18 department the municipal dividend fund consisting of municipal dividends transferred
19 to the fund under AS 37.13.145(e). Each fiscal year, the legislature may appropriate
20 money in the municipal dividend fund for the organization grant program
21 (AS 29.05.200), municipal tax resource equalization program (AS 29.60.010 -
22 29.60.080), priority revenue sharing for municipal services program (AS 29.60.100 -
23 29.60.180), and revenue sharing for safe communities program (AS 29.60.350 -
24 29.60.375). Any balance in the fund may be appropriated for

- 25 (1) capital project matching grants (AS 37.06.010 - 37.06.090);
- 26 (2) payments to municipalities for costs of confinement and care of
27 state prisoners.

28 * **Sec. 6.** AS 37.13.145 is amended by adding a new subsection to read:

29 (e) On or after July 1 and after all the other transfers under this section, the
30 corporation shall, subject to appropriation, transfer a municipal dividend from the
31 earnings reserve account to the municipal dividend fund established under

1 AS 29.60.330. The municipal dividend equals the lesser of

2 (1) the amount calculated by multiplying \$100 by the number of
3 permanent fund dividends paid by the Department of Revenue during the calendar
4 year immediately preceding the year the transfer is made under this subsection; or

5 (2) the balance of the earnings reserve account on the date of the
6 transfer under this subsection.

7 * Sec. 7. The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 APPLICABILITY. This Act applies beginning fiscal year 2003 and thereafter.

Tony Knowles, Governor

Alaska Department of Community
and Economic Development

Office of the Commissioner

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May 1, 2002

The Honorable Pete Kott
Chairman
House Rules Committee
State Capitol, Room 204
Juneau, AK 99801-1182

RE: *CS FOR HOUSE BILL NO. 20(FIN)* An Act relating to organization grants to cities, to state aid to unincorporated communities, and to municipal dividends; and providing for an effective date.

Dear Representative Kott:

This is to follow up my letter of April 23 expressing objections to Sections 3 and 4 of *CS for House Bill No. 20(FIN)*.

I have had an opportunity to review proposed amendments to *CS for House Bill No. 20(FIN)* as reflected in work draft "22-LS008/L3 Cook 4/29/02." If the amendments reflected in the work draft were made to the legislation, my concerns expressed earlier would be resolved.

As a minor point, I note that the line 14 of the above-referenced work draft states "Page 2, lines 15 – 17." I believe that the reference to line 15 should be changed to 14.

Sincerely,



Jeff Bush
Deputy Commissioner

cc: The Honorable Carl Moses