

SB

359

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: SB 359
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Municipal Organization Grants BRU Community Assist & Econ Dev. (405)
Component Community & Business Development
Sponsor Senate Community & Regional Affairs
Requester Senate Community & Regional Affairs Component No. 2486

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	200.0	200.0				
Miscellaneous						
TOTAL OPERATING	200.0	200.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	200.0	200.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	200.0	200.0	0.0	0.0	0.0	0.0

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						

ANALYSIS: (Attach a separate page if necessary)

This legislation provides grants only in the event of the dissolution of a third class borough as a result of merger, consolidation, or unification. The municipality is to receive \$200.0 for the first full or partial fiscal year, and \$200.0 for the second fiscal year. There is only one third class borough in Alaska. New third class boroughs are prohibited from forming under current law.

Prepared by: Patrick K. Poland, Director Phone 907-269-4578
Division: Community & Business Development Date/Time 4/12/02 4:27 PM
Approved by: Deborah B. Sedwick, Commissioner Date 4/12/2002
Agency: Department of Community & Economic Development



CITY OF HAINES, ALASKA

P.O. BOX 1049

HAINES, ALASKA 99827

(907) 766-2231 • TOURISM (907) 766-2234 • FAX (907) 766-3179

April 16, 2002

Members of the Alaska Legislature
Juneau, Alaska

Dear Legislator:

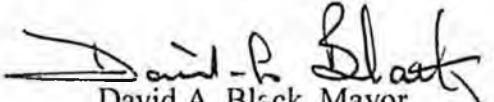
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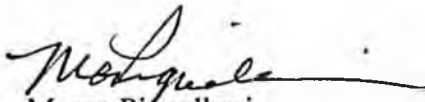
Home rule powers allow our Borough to be less dependant of the State of Alaska over time. It is necessary, after voter approval, that consolidation be implemented quickly and comprehensively. A drawn out process due to the lack of funds will be troublesome, litigious and frustrating.

Haines has outgrown the Third Class Borough. The community has been sorting through the consolidation process for over 4 years, at great expense of the public's time and resources.

We appreciate the State of Alaska's help in completing this process in a manner that is exemplary to other local government consolidations that will follow.

Sincerely,


David A. Black, Mayor
CITY OF HAINES, ALASKA


Marco Pignalberi
CITY MANAGER



CITY OF HAINES, ALASKA

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April 3, 2002

Honorable Rick Halford
Senate President

Honorable Brian Porter
Speaker of the House
State Capitol
Juneau, AK 99801-1182

Re: Haines Consolidation

Dear Mr. President and Mr. Speaker:

The Local Boundary Commission has approved the consolidation petition by the City of Haines to form a new Home Rule Borough from the First Class City of Haines and the Third Class Haines Borough. The Haines Borough supports the City's petition.

We expect the new charter to be ratified by the voters in June of this year. Our new "consolidated borough" will incur substantial costs for merging two sets of laws, accounting and finance systems, information technology systems, comprehensive zoning plans and utility plans. Current statute, A.S. 29.06, allows transitional grants to newly "incorporated" boroughs and "unified" boroughs but not to "consolidated" boroughs.

We seek an amendment to allow transitional grants to be made to consolidated boroughs, and, an accompanying appropriation. Both the City of Haines and the Haines Borough designate Mr. Marco Pignalberi, City Manager of Haines, to be their sole representative to work on this legislation.

The Local Boundary Commission supports this concept. We are informed that they will also testify in favor of it. Your assistance in this matter is greatly appreciated.

Yours truly,

Dave Black
Mayor
CITY OF HAINES

Jerry Lapp
Acting Mayor
HAINES BOROUGH

COPY

SB 359
Testimony of the City of Haines, Alaska
Delivered by
Robert Venables
April 17, 2002

Thank you, Mr. Chairman and committee members. My name is Robert Venables, and I am here today on behalf of Haines City Manager, Marco Pignalberi and the community of Haines. I have lived in Haines since 1984 and have been involved in numerous projects and committees on behalf of the City of Haines, the Haines Borough and the Haines Chamber of Commerce. But the most important community project to date in Haines is Consolidation.

For the Haines community, consolidation is the first step toward achieving a home rule government. SB 359 is a measure that will help us transition from two disparate local governments into one home rule government.

Haines has the only Third-class borough in the State of Alaska. It was designed as a compromise mechanism to allow for school funding after the citizens of Haines voted 3 times against forming a 1st or 2nd class borough. While the 3rd class borough form of government seemed to work for some time, it was just a matter of time before its inadequacies caught up with it. And now, when there is a desire to consolidate the two governments, we find that the task before us is quite daunting.

What has evolved in Haines is two very incompatible systems of government. This community of 2,418 people has 2 Legislative bodies (Assembly & Council), 2 mayors, 2 planning commissions (5 if you count the 2 service area boards and the State's responsibility in the outlying areas of the borough) with separate comprehensive plans, 2 legal systems, 2 financial systems, 2 personnel systems and 2 very different computer systems that do not integrate with each other.

At our local election, last October, the voters elected new mayors and implemented a city-manager form of government. This has removed many of the contentious personalities and issues that caused consolidation to fail in 1998 by 3 votes. Our 2 mayors and city manager have worked hard to forge a spirit of cooperation that better represents the community's best interests. It is the consensus of all our political leaders that 1 local government can serve Haines better than the current 2 governments. This holds great promise for the passing of consolidation.

The Local Boundary Commission approved the Haines Consolidation proposal last week and the Division of Elections has scheduled the vote for consolidation to be held on June 25. Transitional funding will be needed in order to accomplish the consolidation effort in a timely and professional manner. It is a significant challenge to maintain government operations while simultaneously changing every aspect of operations. Our plan is to use consulting expertise to merge our systems of accounting and finance, taxes, legal and

code revisions, comprehensive planning, platting and zoning, computers and information technology and personnel.

The consolidation of the Haines Borough and the City of Haines will be in the best interests of the State of Alaska. Having one government in Haines, instead of two, will create efficiencies in the interactions between the State of Alaska and Haines. It will relieve the State government of the responsibility of providing some of the local services while promoting the maximum level of local self-government.

The Local Boundary Commission is on record supporting both the creation of new borough governments and good, sound local governmental units. Current law (AS 29.05.190) provides funding for new boroughs and unified municipalities. A borough consolidated from a third-class borough and a city is not eligible for funds at this time. Many governmental experts believe this to be an oversight. (LBC & other members of the Legislature, who will speak for themselves on the matter).

Both the City of Haines and the Haines Borough have endorsed the consolidation effort and are working together to insure that it has the best chance to succeed. We would ask the committee's assistance in making this hope a reality. Thank you.

That is the conclusion of my remarks. I am available if the committee has any questions.

ALASKA STATE LEGISLATURE



SENATE COMMUNITY & REGIONAL AFFAIRS COMMITTEE Senator John Torgerson, Chair

Official Business

Senator Alan Austerman
Senator Pete Kelly
Senator Goergianna Lincoln
Senator Randy Phillips

State Capitol, Room 427
Juneau, AK 99801-1182
Phone: (907) 46504989
Fax: (907) 465-4779

Sponsor Statement

SB 359 – Municipal Organization Grants

This bill amends current statutes regarding organization grants to boroughs and unified municipalities.

Currently, statutes do not provide for an organization grant to be disbursed to a unified municipality that merges or consolidates by occupying an area formerly occupied by a borough.

The bill amends the statutes by providing for organizations grants for a municipality that unifies after January 1, 2002 in an area formerly occupied by a third class borough.

The grants are for \$200,000 for the first full or partial fiscal year and another \$200,000 for the second fiscal year after the merger or consolidation.

ALASKA STATE LEGISLATURE



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Senator John Torgerson, Chair

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Sectional Analysis

SB 359 – Municipal Organization Grants

Section 1: Amends AS 29.05.190(c) by inserting an exception to current statutes that restrict organization grants to unified municipalities formerly occupied by a borough.

Section 2. Amends AS 29.05.190 by adding new subsection (d), exemption language regarding grants for unified municipalities formerly occupied by a third class borough.

Tony Knowles, Governor



State of Alaska Local Boundary Commission

550 West Seventh Avenue, Suite 1770 • Anchorage, AK 99501
Telephone: 907-269-4560 • Fax: 907-269-1539

April 17, 2002

The Honorable John Torgerson
Chairman
Senate Community and Regional Affairs Committee
State Capitol, Room 427
Juneau, AK 99801-1182

RE: *SENATE BILL NO. 359* "An Act relating to organization grants for mergers, consolidations, or unifications involving third class boroughs."

Dear Senator Torgerson:

The Local Boundary Commission endorses Senate Bill No. 359, which provides funding to defray the cost of government transition relating to the reconstitution of a third class borough as a second class, first class, or home rule borough through merger, consolidation, or unification.

By providing an incentive for such reconstitution of a third class borough, Senate Bill No. 359 is wholly consistent with the fundamental policy enacted by the legislature in 1985 to proscribe the formation of new third class boroughs. Therefore, the Commission encourages favorable consideration of the proposal.

Cordially,

A handwritten signature in black ink, appearing to read "Kevin Waring".

Kevin Waring
Chairman

cc: The Honorable Alan Austerman, Senate CRA Committee
The Honorable Randy Phillips, Senate CRA Committee
The Honorable Pete Kelly, Senate CRA Committee
The Honorable Georgianna Lincoln, Senate CRA Committee
The Honorable Dave Black, Mayor, City of Haines
The Honorable Jerry Lapp, Acting-Mayor, Haines Borough

Members: Kevin Waring, Chairperson; _____, First Judicial District;
_____, Second Judicial District; Allan Tesche, Third Judicial District; Ardith Lynch, Fourth Judicial District

April 17, 2002

FAX to (907) 465-4779

To: Senator John Torgerson, Chairman, Community and Regional Affairs
Committee
Members of the CRA Committee

I am writing to urge you to support Representative Whitaker's amendment to HB 296 and to reject any amendment to exclude Haines from this bill for the following reasons. The method of voting under the Consolidation model is in need of a change. It is outmoded and is being used by municipalities to expand their borders with little concern for the impacts to rural residents outside the city. Forcing residents of any area to accept a higher level of government without their consent and meaningful input is counterproductive to bringing communities together.

If the Senate does indeed pass HB 296 with Representative Whitaker's amendment, thereby correcting the inequities that are inherent in the current Consolidation process, it should become effective immediately. Haines should enjoy relief from this outdated and outmoded method of voting now, so that the process to change our government is a cooperative venture, not coercive--empowering, not domineering.

I urge you to include the Whitaker amendment in HB 296 and make it effective immediately. The ends do not justify the means, especially when the "end" in this case is a form of government that will bring great changes to people's lives.

Thank you for the attention you have given this issue.

Sincerely,

Carolyn Weishahn
HC 60 Box 3977
Haines, AK 99827
(907) 767-5552

think **T**ransition SCHOOL FUNDING

A Summary of the Supplementary Public School Funding Floor

Historical Review

Why was a new school funding formula adopted in 1998? Why was the "supplementary public school funding floor" added to the school funding formula? A historical review helps answers these questions.

Prior to 1998, the education funding formula was based on the concept of an "instructional unit," a complex and nebulous idea understood by few, mistrusted by many. This old formula, established in 1987, and the subsequent regulations, contained several loopholes that benefited school districts to varying degrees. In 1996, the Department of Education began the process of developing a new formula to rectify some of these known inequities. The governor's subsequent proposal became the blueprint for the current funding formula.

SB 36 Funding Formula

The new Student Dollar K-12 funding formula allocates state general fund dollars to school districts based on the number of students enrolled, with appropriate consideration and adjustments for the size of the school and its location in Alaska. The public school funding formula recognizes that differences do indeed exist be-

tween our large, urban school districts and Alaska's isolated rural districts and funds them accordingly. For example, a student in Pelican receives more than four times the amount per student from the state than a youngster enrolled in Anchorage.

A Fair Transition

During the discussion of implementing the new formula, the legislature, not wanting to negatively impact any school district, wrestled with how to transition the school districts from the old formula to the new. The results of this effort provided that no district would lose funding under the new formula even if the district may have financially benefited from the loopholes in the prior funding plan.

The Department of Education calculated each district's funding entitlement under both the old and new

formula. The difference between the plans was the "supplementary public school funding floor" or the "transition dollar amount." The Transition Dollar **supplements** the school district's state support.

100 Percent of Increase

If a school district's student enrollment grows, the district's state aid is increased based on the number of students, adjusted for size and location. Or if the Student Dollar is increased, each student gets 100 percent of the added revenue. In either instance, the school district receives 100 percent of its full entitlement under the education funding formula. In **addition** to this full formula funding, 32 districts also receive an additional supplementary funding floor or transition dollar amount. Since FY99, this transition amount has totaled over \$59 million.

Benefits of the New SB 36 School Funding Formula

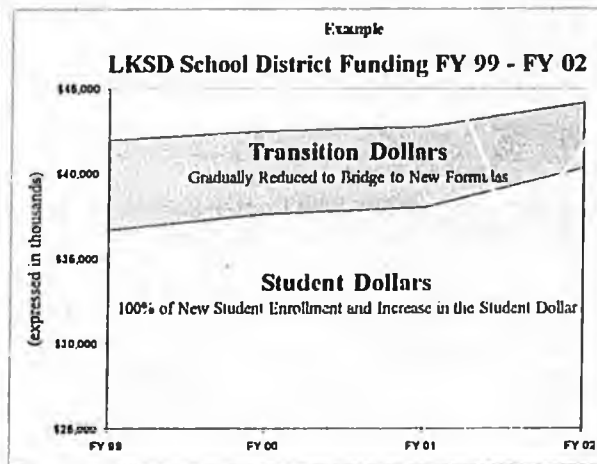
- ◆ Created an equitable distribution of state aid based, for the first time, on the actual costs of operating a school in different areas of the state
- ◆ Allocated school funding on a per student basis
- ◆ Provided for a fair, simple, and easily understood distribution of state education dollars
- ◆ Created a school funding formula less subject to manipulation
- ◆ Increased confidence in the funding formula led to increased funding for all school districts
- ◆ Provided transition dollars to ensure no school district lost funds

Summary of the Supplementary Public School Funding Floor

As the graph to the right illustrates, the Student Dollar formula is fully funded; LKSD school district's Basic Need is funded at 100 percent. While the district's Transition Dollar, the amount determined in 1998, provides a safe, cushioned change between education formulas.

Gradual Reduction

However, in order to act as a true transition, this dollar amount must be gradually reduced. Annually the Department of Education compares each district's formula funding to the previous year. Using this information, the department calculates the amount of additional state support each district receives as a transition between formulas. For many school districts, this transition mechanism will provide additional state funding for many years to come, ensuring that



The reduction to the Transition Dollars has been very gradual. In spite of what we might have heard about draconian cuts between FY99 and FY02, the total transition dollar amount distributed to school districts has been reduced by less than 30 percent. This added state support is

each school district can plan and provide for an excellent education program for its students.

a very generous and stable transition between two different funding formulas and must be maintained.

Conclusion

It is important to remember that the supplementary transition money is given to school districts **over and above** what each district receives under the current funding formula.

The Student Dollar is funded at 100 percent.

The Transition Dollar is gradually reduced.

Additional Transition Dollars Received by Eligible Districts

School District	FY99	FY00	FY01	FY02 Preliminary
Alaska Gateway	323,832	323,832	307,640	213,670
Aleutian Region	295,191	172,799	172,799	172,799
Aleutians East Borough	1,051	-	-	-
Anchorage	-	-	-	-
Annette Island	-	-	-	-
Bering Strait	-	-	-	-
Bristol Bay Borough	-	-	-	-
Chatham	-	-	-	-
Chugach	591,834	591,834	591,834	482,622
Copper River	15,984	15,981	15,981	-
Cordova	49,421	49,421	49,421	36,321
Craig	-	-	-	-
Delta/Crocker	513,353	445,519	405,450	306,215
Denali Borough	-	-	-	-
Dillingham	215,224	140,553	79,814	79,814
Fairbanks N. Star Borough	-	-	-	-
Galena	2,575,827	2,066,917	2,066,917	1,561,082
Haines Borough	8,572	7,886	7,887	7,261
Hoonah	52,143	45,067	38,495	36,570
Hydaburg	156,987	156,987	145,998	141,618
Iditarod Area	800,310	791,223	705,331	705,331
Juneau Borough	-	-	-	-
Kake	80,018	72,016	71,296	47,666
Kashunamiut	-	-	-	-
Kenai Peninsula Borough	-	-	-	-
Ketchikan Gateway Borough	-	-	-	-
Klawock	222,049	205,123	205,123	178,457
Kodiak Island Borough	-	-	-	-

School District	FY99	FY00	FY01	FY02 Preliminary
Kuskokwim	284,722	168,066	168,066	152,940
Lake & Peninsula Borough	240,029	211,226	202,777	140,610
Lower Kuskokwim	5,271,665	4,898,831	4,740,900	4,139,773
Lower Yukon	-	-	-	-
Mt. Su Borough	-	-	-	-
Nenana	589,331	-	-	-
Nome	110,360	110,360	95,798	95,798
North Slope Borough	-	-	-	-
Northwest Arctic Borough	-	-	-	-
Pelican	272,282	258,208	198,870	170,985
Petersburg	-	-	-	-
Prudhoe	34,693	31,305	28,488	27,348
Sitka Borough	-	-	-	-
Skagway	243,759	232,128	211,782	199,075
Southeast Island	510,505	510,505	479,875	422,290
Southwest Region	-	-	-	-
St. Mary's	244,591	161,977	161,977	128,079
Tanana	128,795	114,628	100,873	86,751
Unalaska	421,009	421,009	421,009	334,603
Valdez	617,369	574,801	565,707	492,498
Wrangell	-	-	-	-
Yakutat	292,006	292,006	227,374	188,115
Yukon Flats	995,219	935,506	823,245	727,989
Yukon-Koyukuk	634,345	625,503	550,443	550,443
Yupit	544,044	544,044	479,208	334,069
Alyeska Central School	-	-	-	-
MI. Edgemoor High School	-	-	-	-
TOTAL	17,379,523	15,175,314	14,320,271	12,223,795

* Denotes an REAA School District

Prepared by the Department of Education and Early Development



CITY OF HAINES, ALASKA

P.O. BOX 1049

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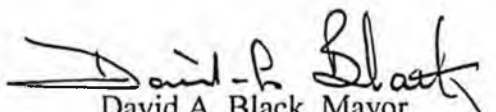
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Sincerely,


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Marco Pignalberi
CITY MANAGER



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Yours truly,

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Dave Black
Mayor
CITY OF HAINES

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Jerry Lapp
Acting Mayor
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SB 359
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April 17, 2002

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