

HB

28

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 28
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Municipal Dividend Program RDU Comm Assist & Ec Dev (405)
 Component Community Advocacy
 Sponsor Moses
 Requester House Community & Regional Affairs Component No 2703

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 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						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 00
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation establishes in the department a municipal dividend fund consisting of money transferred to the fund under AS 37.13.145(e) to be used to pay a municipal dividend that equals \$250 for each resident of the municipality. It would not create a fiscal impact on the operations of the department.

Prepared by: Michael Black, Director Phone 907.269.4578
 Division: Community Advocacy Date/Time 3/25/05 1:25 PM
 Approved by: Edgar Blatchford, Commissioner Date 3/25/2005
 Agency: Commerce, Community, and Economic Development

Representative Carl E. Moses, House District 37
(907) 465-4451 – Adam Berg, Staff

SPONSOR STATEMENT / SECTIONAL ANALYSIS

HB28 – Municipal Dividend Program

The establishment of a Municipal Dividend program would aid municipalities with state appropriations allocated for unrestricted use by local governments in their greatest time of need. The sponsor intends to empower local officials by allowing them to decide how to best spend that money. Uncertain state funding has affected local governments ability to plan and budget properly, and more recently, to absorb the brunt of many state budget cuts.

This plan would provide approximately \$160 million annually to municipalities by accessing surplus earnings of the Permanent Fund. The distribution to municipalities would be made only after Permanent Fund Dividends and inflation proofing are provided for. Based on annual Permanent Fund earnings, if the amount appropriated were not sufficient to fully fund municipal dividends, the amount to each municipality would be reduced on a pro-rata basis.

Alaska's municipalities and local decision makers deliver the most direct and knowledgeable service, much of which is of a critical nature. Under HB28, the amount going to each municipality would be determined by population and a per head allocation. Population criteria would be the number of local PFD recipients and the allocations would be \$250 per head, with a minimum to any municipality of \$40,000 annually.

BILL SECTION 1: Establishes the Municipal Dividend Fund. The amount of a Municipal Dividend is set at \$250 per eligible PFD recipient in each municipality. Borough populations are determined by subtracting the population of all cities within a borough from the borough's total population, thereby allowing boroughs to apply funding to their unincorporated communities. It sets a minimum dividend payment of \$40,000 to a municipality. There is a formula specified in the event the amount appropriated to the fund is insufficient to fully fund Municipal Dividends.

BILL SECTION 2: Assures that the transfer of money from the earnings reserve account to the Municipal Dividend Fund happens only after Permanent Fund Dividends have been accounted for and inflation proofing has taken place. It also assures that the lesser amount of either the dollars needed to fully fund the program or the balance of the earnings reserve account be transferred.

BILL SECTION 3: Sets the effective date at June 30, 2005.



Alaska Permanent Fund Corporation

Bill Analysis - HB 28

Financial projection comparison of the Alaska Permanent Fund under current statutes versus HB 28, Municipal Dividend Program.

All \$ values in millions except the per person dividend

Current Statutes	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15 Totals
Total market value end of year (after payouts)	<u>29,316</u>	<u>31,169</u>	<u>32,923</u>	<u>34,541</u>	<u>36,180</u>	<u>37,942</u>	<u>39,777</u>	<u>41,682</u>	<u>43,659</u>	<u>45,710</u>	<u>47,836</u>	<u>47,836</u>
Total lump sum dividend appropriation	607	691	886	1,082	1,170	1,168	1,229	1,290	1,352	1,417	1,484	12,378
Per person dividend under current statute	\$ 950	\$ 1,080	\$ 1,380	\$ 1,680	\$ 1,800	\$ 1,780	\$ 1,860	\$ 1,930	\$ 2,000	\$ 2,070	\$ 2,150	\$ 18,680

Current Statutes & Municipal Dividend	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY05-FY15 Totals
Total market value end of year (after payouts)	<u>29,165</u>	<u>30,855</u>	<u>32,433</u>	<u>33,864</u>	<u>35,302</u>	<u>36,853</u>	<u>38,465</u>	<u>40,134</u>	<u>41,863</u>	<u>43,653</u>	<u>45,505</u>	<u>45,505</u>
Total lump sum dividend appropriation	607	691	884	1,077	1,161	1,154	1,209	1,263	1,318	1,375	1,434	12,172
Per person dividend under current statute	\$ 950	\$ 1,080	\$ 1,380	\$ 1,680	\$ 1,790	\$ 1,760	\$ 1,820	\$ 1,890	\$ 1,950	\$ 2,010	\$ 2,080	\$ 18,390
Additional lump sum payout - Municipal Dividend*	151	152	154	156	158	159	161	163	165	166	168	1,753

Assumptions:

Callan Associates 2004 Capital Market Assumptions, APFC 2004 asset allocation, Fall 2004 revenue forecast, financial statements through 06/30/04. All payouts are assumed to happen at fiscal year end, all dollar values in millions except the per person dividend.

*Municipal dividend calculated in lump sum, using projected number of permanent fund dividend applicants.

NORTHWEST ARCTIC BOROUGH**P.O. BOX 1110****KOTZEBUE, ALASKA 99752****(907) 442-2500 / FAX (907) 442-2930**

March 18, 2004

Representative Carl E. Moses
716 W. 4th Avenue
Anchorage, Alaska 99501-2133

Dear Representative Moses:

I would like to take this opportunity to express support for House Bill 431. This letter is a follow-up to a supportive e-mail I sent several weeks ago on this subject.

The elimination of Revenue Sharing and Safe Communities funding is going to make operation of our smaller local municipal governments nearly impossible after the end of this fiscal year. There is neither a sufficient population base in our villages nor an economic foundation in place that can generate sufficient revenue to fund even a city administrator in some cases.

The economy of rural Alaska is such that elimination of the longevity bonus has a very broad and drastic impact on our people. Elders in our region do not, for the most part, have any form of retirement income because they have never had the benefit of regular employment during their lives. That \$250 per month was largely utilized to pay bills such as monthly electricity and water and sewer. Loss of that income will mean that even fewer people in the villages will be able to pay their bills and the cities will have even more difficulty in making ends meet.

It is important for the legislature to realize that we already have many villages in the region with severe financial difficulties. Kivalina is in debt to the tune of \$150,000. Ambler is looking at having to raise water and sewer fees at a time when people are having difficulty paying the existing rates. Deering has cut a number of important service positions from its payroll and reduced the remaining staff to six hours per day. They are considering a 50% increase to residential water and sewer rates and a 67% increase for commercial rates. They are also looking at raising city sales tax from 3% to 4%. Selawik has reduced staff working hours by a full 50% and increased utility rates by 20% to cover a major budget shortfall in that community. Buckland has been operating with all personnel working just half time for the last year. Kiana has voted to merge the city and traditional Native governments so that both can operate with a common administrator and support and from a common facility. And Kotzebue, the borough's

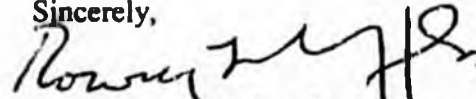
largest city and hub, had to close the regional jail in the past year due to insufficient local resources and inadequate state funding support. The city is now looking at eliminating the local police department and placing that burden on the state troopers.

It is clear that city governments are not going to continue to operate to anyone's satisfaction in the year ahead without support. A community dividend is an excellent option to solving this funding crisis.

It appears that the only way to gain approval of a community dividend is by raising revenue. The use of some Permanent Fund earnings utilizing the POMV strategy is a good start, but that would have to be supplemented by other sources of revenue including a small state income tax, a school tax and other methods of taxation other than a statewide sales tax. Additional motor fuel tax would be a hardship to rural areas where the price of fuel is already extremely high. A higher fuel tax would drain rural utilities that already have difficulty meeting financial obligations.

Thank you for your continuing support of rural municipal governments. We support HB 431 because without state assistance our governments will not be able to provide the most basic services to our residents. Again, the community dividend should be only a small part of an overall plan by the state to generate revenues necessary to assist with these local costs. We cannot have more cuts unless we are ready to help pay for services.

Sincerely,



Roswell L. Schaeffer, Sr., Mayor

cc. Representative Reggie Joule, Senator Donnie Olson

CITY AND BOROUGH OF SITKA**RESOLUTION NO. 2004-11****A RESOLUTION OF THE CITY AND BOROUGH OF SITKA SUPPORTING HOUSE BILL 431 WHICH WOULD CREATE A MUNICIPAL DIVIDEND THAT WOULD BE PAID MUNICIPALITIES FROM THE EARNINGS OF THE PERMANENT FUND AFTER INFLATION PROOFING**

WHEREAS, the City and Borough of Sitka similar to other municipalities has been significantly impacted by the loss of funding provided for under Revenue Sharing and Safe Communities; and

WHEREAS, the City and Borough of Sitka is being forced to decrease services, programs, charitable contributions, and eliminate positions due this shortfall; and

WHEREAS, Representative Carl E. Moses has sponsored legislation that would create a Municipal Dividend Program; and

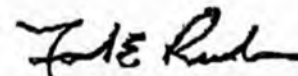
WHEREAS, the Municipal Dividend Program will assist municipalities in filling the gaps left in their budgets as a result of the elimination of funding for Revenue Sharing and Safe Communities; and

WHEREAS, the proposed Municipal Dividend Program would pay out \$250 for each person residing in Sitka. The population shall be determined annually by using the numbers of permanent fund dividend recipients or other reliable population data; and

WHEREAS, the Act would take effect June 20, 2004.

THEREFORE, BE IT RESOLVED, that the Assembly of the City and Borough of Sitka, Alaska by this resolution supports House Bill 431 providing for a municipal dividend program to assist municipalities with their budget shortfalls generated by the elimination of Revenue Sharing and Safe Communities funding.

PASSED, APPROVED AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on this 24th day of February 2004.



Fred Reeder, Mayor

ATTEST:



Colleen Pellett, CMC
Municipal Clerk

Introduced by:	Mayor LeDoux
Requested by:	Assembly
Drafted by:	Borough Clerk
Introduced:	03/04/2004
Adopted:	03/04/2004

**KODIAK ISLAND BOROUGH
RESOLUTION NO. 2004-10**

**A RESOLUTION OF THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
SUPPORTING HOUSE BILL 431 TO ESTABLISH A
MUNICIPAL DIVIDEND PROGRAM**

WHEREAS, full state funding for essential municipal services is going unmet due to severely reduced state municipal assistance and revenue sharing allocations; and

WHEREAS, increases in local property taxes are not the answer to declining allocations, especially in many communities where there is an insufficient tax base to draw upon; and

WHEREAS, HB 431 would establish a Municipal Dividend Program to aid municipalities with state appropriations allocated for unrestricted use by local governments; and

WHEREAS, HB 431 defines that the amount of a municipal dividend for a fiscal year would equal \$250 for each person residing in the municipality; and

WHEREAS, this plan would provide approximately \$1,621,000 to the Kodiak Island Borough in the next fiscal year;

NOW, THEREFORE, BE IT RESOLVED THAT THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH supports House Bill 431 to establish a Municipal Dividend Program.

**ADOPTED BY THE ASSEMBLY OF THE KODIAK ISLAND BOROUGH
THIS FOURTH DAY OF MARCH, 2004**

KODIAK ISLAND BOROUGH

Gabrielle LeDoux

Gabrielle LeDoux, Borough Mayor

ATTEST;

Judith A. Nielsen

Judith A. Nielsen, CMC, Borough Clerk

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Approved

Date: 4/13/04

Submitted by: Assemblymembers VON GEMMINGEN,
Shamberg, Taylor, Tesche, Traini, Tremaine,
Van Etten, and Whittle
Prepared by: Department of Assembly
For reading: April 13, 2004

ANCHORAGE, ALASKA
AR NO. 2004- 91

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY SUPPORTING AND URGING
PASSAGE OF HOUSE BILL NO. 431, "AN ACT RELATING TO THE MUNICIPAL DIVIDEND
PROGRAM; AND PROVIDING FOR AN EFFECTIVE DATE"

WHEREAS, State Revenue Sharing has continued to diminish and, most recently, the
Municipality of Anchorage - along with other cities in Alaska - has completely lost both State Revenue
Sharing and Safe Communities funds; and

WHEREAS, recognizing that municipalities and local communities deliver direct services of
a critical nature, Representative Carl Moses introduced House Bill 431 to establish a Municipal
Dividend Program to assist in providing for the safety and welfare of the people of Alaska; and

WHEREAS, establishment of this Program would empower local governments by allowing
them to decide how to best spend the funding; and

WHEREAS, through his plan, surplus earnings of the Permanent Fund would be provided
annually to municipalities after inflation proofing the fund and distributing the annual dividend; and

WHEREAS, the distribution would be determined by population and a per head allocation
based on the number of local PFD recipients at \$250 per person and, in the event that earnings
decline, the annual distribution would be reduced on a pro-rata basis; and


WHEREAS, based on the 2003 dividend distribution, a total 156,597 adult and 60,741 child
applications were received which, if all applications qualified, could have resulted in Anchorage
receiving roughly \$54.3M through a Municipal Dividend Program.

NOW, THEREFORE, the Anchorage Assembly resolves:

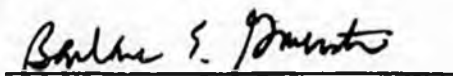
Section 1: That this body supports and urges passage of HB431 or similar legislation
providing for a Municipal Dividend Program.

Section 2: That copies of this resolution be forwarded to the Governor and Alaska State
Legislature immediately upon passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this 13th day of April,
2004.


Mayor

ATTEST:


Municipal Clerk

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE SALMON

TO: HB 28

1 Page 1, line 1, following "program":

2 Insert "that provides for payments to municipalities and for appropriations to
3 benefit certain unincorporated communities"

4

5 Page 2, lines 10 - 12:

6 Delete all material and insert:

7 **Sec. 29.60.820. Community dividend fund.** There is established in the
8 department the community dividend fund consisting of money transferred to the fund
9 under AS 37.13.145(e). Money in the fund may be appropriated each year to benefit
10 communities. Nothing in this section dedicates money in the fund for a specific
11 purpose.

12 **Sec. 29.60.830. Amount of community dividend.** The amount of the
13 community dividend for a fiscal year equals \$250 for each resident of a community.
14 The population of each community shall be determined annually by using the latest
15 numbers of permanent fund dividend recipients or other population data that, in the
16 judgment of the department, is reliable.

17 **Sec. 29.60.839. Definitions.** In AS 29.60.800 - 29.60.839,

18 (1) "community" means a place in the unorganized borough that is not
19 incorporated as a city and in which 25 or more persons reside as a social unit;

20 (2) "municipality" has the meaning given in AS 29.71.800 and
21 includes an Indian reserve organized under federal law that existed before enactment
22 of 43 U.S.C. 1618(a) and is continued in existence under that subsection."
23

1 Page 2, lines 17 - 18:

2 Delete ", or the balance in the earnings reserve account, whichever is less"

3 Insert "under AS 29.60.810, and shall transfer from the earnings reserve account' to the
4 community dividend fund established under AS 29.60.820 the amount needed to fund the
5 community dividend for the next fiscal year under AS 29.60.830. If the amount in the
6 earnings reserve account is not sufficient to fully fund transfers under this subsection, the
7 amount available shall be distributed to each of the funds on a pro-rata basis"

<u>Community</u>	<u>Pop.</u>	<u>Incorp_Type</u>	<u>Borough</u>	<u>Reg_Native_Corp</u>	<u>REG_NATIVE_NONPROF</u>	<u>House</u>	
<u>Akiachak</u>	618	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000
<u>Alatna</u>	32	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Arctic Village</u>	146	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Almautluak</u>	285	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000
<u>Beaver</u>	67	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Big Delta</u>	736	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	12	\$10,000
<u>Birch Creek</u>	43	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Central</u>	102	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Chalkvitsik</u>	84	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Chenega Bay</u>	81	Unincorporated	Unorganized	Chugach Alaska Corp.	Chugachmiut	5	\$10,000
<u>Chistochina</u>	101	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Chitina</u>	118	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Circle</u>	99	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Central</u>	102	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Copper Center</u>	445	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Copporville</u>	201	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Crooked Creek</u>	147	Unincorporated	Unorganized	Calista Corporation	Kuskokwim Native Association	6	\$10,000
<u>Deltana</u>	1777	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Dot Lake</u>	29	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Dot Lake Village</u>	33	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Dry Creek</u>	105	Unincorporated	Unorganized	Doyon, Limited	n/a	6	\$10,000
<u>Eagle Village</u>	68	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Edna Bay</u>	44	Unincorporated	Unorganized	Sealaska Corporation	n/a	5	\$10,000
<u>Elfin Cove</u>	26	Unincorporated	Unorganized	Sealaska Corporation	n/a	2	\$10,000
<u>Four Mile Road</u>	33	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Gakona</u>	222	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Glennallen</u>	548	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	12	\$10,000
<u>Gulkana</u>	106	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Healy Lake</u>	34	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Hollis</u>	165	Unincorporated	Unorganized	Sealaska Corporation	n/a	1	\$10,000
<u>Hyder</u>	83	Unincorporated	Unorganized	Sealaska Corporation	n/a	5	\$10,000
<u>Kasiqruk</u>	526	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000
<u>Kenny Lake</u>	392	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Kipnuk</u>	660	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000
<u>Klukwan</u>	119	Unincorporated	Unorganized	Sealaska Corporation	Central Council Tlingit & Haida Indian T	5	\$10,000
<u>Koliganek</u>	187	Unincorporated	Unorganized	Bristol Bay Native Corp.	Bristol Bay Native Association	37	\$10,000
<u>Kongiganak</u>	411	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000

<u>Kwiaillinaok</u>	361	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000
<u>Lime Village</u>	34	Unincorporated	Unorganized	Calista Corporation	Kuskokwim Native Association	6	\$10,000
<u>Livengood</u>	29	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Manley Hot Springs</u>	73	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>McCarthy</u>	66	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Mendeltna</u>	73	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	12	\$10,000
<u>Mentasta Lake</u>	139	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Minto</u>	207	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Naukati Bay</u>	107	Unincorporated	Unorganized	Sealaska Corporation	n/a	5	\$10,000
<u>Nelchina</u>	61	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	12	\$10,000
<u>New Allakaket</u>	34	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Newtok</u>	308	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000
<u>Nikolski</u>	36	Unincorporated	Unorganized	Aleut Corporation	Aleutian/Pribilof Islands Assoc.	37	\$10,000
<u>Northway</u>	106	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Northway Junction</u>	71	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Northway Village</u>	89	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Oscarville</u>	57	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000
<u>Paxson</u>	40	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	12	\$10,000
<u>Pitkas Point</u>	105	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	39	\$10,000
<u>Port Clarence</u>	27	Unincorporated	Unorganized	Bering Straits Native Corp.	Maniilaq Assoc.	39	\$10,000
<u>Port Protection</u>	47	Unincorporated	Unorganized	Sealaska Corporation	n/a	5	\$10,000
<u>Portage Creek</u>	49	Unincorporated	Unorganized	Bristol Bay Native Corp.	Bristol Bay Native Association	37	\$10,000
<u>Red Devil</u>	35	Unincorporated	Unorganized	Calista Corporation	Kuskokwim Native Association	6	\$10,000
<u>Silver Springs</u>	111	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Slana</u>	110	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Sleetmute</u>	78	Unincorporated	Unorganized	Calista Corporation	Kuskokwim Native Association	6	\$10,000
<u>Stevens Village</u>	76	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Stony River</u>	54	Unincorporated	Unorganized	Calista Corporation	Kuskokwim Native Association	6	\$10,000
<u>Takotna</u>	47	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Tanacross</u>	137	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Tatitlek</u>	108	Unincorporated	Unorganized	Chugach Alaska Corp.	Chugachmiut	5	\$10,000
<u>Tazlina</u>	170	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	6	\$10,000
<u>Tetlin</u>	129	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Tok</u>	1439	Unincorporated	Unorganized	Doyon, Limited	Tanana Chiefs Conference	6	\$10,000
<u>Tonsina</u>	84	Unincorporated	Unorganized	Ahtna, Incorporated	Copper River Native Assoc.	12	\$10,000
<u>Tuluksak</u>	470	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000
<u>Tuntutuliak</u>	398	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000
<u>Tununak</u>	328	Unincorporated	Unorganized	Calista Corporation	Assoc. of Village Council Presidents	38	\$10,000



For Additional information:
Kevin Ritchie 586-1325 Kevin@akml.org

Date: March, 2005

Communities form the heart and culture of Alaska. Cities and boroughs provide the most public service at the lowest price of any level of government. They protect the State from liability and reduce the cost to the State of providing basic public services to state residents.

1. High oil prices hurt communities: Every \$1 increase in the price of a barrel of oil =

- ◆ \$65 million of new revenue per year for the State government,
- ◆ But \$20 million of new costs to Alaskan cities and boroughs, schools, businesses, other organizations, and families (based on federal fuel usage figures for Alaska).

2. Small cities disintegrating:

Per State DCCED, this year out of 94 small cities:

- 9 cities no longer functioning
- 17 more cities in deep debt
- 39 more cities have terminated key local services this year (e.g. police, road/utility/facility maintenance)

Per AML Joint Insurance Association:

- 10 cities insurance canceled
- 33 cities on month to month payments due an inability to pay

Uninsured communities place a huge liability on the State, far in excess of the cost of a municipal revenue sharing program.

3. Rural out-migration/Impacts of increasing decline of rural public services:

- ◆ Out-migration of Alaska Natives from their homes in rural Alaska has accelerated over the last 30 years. In the last decade, 11,011 Alaska Natives (nearly 10% of the rural population) migrated to urban areas. (UA - ISER "Status of Alaska Natives 2004")

4. Rural Alaska Fuels the Urban Economy

- ◆ An estimated 20% of the urban job base directly or indirectly depends on trade and services to other parts of Alaska. (Alaska's Economic Links – Gross and Assoc, Chase Economics, Northwest Strategies, 1998)

Status Update (3/1/05)
Municipal Governments
(DCCED Division of Community Advocacy)

There are 20 first class and 113 second class cities in Alaska. These municipal governments are responsible for providing core services to the residents in those communities. The revenue they receive to provide these services is categorized in to three classes. Locally generated revenue is a category and includes sales taxes, profits from gaming operations, user fees from services, rental of buildings and equipment and administrative fees from management of grants. Grant revenue as a second category is frequently used to provide social services, or assist in paying for governmental services such as police. A third category of funding for municipalities is state-shared revenue. This includes Payment in Lieu of Tax (PILT), Shared taxes (fish tax, telephone coop taxes), and up to the past year Revenue Sharing/Municipal Assistance/Safe Communities/Temporary Fiscal Relief Payment.

In the past few years we have seen a reduction in funds distributed to municipalities at the same time as an increase in cost through higher insurance premiums, fuel costs (and thus transportation costs), and retirement plan costs. This set of circumstances has put many municipalities in hard financial times.

In examining the financial status of municipalities we can break them out into several categories:

- Closed down or transferred operations to another entity;
- Accrued significant debt or financial problems yet to be dealt with; and,
- Struggling with financial situations or have made significant reductions to core services.

Getting situational reports that can be used to evaluate the financial health of every municipality is extremely hard. While the communities in the first and most financially distressed category are relatively easy to define, it is likely that there are additional communities in the other two categories that we are not aware of.

Closed down or transferred operations to another entity,

Currently there are 9 municipal corporations in the State of Alaska that have ceased day to day operation. These nine are Ahkiok, Kiana, Kivalina, Kupreanof, Mekoryuk, Nikolai, Platinum, Quinhagak, and Russian Mission. Two of these cities, Kiana and Quinhagak continue to maintain a shell of a municipality (no employees, but hold elections and joint council meetings) in order to maximize revenue coming into the community.

Closed down or transferred operations to another entity (9 municipalities)

Ahkiok	Kiana	Kivalina	Kupreanof
Mekoryuk	Nikolai	Platinum	Quinhagak
Russian Mission			

Accrued significant debt or financial problems yet to be dealt with.

There are 18 communities that we know about that have extreme managerial or financial problems. These problems are severe enough that they could be considered to be insolvent. The problems include:

- Not completing the basic function of municipal government including holding elections, holding regular council meetings, or adopting a yearly budget,
- Large debt to vendors, including; the IRS, fuel companies or the state for delinquent fuel loans, or insurance companies,

- Operating without workers compensation insurance,
 - Having lawsuits filed against them (or unpaid judgements) and not able to afford legal council,
 - Having to transfer operation of water/sewer to other entities in order to eliminate expenditures.
- Sanitation is considered a core service that is almost always the major capital investment made by state and federal agencies in the community. Remaining services provided by city are minimal.

Accured significant debt or financial problems yet to be dealt with (17 municipalities)

Allakaket	Buckland	Chevak	Goodnews Bay
Grayling	Holy Cross	Hydaburg	Lower Kalskag
Napaskiak	Nunam Iqua	Pilot Point	Point Hope
Saint George	Shageluk	Shishmaref	Toksook Bay
Upper Kalskag	Wales		

Struggling with financial situations or have made significant reductions to core services.

There are 39 communities that we know about that have significant financial problems. These problems could become severe enough in the next 24 months to cause closure of the city administrative offices and result in the financial insolvency of the municipality. These municipalities have already eliminated a core governmental service. The problems include:

- Eliminate core municipal services such as police protection, closure of washeteria, or elimination of road maintenance due to lack of available funds,
- Large PERS debts from terminating from the PERS program,
- Large IRS debts or default fuel loans to the Alaska Energy Authority,
- Significantly behind on payment for insurance or fuel.

The following listing of municipalities by category of distress is based upon evidence provided from various sources to the Division's Local Government Specialist staff. There is no way to completely and accurately predict the future. These are estimates of the municipalities we believe to be in various levels of financial distress.

Struggling with financial situations or have made significant reductions to core services (39 municipalities)

Akiak	Alakanuk	Ambler	Anaktuvuk Pass
Angoon	Atquasuk	Chignik	Chuathbaluk
Clark's Point	Diomedede	Eek	Emmonak
Gambell	Golovin	Hooper Bay	Kaktovik
Kobuk	Kotlik	Koyuk	Koyukuk
Mountain Village	Napakiak	Nightmute	Noorvik
Nuiqsut	Old Harbor	Pelican	Pilot Station
Port Lions	Ruby	Saint Michael	Scammon Bay
Selawik	Shaktoolik	Shungnak	Teller
Tenakee Springs	Togiak	Wainwright	

General Rural Alaska Conditions

- Extremely High Costs** e.g. Gas at \$5.15 a gallon
- Extremely High Unemployment** e.g. Unemployment at 50% or more
- Virtually No Property Tax Base** e.g. All of Ambler is assessed at \$3.5 million (i.e. low values and much non-taxable land.)
- Low revenue from sales tax** e.g. Despite the fact more cities have sales tax and many are raising it, it won't save them. Each 1% of sales tax in Ambler nets \$7500/year.
- Very Strong Stable Communities** Most rural communities have existed from hundreds to thousands of years.

Impacts of the loss of State support

- State impacts of loss of insurance** It appears that the State is the logical "deep pocket" for losses of uninsured cities in the Legislature's Unorganized Borough. One loss could exceed the cost of a revenue sharing program.
- Statewide economic impacts** Rural residents are moving to urban areas in accelerating numbers while urban jobs serving rural Alaska are declining. Currently an estimated one out of five urban jobs directly or indirectly serve other regions in Alaska. Rural communities attract a large amount of federal and foundation resources that cycle through urban economies.

Statistics to date

Per State DCCED,

- 9 cities no longer functioning
- 17 cities in deep debt that they are unlikely to be able to repay
- 39 cities have terminated key local services this year (e.g. police, road/utility/facility maintenance)

Per AML Joint Insurance Association:

- 10 cities insurance canceled
- 33 cities on month to month payment plans due an inability to pay

Conclusion

Alaska faces the loss of half its city governments. Unlike an occasional western U.S. boom town that becomes a ghost town, this represents a growing widespread loss of historically stable and culturally rich communities.

January, 2005
Local Government Issue Paper
Alaska's Small Cities in Crisis



In 2003, there were 94 cities with annual local government operating budgets under \$300,000 per year, and averaging \$164,000, to provide public services for an entire community (according to State figures, DCED). From 2003 to 2005, those 94 cities (out of a total of 146 cities in Alaska) lost an average of approximately 42% of the revenue required to provide basic public services. The crises are due to massive State cuts to cities at a time of skyrocketing local costs and economic downturns. In 2004, Alaska became one of two states that eliminated its local government revenue sharing programs. Most small rural cities operate in a cost effective manner with many part-time or volunteer positions. However, most of Alaska's small rural communities have very little local tax base due to cash poor subsistence economies.

2003 Average Operating Budget for two thirds of AK Cities	\$164,000
<u>Examples of Approximate 2003-04 Cuts/cost increases:</u>	<u>-\$69,000</u>
2003 State Cuts to Revenue Sharing/Match Grants	-\$10,000
2004 State Eliminates Revenue Sharing	-\$40,000
Fuel/electricity/goods rise due to oil prices	-\$7,000
Community insurance increases	-\$6,000
State mandated increases (PERS)	-\$4,000
New state inspection fees, service transfers, etc.	-\$2,000

Growing Impacts of Loss of Revenue Sharing, etc.

It is difficult to know the status of small rural communities. Few that fail have the administrative capacity to take steps to formally dissolve. They simply layoff their employees, cease being able to hold elections, cancel insurance for community facilities, stop providing services, etc. In some cases tribes or other organizations take over key government services.

As of last month, the following cities have either been unresponsive to contacts by the State, have not held local elections, entered into an agreement with a tribe to assume city responsibilities, or contacted the State regarding formal dissolution: **Akhlok, Ambler, Chevak, Holy Cross, Hughes, Kiana, Kivalina, Koyukuk, Lower Kalskag, Napaskiak, Nikolai, Platinum, Russian Mission, Scammon Bay**. Additionally, **10 cities or more** have had their insurance canceled for lack of payment to date, and approximately 33 more cities are on month-to-month payment plans because they can't afford the premiums currently.

While it is too early to say how many cities have ceased operations, a great number are unquestionably in peril. The loss of public safety, transportation, and other key local services is having a huge negative impact on the people of Alaska.

City of Ambler

P.O.Box 09

Ambler, Alaska 99786

Phone (907) 445-2122/Fax (907) 445-2174

E-mail cityofamblerak@yahoo.com <<mailto:cityofamblerak@yahoo.com>>

* in NIN Arctic Bm
w/ school dist tax

3% sales tax

AMBLER POPULATION 291

February 15, 2005

Senator Gary Wilken
State Capitol Rm. 518
Juneau, Alaska 99801

1% sales tax
PER CAPITA

*AMBLER	JUNEAU
\$26	\$196

Revenue each 1%

\$7000/yr	\$6,105,000/yr
-----------	----------------

RE: Senate Bill 98 " Supplemental appropriations, Fast Track Bill"

Increased value

\$3.5 million	\$3 Billion
---------------	-------------

To: Senate Finance Committee,

per capita AV

\$12,139	\$99,199
----------	----------

The City of Ambler is very much interested in receiving money from the Governor's Supplemental and Capital Appropriations Bill. We are struggling to keep things running. We had to reduce insurance coverage to a minimum. We dropped our VPO position because we couldn't afford the insurance coverage so we are completely dependent on the state troopers and our one VPSO, which puts a lot of pressure on one person to be available 24/7. Our insurance is one of our highest expenses at over \$22,000 per year. Last year it was over \$30,000. We are struggling to keep up with the insurance payments. We need to raise our 3% sales costs but we won't see any increase in revenues from that for a while and the public needs to vote on that also. There is a high unemployment rate in our village so rising costs are a hardship on everyone.

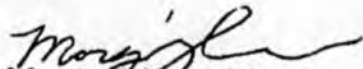
We need a dependable fuel supply. Our local fuel project runs out every 3-4 weeks and we have had to borrow fuel from AVEC from our other buildings and heavy equipment, and haul fuel from other villages to keep our water plant heated. We have 2200 gallon tanks to help us through the scarce times but we need to have a little more storage capacity and also some help in off setting the high cost of fuel. The Borough is trying to work on this problem but right now we could really use some help in meeting the high costs of fuel in our area. Gas is \$5.15 per gallon and stove oil is \$4.95 per gallon.

The costs of keeping our water and sewer plant running and also keeping up with maintenance of our heavy equipment is a challenge. Our heavy equipment rentals brings in necessary revenues during construction projects but the cost in keeping it running keeps going up and maintenance is high, as well as fuel. The cost of shipping in parts for our water/sewer project and heavy equipment, and fuel, etc. is one of the highest in the state, which makes the cost of everything go up more so here than in many other parts of the state. I was told yesterday one resident paid as much as \$1.75 per pound for freight on groceries in order to have something fresh.

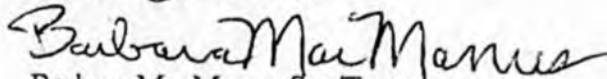
Additional revenue at this time would be a God send to our village and would be a huge help to get us thru this difficult time while we figure out other possible options for dealing with our rising expenses.

Thank you for considering our village for receiving these additional funds. We would greatly appreciate this additional revenue for helping to operate our city at this time.

Most sincerely,



Morgan Johnson-Mayor



Barbara MacManus-Sec/Treas.

cc: file

CITY OF ALEKNAGIK

P.O. BOX 33, MAIN STREET
ALEKNAGIK, ALASKA 99555-0033
PHONE: 907-842-5953 OR 842-2528
FAX: 907-842-2107
EMAIL: cityalek@nushtcl.com

5% sales tax + 5% bet tax

ALEKNAGIK POPULATION 235

January 27, 2005

Governor Frank Murkowski
Office of the Governor
Mail Stop 0001
Juneau, AK 99801

*1% sales tax
per capita*

*ALEKNAGIK Kmai Rm Bor
\$80 \$145*

*1% revenue
sales tax*

\$18,700/yr \$7,450,000/yr

RE: Reinstatement of the Revenue Sharing Program

To the Honorable Governor Murkowski:

The community of Aleknagik, Alaska would like to see the reinstatement of the state's revenue sharing program for municipalities. Many communities in Alaska are hurting financially due to the state's budget cuts for the revenue sharing program and the capital matching grants. A reinstatement of the revenue sharing program would help to provide a minimum of service and public safety to the neediest communities.

The legislators need to look at "level of service" not "dollar amount" in determining equity between the urban and rural communities. The cost of goods and services is higher in rural communities, so their need for funding is greater just to provide basic services. Please look at level of service, not cost, to determine what is equitable.

In response to the budget cuts, the City of Aleknagik has made cuts to its budget, and is working on increasing revenue. The City has a sales tax that does help to fund local government services. In addition, the City has cut back on employee's hours, meeting fees, senior transportation services, non-essentials, defer maintenance, and defer equipment upgrades.

The result of the City's budget cuts is a lower level of services and public safety. That in turn means that the personnel do not have enough time to provide an adequate level of service, and the buildings and equipment are in various stages of disrepair, so the airport is not always open, or the roads are not always maintained. This could be a disaster in the event of an emergency where someone needs to be Medivaced or we need to get a fire truck to someone's house. So if you live in a community where EMS and Fire services are available 24-7-365, remember that these basic services are not always available in the villages.

JOINT RESOLUTION
RESOLUTION 05-01

A JOINT RESOLUTION OF THE COUNCILS OF THE CITY OF ALEKNAGIK, ALEKNAGIK TRADITIONAL COUNCIL, AND BOARD OF DIRECTORS OF ALEKNAGIK NATIVES LIMITED SUPPORTING REINSTATEMENT OF THE STATE'S REVENUE SHARING PROGRAM FOR MUNICIPALITIES.

WHEREAS, Aleknagik Natives Limited, Aleknagik Traditional Council and the City of Aleknagik executed a Memorandum of Understanding on October 29, 2000 to recognize areas of mutual concern and support, and to establish a framework for cooperative relations and communication for the benefit of the community of Aleknagik as a whole as the desire of the three entities is to cooperate concerning legal and political matters inherent in their relationships to one another, and,

WHEREAS, the City of Aleknagik, Aleknagik Traditional Council and Aleknagik Natives Limited are representative of the community and are hereafter known as "The Councils"; and,

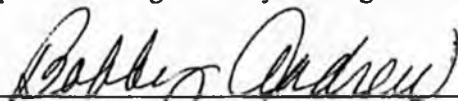
WHEREAS, due to fiscal problems for cities since the revenue sharing program was cut from the state budget, The Councils see a need to reinstate the state's revenue sharing program for municipalities; and,

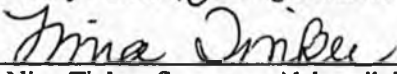
WHEREAS, the recent state oil revenue "windfall," should be shared with communities to offset negative fiscal impacts. The increased oil revenue benefits the state, while local governments, businesses, and families are effected with higher prices for heating fuel and transportation.

NOW THEREFORE BE IT RESOLVED that The Councils support the reinstatement of the state's revenue sharing program for municipalities using the state's budget windfall as a source of funding to get it started.

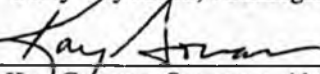
BE IT FURTHER RESOLVED that the Governor and Legislature are urged to restore the revenue sharing program funding as a part of the long-range fiscal plan for the state.

PASSED AND APPROVED on the 20th day of January, 2005 by a duly constituted quorum of the Council of the City of Aleknagik, the Aleknagik Traditional Council and Board of Directors of Aleknagik Natives Limited at a public meeting hosted by Aleknagik Natives Limited.

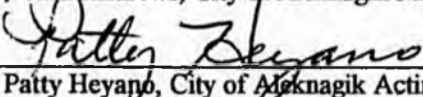
SIGNED: 
Bobby Andrew, Aleknagik Natives Limited President

ATTEST: 
Nina Tinker, Secretary, Aleknagik Natives Limited

SIGNED: 
Gusty Chythlook, Aleknagik Traditional Council Chair

ATTEST: 
Kay Gorman, Secretary, Aleknagik Traditional Council

SIGNED: 
Berna Andrews, City of Aleknagik Mayor

ATTEST: 
Patty Heyano, City of Aleknagik Acting City Clerk



City of Brevig Mission

North Tutu Street
Brevig Mission, Alaska

99785-5021

Phone/Fax (907) 642-3851



February 18, 2005

Attn: Senator Donald Olson
State Capital
Suite 510
Juneau, Alaska 99801-1182

Dear Senator Olson:

Greetings! I am writing to express my support for Governor Frank Murkowski's Supplemental and Capital Appropriations Bill. As Mayor for the City of Brevig Mission I support the section of the bill that addresses "Small City Energy Assistance" and the Governor's effort to provide assistance and avoid the growing crisis in rural communities such as Brevig Mission.

However, I also want to express continued support for a long-term solution such as "Community Revenue Sharing." We need such assistance to operate and maintain insurance, water & sewer services, and emergency services such as fire protection & search and rescue. The City of Brevig Mission is that "Point of Light" in this community that connects it to the support and services that the State of Alaska is seeking to provide to its citizens. Therefore, it is my hope that you will beseech the Senate Finance Committee on behalf of the Community of Brevig Mission saying, "Don't let the light go out!"

Thank you for your efforts to represent our community on this important issue.

Sincerely:

A handwritten signature in cursive that reads "Brian Crockett".

Brian Crockett
Mayor, City of Brevig Mission

Cc Governor Frank Murkowski
Cc State Representative Richard Foster
Cc Alaska Municipal League

CITY OF CLARKS POINT
P.O. BOX 110
CLARKS POINT, ALASKA 99569
PHO. (907) 236-1221
FAX (907) 236 1412

FEBRUARY 15, 2005

TO THE SENATE FINANCE COMMITTEE;

HELLO, WE ARE WRITING THIS LETTER TO EXPRESS OUR CONCERNS
TOWARDS THE "SMALL CITY ENERGY ASSISTANCE" BILL.
WITH THE LOSS OF THE REVENUE SHARING AND OTHER CUTS, US SMALL
COMMUNITIES ARE BARELY MAKING IT. THE HIGH COST OF FUEL TO HEAT
AND PROVIDE ELECTRICITY TO RESIDENTS IS GETTING CRUCIAL.
SO WE ARE 100% IN FAVOR OF YOUR PASSING THE "SMALL CITY ENERGY
ASSISTANCE" APPROPRIATION.
THIS WILL HELP US MAKE IT THROUGH ANOTHER YEAR.

THANK YOU,

THE CLARKS POINT CITY COUNCIL

CITY OF DEERING*Small City Energy Assistance appropriation*

The money appropriated from the Small City Energy Assistance would help the City of Deering's costs with high cost of fuel and the increase of our insurance for 2005 year. Our community has been impacted by the State Revenue Sharing Budget cut, the City has had to cut down on 2 jobs at the City Office, 3 jobs at the Washeteria due to no funding to pay for such, also the fuel costs has gone up this year, which is effecting the whole community.

State Revenue Sharing:

City of Deering W. State Revenue	Current w/o State Rev
Budget: \$325659.00	Budget: \$264497.00
Profit/Loss: \$12384.00	Profit/Loss: - \$48778.00

Our community facilities has had to have a budget cut in all areas, which includes the City Office which is in need of an Administrator and the facilities in need of repair, the Cable which is in need of upgrades/repair , the Washeteria which is in need of two certified operators for the safety and health of our community water, a attendant to run the Washeteria on a daily basis and the upgrades that need to be done on our sewer system in order to have safe water to deliver to our community.

Submitted by:


Beverly Moto, City Clerk



City of Delta Junction

P.O. Box 229, Delta Junction, Alaska 99737
Ph 907-895-4656 Fax 907-895-4375
www.ci.delta-junction.ak.us
city@ci.delta-junction.ak.us

Welcome to the
Friendly Frontier

February 15, 2005

Attention: Alaska Municipal League / Alaska Senate Finance Committee

REF: Hearing on Governor's Supplemental and Capital Appropriations Bill

SUB: "Small City Energy Assistance"

Currently Diesel Fuel at the pump costs \$2.17 while in Fairbanks that price is \$2.01 per gallon and regular gasoline is \$2.19 in Delta Junction with Fairbanks prices at \$1.96 to \$2.03 per gallon. It was reported last week that gasoline in Anchorage could be brought at \$1.76 per gallon.

The small population centers in the State of Alaska could use the Governor appropriation to help defray the increase costs in shipping, insurance, and energy these past several years.

The City of Delta Junction has experienced large increases in operational costs.

HEATING OIL IS UP 51%.
DIESEL FUEL IS UP 38%.
GASOLINE COST IS UP 24%
ELECTRICITY IS UP 8%.

The above costs are increases for the local area. They are not compared with other metropolitan sites in the State of Alaska.

Other costs increases have been in insurance – health, general liability, worker compensation.

Health insurance costs for a single person increase 15.53% in FY 2004 and up again 10.25% in FY 2005. Family insurance coverage increases 15.52% in FY 2004 and was up 14.20% in FY 2005.

General Liability insurance costs were up 52% for FY 2004 but favorable down 19% for FY 2005. This is the only costs showing a decrease.

Worker Compensation insurance overall average a 27% increase for FY 2005.

Therefore, the City of Delta Junction with a population base under 1,000 people, the Governor "Small City Energy Assistance" appropriation would be greatly appreciated.

Sincerely,
City of Delta Junction

David S. Zimmerman
Finance Officer

CITY OF EEK
P.O. BOX 09
EEK, ALASKA 99578
PHONE # 907-536-5129

DATE: FEBRUARY 14, 2005

TO: THE SENATE FINANCE COMMITTEE

FR: MAYOR TERESA JACKSON, CITY OF EEK

RE: SUPPLEMENTAL APPROPRIATION FOR SMALL COMMUNITIES

TO WHOM IT MAY CONCERN, WE, THE CITY OF EEK, ARE REQUESTING THAT THIS BILL BE PASSED, SINCE IT IS NEEDED BY ALL COMMUNITIES IN RURAL ALASKA. IF THIS DOES NOT PASS, SMALL COMMUNITIES, LIKE EEK, WILL HAVE MAJOR PROBLEMS, WITH REGARDS TO STABILITY, FOR SERVICES PROVIDED TO COMMUNITY. WITHOUT AID FROM THE STATE, MANY OF OUR SERVICES WILL BE CUT IN THE NEXT FISCAL YEAR, WHICH WILL BE IN ABOUT 4 MONTHS. IN THE LAST COUNCIL MTG, CUTS WERE DISCUSSED, IN THE AREA OF POLICING, CUSTODIAL AND ROAD MAINTS. MOST OF THE EMPLOYEES, ALREADY, WORK LESS HOURS, THAN NORMAL. PRESENTLY WE HAVE ONE VILLAGE POLICE OFFICER THAT WORKS 6 HOURS PER DAY, WHICH WILL BE CUT TO 3 HOURS PER DAY, IN THE NEXT FISCAL YEAR. IN THE PAST THE CITY HAD 2 POLICE OFFICERS THAT WORKED 6 HRS A DAY BUT DUE TO CUTS TO STATE REVENUE SHARING, WE NOW HAVE ONE, WHICH LEAD TO A HIGH TURNOVER RATE FOR POLICE PERSONNEL. SINCE JULY OF LAST YEAR, THE CITY HAD REPLACE VPO'S THREE TIMES IN THAT SPAN. NONE OF THEM WERE NEVER FIRED, ALL QUIT, STATING, THAT IT IS TOO HARD TO WORK ALONE. WE, THE EEK CITY COUNCIL, FEEL ANY CUTS TO OUR PRESENT WORK FORCE WILL CRIPPLE OR HINDER SERVICES THE CITY PROVIDES TO THE COMMUNITY. PLUS, THE HIGH COST OF FUEL AND FREIGHT COST SHOULD BE CONSIDERED BY YOU, THE COMMITTEE, IN MAKING YOUR DECISION.

ANOTHER ASPECT TO CONSIDER IS THE SITUATION IN CHEVAK, AK, THERE WILL BE A NUMBER OF COMMUNITIES THAT WILL HAVE THE SAME PROBLEMS, IF THIS BILL IS NOT PASSED BY YOUR COMMITTEE. A STATE OF EMERGENCY IS ON THE HORIZON FOR RURAL ALASKA, IF THIS BILL IS NOT CONSIDERED OR PASSED BY YOU THE COMMITTEE.

SIGNED:

Teresa Jackson For
TERESA JACKSON, MAYOR

*Signed by Elias Keyes
Vice Mayor*

CITY OF FORT YUKON

INCORPORATED 1959

Post Office Box 269

INCORPORATED 1959

Fort Yukon, Alaska 99740

Telephone (907) 662-2479 or 2379

Senate Finance Committee
State of Alaska
Juneau, AK

February 18, 2005

Dear Senator,

Much of our budget has to go towards the extreme high cost of heating fuel, which is necessary to keep our water system working. Yes, our lifestyle has improved since we have had piped water, yet this system is expensive to operate to prevent the pipes from freezing for the water lines must be continuously circulating. Because we are a remote village the fuel cost is high. We need the State to assist us so we can continue with a healthy lifestyle. This is clearly a priority for us.

Also, the increase cost of our insurance has not been easy for us to meet as well. We need the State to supplement our increased expenses which are mandatory to operate.

We, the City of Fort Yukon, are proud to be a part of this great strong state. Please help our community as the loss of the State Revenue Sharing has hurt us to meet needs. Again, we ask for your support on the Governor's Supplemental and Capital Appropriations Bill which includes the Small City Energy Assistance.

Sincerely,



Fannie Carroll

City Manager

Cc: file, AML



City of Gustavus
P.O. Box 1
Gustavus, AK 99826
Phone: (907) 697-2451

February 16, 2005

Senate Finance Committee
Juneau, Alaska


Distinguished Members,

As the mayor of the first community to incorporate in Alaska in at least 19 years, and the community with possibly the highest electrical rates in the United States, I can assure you that any monies directed our way will be used to offset the cost of utilities in the community.

The hydroelectric project in Gustavus has been a work in progress for more than a decade. The reason it has moved forward is due to its ability to pay for itself, but unfortunately, at no reduction in rates to the end user. Only by seeking out grants and putting money like this into the project will the community of Gustavus be able to enjoy electrical rates more in line with Alaskan communities of like size and circumstance.

As we all know, one of Alaska's means of bringing in additional revenue is tourism. Tourism in Alaska has made a steady decline for the past eight or nine years, regardless of the spin placed on tourism numbers by the cruise industry. Gustavus is one of those areas substantially impacted by the decline. That decline and the loss of revenue sharing have been instrumental in bringing the community to its knees. High fuel costs, high electrical rates and the ever-present dilemma of the community dock keep us in such a state of repression, we fear for the health of this small community. Our incorporation goal is to bring Gustavus back into a positive condition where people will be able to live, work and raise their families without the burden of such a high cost of living rate. We intend to keep our community's needs small, but will be unable to do so without the infusion of these types of assistance.

Respectfully,


Sandi Marchbanks, Mayor
City of Gustavus



CITY OF HOUSTON
office of
MAYOR
DALE ADAMS

Subject: Levy Property Tax Exemption.

January 11, 2005

Dear Senator Wilken,

The City of Houston supports a property tax exemption for Seniors and Disabled Veterans. We also feel that the State should reimburse the city. Where this is a mandated exemption by the state, yet the state does not reimburse the local governments.

Some Seniors incomes are high and got the ability to pay property tax. But property taxes and assessments are rising and is leaving seniors with fixed income the inability to continue to afford there homes. The City of Houston is leasing about \$42,000.00 a year which is a lot of money for a small city like Houston.

Thank You,


Dale Adams Mayor



City of Marshall

P.O. BOX 09 • MARSHALL, ALASKA 99585 • (907) 679-6215/6415

February 14, 2005

Co-Chairs: The Honorable Senators Green and Wilken
Vice Chair: The Honorable Senator Bunde

Finance Committee Members:
The Honorable Senators Dyson, Stedman, Hoffman and Olson

Re: Senate Bill 98 "Supplemental Appropriations, Fast Track Bill"
"Small City Energy Assistance"

The City Of Marshall's population currently stands at 384 and a distribution of \$50,000 to the City will assist us in purchasing fuel and paying for our insurance costs for the immediate future. The high cost of fuel this year has put the City in a financial crunch. Since the State Revenue Sharing Program was eliminated we have experienced a decrease in services provided to the residents of Marshall.

Thank you for your consideration.

Respectfully,

Raymond D. Alstrom
Mayor

CC: The Honorable Senator Kookesh
The Honorable Representative Salmon
Ms. Kathie Wasserman, AML



CITY OF MCGRATH
PO Box 30
McGrath, Alaska 99627
(907) 524-3825 ~ FAX (907) 524-3536
cityadmin@mcgrathalaska.net

February 15, 2006

**Governor's Supplemental and Capital Appropriations Bill
Small City Energy Assistance**

Dear Members of the Senate Finance Committee:

The City of McGrath is in the same situation as every other small rural community in Alaska. We've had extraordinary fiscal burden thrust upon us from every direction, starting two years ago with a sudden and complete elimination of Revenue Sharing and Safe Communities funding along with the cessation of Capital Matching Grants. At the same time, vendor price increases on diesel and unleaded fuel that is required to keep our basic essential services functioning within our communities, such as electricity, water, sewer, and road maintenance.

Internally, our operating budget was slammed with dramatic increases in Worker's Compensation Insurance, Insurance premiums on our liability, vehicles, buildings and utilities infrastructure also soared. As with many other villages, McGrath is also dependent on shipping everything via air or a few commodities such as fuel by barge. These costs have also risen sharply, adding considerably to every aspect of the living expenses of our residents and to the cost of providing the services of our infrastructure.

Passing this Supplemental Appropriations Bill will assure the City of McGrath the ability to prudently sustain basic and essential services that our residents depend on and provide us the fiscal capacity to meet our existing obligations.

We look forward to hearing news that the Bill has been passed and that our fiscal crisis will be eased during this last half of FY05.

Sincerely,

A handwritten signature in cursive script that reads "Natalie Baumgartner".

Natalie Baumgartner
City Administrator

cc: Alaska Municipal League

City of New Stuyahok

P.O. Box 10
New Stuyahok, AK 99636
Phone: (907) 693-3171
FAX: (907) 693-3176

February 14, 2005

Senate Finance Committee

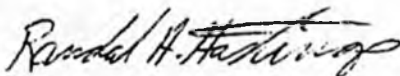
Dear Sir or Madam:

Revenue sharing is vital to the community of New Stuyahok and our children. It has helped paid our IRS bills, high insurance for our workers, paid for high cost of our oil and gas, helped maintained our heavy equipment needed for plowing and maintaining the roads esp. with our new airport being built. Our **Head Start bus, school truck, fire truck, ambulance, and VPSO truck** would have a hard time on the road or wouldn't be able to go on it if we don't have the capacity to keep it graded or maintained.

Without it we wouldn't be able to maintain this place that has about 600 people and growing rapidly. It is hard enough now to maintain the city and without revenue sharing we would be back in the stone ages. As of this moment right now it is very difficult to pay for our electricity, heating oil, phone, and gas. We need this to keep our 2nd class city moving forward and not going backwards.

Thank you very much for your time and please think of **our children** and community.

Sincerely,



Randal A. Hastings
Mayor



Mitch Chocknok
City Administrator

CITY OF NUIQSUT
Post Office Box 89148
Nuiqsut, AK 99789
Phone 907 480-6727 Fax 907 480-6928

February 11, 2005

The Honorable John Cowdery
Chair
Alaska State Senate Rules Committee
Alaska State Capitol
Juneau, Alaska 99811

FAX: 907 465 2069

Dear Senator Cowdery:

The duly elected members of the City of Nuiqsut City Council have instructed me to communicate with you and firmly assert their unqualified support for Senate Bill 98, the Supplemental Appropriations, Fast Track Bill.

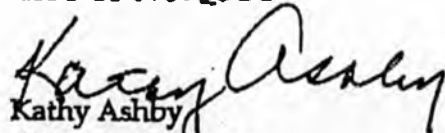
Alaska is indeed blessed with resource largesse of which many locales can only dream. Alaska's resources provide healthy economic activity and enviable lifestyles in metropolitan areas of the state. Those resources, as you well know, are located, explored, developed, and extracted in areas of the state where amenities are exceedingly few and far between, where the price of one container of milk compares with the expense of a bag of groceries in other areas.

The general fund is largely based upon resource revenues. Therefore, it is imperative that inherent inequities be ameliorated where possible. Senate Bill 98 purports to address, with general fund monies, the exorbitant cost of utilities in non-metropolitan areas of the State through energy assistance.

Please afford this bill your unqualified support as it traverses through the committee referrals and ensure its passage into law. Thank you for your assistance.

Sincerely,

CITY OF NUIQSUT


Kathy Ashby
City Administrator



CITY OF OUZINKIE

P.O. Box 109
3rd & C Street
Ouzinkie, AK 99644

Phone (907) 680-2209
Fax (907) 680-2223
cityofouzinkie@starband.net

COUNCIL MEMBERS

- Zack Chichenoff - Mayor
- Alex Ambrosia - Vice Mayor
- Angeline Campfield - Sec./Treas.
- Sharon Boekofaky - Member
- Danny M. Clarion Sr. - Member
- Katherine Panamarloff - Member
- Darren Muller - Member

February 15, 2005

Senate Finance Committee
State Capitol
Juneau, AK 99801

Dear Finance Committee Representatives;

I am writing to encourage you to take into consideration how important the Governor's Supplemental and Capital Appropriations Bill is to every community in this state.

As you know healthy communities can provide services in a more effective and efficient way that can the state. This only serves to save the state money in the future. By passing the above bill the communities can then use those funds to stabilize taxes and provide services.

We are being faced with skyrocketing fuel bills and insurance without the aid of revenue sharing. Communities with high transportation problems, a lack of insurance, exorbitant energy costs, crumbling infrastructure, and unaffordable shipping rates cannot provide a healthy environment with which to raise a family.

Sincerely,

Zack Chichenoff
Mayor



Office of the Mayor

P.O. Box 430
Pilot Point, Alaska 99649
Tel. (907) 797-2200
Fax (907) 797-2211

Senate Finance Committee
Juneau, Alaska


February 12, 2005

To Whom It May Concern:

We applaud the Governor's proposal to distribute financial energy relief to rural Alaska. The combined impacts of rising fuel prices, declining municipal revenues, Federal grant opportunities, commercial fisheries disasters, and the overall lack of economic opportunity in rural Alaska have hit all of us very hard.

In Pilot Point we have had to fly fuel in at \$4.66 per gallon for heating oil. The City cannot in good conscience charge our consumers a price that allows us to break even, consequently, we are absorbing a loss of over \$2.00 per gallon. Any financial relief at this time would be greatly appreciated.

Sincerely,



Gregory Kingsley
Pilot Point City Council

Kevin Ritchie

From: Kevin Smith [kevins@amljia.org]
Sent: Monday, December 22, 2003 8:16 AM
To: Terri McFarland; Tammy White; Rick Gifford; Kevin Ritchie; Karl Short; Joe Evans; Jerome Selby; Betty Glick; Clement Richards
Cc: Venus Zink; Kevin Ritchie; Betty Jo Svensson; Annie McIlvain; Sarah Gilbertson
Subject: Budget crunch burdens villages

<http://www.adn.com/front/story/4541566p-4516702c.html>

Here's an interesting article from yesterday's paper. Times are tough. Happy Holidays. Kevin



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TOP ALASKA STORIES

Budget crunch burdens villages

CUTS: Slashed state aid leaves small towns facing financial straits.

By JOEL GAY
Anchorage Daily News
(Published: December 21, 2003)

Anchorage isn't the only community struggling to fill the hole in its budget after Gov. Frank Murkowski and the Alaska Legislature axed state aid to cities and boroughs earlier this year.

They're dousing the streetlights in Huslia and laying off cops in Hooper Bay. Taxes may triple in White Mountain, while Coffman Cove can't pay its insurance bill. And more than one village could merge its municipal operations with the local Native tribe.

These are tough times for the state's smallest communities, said Larsen King, mayor of Me Koryuk, a community of 200 on Nunivak Island. In villages where jobs are scarce and expenses are high, the state grants of \$25,000 to \$50,000 kept the city office open and the bills paid, he said.

The already rocky financial footing of rural Alaska villages has dramatically worsened, said King and other community leaders.

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"How does anyone expect the little places to survive?" he asked.

The state has been providing grants to cities and boroughs since statehood, according to Bill Rolfzen of the state Division of Community Advocacy. The grant programs evolved and expanded as Alaska developed, and by 1985 the two main programs, Municipal Revenue Sharing and Safe Communities, paid out more than \$160 million.

Although Safe Communities grants were restricted to police, fire, emergency services or sanitation, Revenue Sharing could be spent on almost anything. That was the beauty of the program, Rolfzen said. The money might buy a winter's worth of diesel in one village and a year's worth of workers' compensation in another, he said.

Nearly 20 years of budget cuts eroded the two programs to \$25 million last year. But even that was more than Murkowski wanted, and he vetoed funding for both and for a third program that funded capital projects.

"It is clear to me," Murkowski wrote to the communities, "that Alaska's fiscal situation requires us all to make the tough choices. ... We must take responsibility for prioritizing what our governments can do based on what we can afford."

Murkowski gave the municipalities a one-year reprieve, splitting \$15 million in federal funds among them. But for the fiscal year that begins next July, they're on their own. Throughout Alaska this winter, city administrators and councils are coming to grips with the looming shortfall.

Some officials are optimistic.

"We'll just have to start tightening our belts and watch where our money goes," said Linda Getz, city clerk in Ouzinkie, a coastal village of 200 near Kodiak.

It will mean making do with old equipment, scrimping on paper clips and saving this year's grant, she said. The city hasn't even talked about raising taxes. But Ouzinkie will survive, she said. "I think we can do it."

Other administrators fear the effect on their cities but are resigned to it.

"When you don't have the money, you don't have the money," said Pete Platten, city manager in Tanana.

The cuts to rural communities were shortsighted, Platten said, because rural Alaska spends its money in the cities.

"Once they kill the Bush, they have no customers out here," he said. If villages shut down, "all that money is not going to Fairbanks anymore."

Rural communities are less able to cope than their urban cousins, said Raphael Murran, city manager in Hooper Bay. The village of 1,100 on the Bering Sea coast has cut several city positions, including one police officer, and city employees have taken pay cuts.

But raising revenues will be difficult in Hooper Bay, Murran said. The city has a 4 percent sales tax, but increasing it won't yield much more. "We don't have that much economy."

And the city can't charge property tax because there is no private property, Murran explained. As in most rural villages, the land is owned by the village Native corporation or the federal government, which provides a small payment in lieu of taxes, or PILT.

During better times, the Yukon River village of Ruby built up a city savings account, said Mayor Donald Honea Sr., "but we've almost completely wiped the thing out now."

Ruby has reduced employee hours and city services, and now there's little left to cut, Honea said. It can no longer afford a public safety officer and may have to turn off the streetlights. Volunteers staff city hall, and the teen center remains closed unless an adult offers to open it for a night or two.

"We can't hire people to do a lot of the work we had before, like plowing snow," he said. "This year if we get a heavy snow, we have the guy do it when he can." Because the roads aren't getting plowed, Honea is nervous about house fires. "You'd have a hard time getting to the houses," he said.

The city has no sales tax, and just 200 residents to pay it if the council decides a tax would help.

"Like all the small villages, there's no employment and there's no revenue coming in, so it's pretty hard," Honea said. Commercial salmon fishing has been poor for years, and firefighting wages have declined. "The only thing is the (Permanent Fund) dividend, and a lot of people use it to catch up with their light bills."

But Ruby isn't throwing in the towel, Honea said.

"We'll continue to exist. We've existed before when times were tough. We're just going to have to cut what we had before," he said, perhaps returning to the kind of village it was before streetlights and running water.

They're also at a crossroads in small villages like Ouzinkie, White Mountain, Koyuk and Kiana, municipal officials there said. Losing the state grants will force crucial decisions that affect their communities' survival, they said.

"Insurance -- that's the scary thing. It's pretty well mandated," said city administrator Judy Willis of Coffman Cove, a former logging camp in Southeast. "Do you run the risk of not having insurance?"

Small communities are in a tough spot, acknowledged Mike Black, community development chief for the Department of Community and Economic Development. State and federal agencies that have poured millions of dollars into water plants or health clinics want those facilities insured, he said.

"But when you're the mayor or council, you're going to have to make decisions based on what you think the residents will support," Black said. "Insurance is one of those costs that doesn't immediately provide the local residents a demonstrated product. ... I don't like buying another policeman."

Many small communities operate their own water, sewer or electric utilities, and customers pay for the plant operations. But state municipal grants often paid for the clerks who did the billing.

"That's what pays my salary," said Dorothy Barr, city administrator in White Mountain, a village near Nome. She also writes grants, which have provided

services to White Mountain residents, such as a part-time librarian.

Her village voted down an increase to the 1 percent sales tax, and utility rates are as high as they can go, Barr said. She and other city employees have cut their hours.

"Right now we're looking at taxing pull-tabs and bingo winnings," she said. "We have to try to find different revenues."

State officials empathize with the ailing villages, but have little to offer except advice, said Rolfzen, with the state. Cities that can't afford to operate have few choices, he said. They can formally dissolve their municipal government, as several villages did as a statement of Native sovereignty in the 1980s or simply close the doors and stop functioning.

With the loss of municipal grants, Rolfzen said, "We might see a little of both, or a lot of both."

But some communities, including Mekoryuk, are considering a third option -- retaining the city government, but turning over the administration to the local tribe.

It may offer the best of both worlds, said Hultman Kiokun, administrator of the Native Village of Mekoryuk. The city can levy a sales tax -- it's 2 percent now -- and apply for grants available only to incorporated cities, while the tribe can tap federal resources.

"Having two governments in one small village, there's a lot of funds being wasted. We can eliminate those, and use that money for where it's needed most in the village," Kiokun said. "We need to make the best use of what little is coming to our village."

Mekoryuk's city and tribe are still negotiating, Kiokun said. The tribe doesn't want city liabilities to drag it down, he said, and may consider dropping money-losing services like cable television.

Nevertheless, the potential merger makes him more optimistic about Mekoryuk's future.

"It's got to change," Kiokun said. "The leaders have to understand that unless we make this change we're going to be stuck with the past, and possibly lose the services we have now."

Mekoryuk Mayor King agrees that a merger is likely, but isn't happy about it. He blames the village's poor financial condition on the "goody do-gooders" who brought water and sewer and other services to rural Alaska.

"These people bring these good things, but don't throw in operating and maintenance costs," King said. "There's no way the municipalities can survive if they cut revenue sharing off. If we raise funds like other little villages, with (bingo and pull-tab) gaming, we'll just exploit ourselves and make our community poorer and poorer."

Kiana and Koyukuk are also considering city/tribe mergers, and more villages could follow now that municipal funding is gone, said Anthony Caole, a former Quinhagak city and tribal administrator who is now an Anchorage consultant.

The merger "is not an ideal arrangement," Caole said. It will create an unwieldy council of 10 to 14 members working in a gray area that is both city and tribe.

"The ideal would be one form of government," he said. "It's just that nobody knows what that looks like."

And a merger is not for every community, he said. Some tribes may be reluctant to merge with their local municipality. Cities bring little to the bargaining table except sales tax powers, and many tribes are already overwhelmed with work, he said.

In addition, the future of tribal funding is uncertain. Sen. Ted Stevens has said it is increasingly difficult to secure funding for Alaska's 229 federally recognized tribes and has proposed they consider some form of consolidation.

In the meantime, the mergers may be the best option for foundering municipal governments, Caole said, though he doesn't see why it's necessary.

"I just can't imagine the state not providing resources to keep their sister governments alive," he said.

State officials are sympathetic to the plight of Mekoryuk, Ouzinkie and other small municipalities. But like the state, they'll have to find their own ways of balancing local needs and revenues, said Edgar Blatchford, commissioner of community and economic development. If that means dissolving their government because they can't afford it, "that's their decision," he said.

The Murkowski administration believes rural communities' fate lies with basic economics, Blatchford said. "If there's an economic base that local people can seize, there's hope for the future."

But where the only income is state and federal grants, the future looks bleak, Blatchford said.

"Sad to say," he said, "these are very challenging times for Alaska."

Daily News reporter Joel Gay can be reached at jgay@adn.com or at 257-4310.

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Ten small Alaska communities drop city insurance

JUNEAU (AP) — Ten small Alaska communities have discontinued their municipal insurance because of declining assistance from the state and rising insurance and fuel costs.

Another dozen could follow within the next few months, said Kevin Smith, executive director of the Alaska Municipal League Joint Insurance Association.

Smith would not release the names of the communities affected, but the league confirmed that Juneau is not one of the 10 cities.

The league's insurance program covers workers' compensation, natural disasters, third-party injury liability and other costs for about 134 Alaska cities, boroughs and school districts.

Gov. Frank Murkowski vetoed \$22 million in municipal revenue sharing last year that had helped many communities pay insurance costs. Combined with the rising costs of fuel, the cuts have made it impossible for some cities to continue paying.

"In the past when they could count on a municipal assistance and revenue-sharing check, we'd carry them until the state checks were cut," Smith said. "They can't pledge zero, so I can't carry them. We carried them as long as we could and finally had to pull the plug."

In an effort to offset the cuts, Murkowski sent \$15 million to cities that same year in one-time federal money from President Bush's Jobs and Growth Tax Relief Act, with minimum payments of \$40,000 going to smaller communities.

This year Murkowski is asking the Legislature to approve \$6.8 million in aid for about 125 small, rural communities.

The program would provide \$25,000 for communities with fewer than 100 residents, \$50,000 for those with 100 to 500 residents and \$75,000 for those with 500 to 1,200 residents. The program is intended to offset rising fuel costs.

But it is unlikely that the revenue-sharing program will be reinstated this year as it existed before the cuts, said Becky Hultberg, a Murkowski spokeswoman.

"Things are still open," she said. "We are still considering alternatives. The state this year will have some very important priorities, education being one of them. It is unlikely that insurance for cities would rise to that level. But the governor has recognized the needs of some of the smaller communities due to the disproportionately high cost of fuel and is making an effort to address those needs."

The municipal league has made the reinstatement of some form of revenue sharing for cities its top priority this legislative session, which begins in January, according to program and policy coordinator Kathie Wasserman.

Insurance costs have increased substantially, according to Mike Black, director of the state's Division of Community Advocacy.

Communities without insurance would have to appeal to the Legislature, Alaska's congressional delegation or some other state or federal agency for assistance, according to Black. He said he has advised communities with municipal employees to maintain their workers' compensation insurance policies because injured workers can sue the city, resulting in large court settlements.

"It's required under state law that an employer have workers' compensation insurance," he said. "We tell them that's something you have to retain."

Wednesday, December 01, 2004

Fairbanks Daily News-Miner

10 Alaska communities forgo insurance

Friday, December 03, 2004 - Staff and Wire Reports

JUNEAU—Ten small Alaska communities have discontinued their municipal insurance because of declining assistance from the state and rising insurance and fuel costs.

Another dozen could follow within the next few months, said Kevin Smith, executive director of the Alaska Municipal League Joint Insurance Association.

Smith would not release the names of the communities affected.

Somewhat ironically, the city of Fairbanks just started purchasing insurance through the municipal league in July as a means of saving money.

The city was self-insured previously and was able to save money by purchasing insurance as part of the larger group, said Fairbanks Mayor Steve Thompson. "By going together in a pool with more people you can keep rates down," he said. He said the news that some communities might be dropping out and making the pool smaller is troubling.

"That's kind of a bother," he said.

The league's insurance program covers workers' compensation, natural disasters, third-party injury liability and other costs for about 134 Alaska cities, boroughs and school districts.

Thompson said Fairbanks received notice that its workers' compensation coverage through the AML would increase by 12 percent effective July 2005. The AML requires six-months' notice for dropping out of its program. The mayor did send a letter of tentative notice to the AML Thursday, he said, but he emphasized that the letter is standard procedure to allow the city to shop for other carriers and the city has no intention of going without coverage.

"It is only responsible for us to continually do that," he said. "It's no different that any responsible business would do to continually make sure they're saving as much money as possible."

The Fairbanks North Star Borough is self-insured and does not use the AML program.

Gov. Frank Murkowski vetoed \$22 million in municipal revenue sharing last year that had helped many communities pay insurance costs. Combined with the rising costs of fuel, the cuts have made it impossible for some cities to continue paying.

"In the past when they could count on a municipal assistance and revenue-sharing check, we'd carry them until the state checks were cut," Smith said. "They can't pledge zero, so I can't carry them. We carried them as long as we could and finally had to pull the plug."

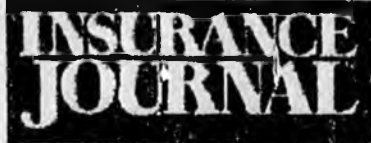
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"Things are still open," she said. "We are still considering alternatives. The state this year will have some very important



West News

Ten Small Alaska Communities Drop City Insurance

December 8, 2004

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Find this article at:

<http://www.insurancejournal.com/news/west/2004/12/08/48327.htm>

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Kevin Smith

From: "Annie McIlvain" <annie@akml.org>
To: "Kevin Ritchie" <kevin@akml.org>; "Kathie Wasserman" <kathie@akml.org>; "Kevin Smith" <kevins@amljia.org>
Sent: Monday, December 20, 2004 3:59 PM
Subject: homer news



Editorial



Insurance woes taking toll on Alaska

By John Crowder
Homer Tribune

Alaska is not the only state of the union facing rising health insurance costs, but here in the far north we rank among the most uninsured in the nation. While we are only a microcosm of a much larger problem, it is clear that health care and insurance racketeers are pushing Alaska into the red.

Hikes in long-term care and Medicaid and prescription drugs

are also on the rise, according to a recent study sponsored by the Pew Charitable trust. The study showed that 22 percent of adult Alaskans are without health insurance. Although Alaska's Denali Kid Care program covers a significant number of children under 18 – boosting our national ranking to 35th – close to a fourth of our population is using the Medicaid system.

Insurance gouging is meanwhile taking a tremendous toll on local Alaska governments, and the state's decision to bail out our school system from rising costs likely kept them from deficit spending. Ten small communities in our state have recently discontinued municipal insurance plans because of rising costs and lack of state assistance. Many more are expected to do the same in the near future, according to reports from Alaska Municipal League. This type of insurance covers everything from natural disasters to workers' comp. Such a trend is opening communities up to enormous liability.

Homer is having its own budgetary problems. But will more state revenue sharing be the key to bailing communities out of this insurance bind? I believe the problem demands a more comprehensive overhaul at the

federal level.

The ramifications of these hikes are that insurance companies are allowed to cause rampant reductions in every other area of government spending, to make up the difference. The state's Health and Social Services budget has skyrocketed, causing infiltration into other departmental budgets. The city of Homer's Public Employee Retirement System and workers' comp levels are going through the roof, a large reason for the city's need to cut other areas of spending and boost fees in various departments. But where is the accountability for insurers and health care providers? That is the question that people are asking nationwide. While health care was a major focus in the recent election, one must concede that each political party has its hands in the pie. It appears that antitrust violations will simply continue as long as special interest partisan politics flourish.

Obviously, mere criticism will not do any good. And granted, there are a number of virtual epidemics that play into the problem, from the spread of HIV/AIDS to America's obesity rate and aging populous. In Alaska, health care providers also face tremendous travel costs in many cases. Perhaps there is more complexity to the situation than a few big wigs sitting in a smoky penthouse trying to concoct ways to gouge the commoner. Yet, neither can we deny the big money lobbying that keeps America uninsured.

Unfortunately, it will probably take even more individuals and corporate entities pulling out of the insurance grid altogether before regulators are willing to affect any meaningful change.

Meanwhile, what do we do? Splint our own broken bones and cross our fingers that nobody sues the pants off the city for slipping on the sidewalk?

Well, perhaps it's not that bad. We must acknowledge, with all its flaws, that at least we have a health care system that functions. There are plenty of countries that would gladly pay out the nose just to have a hospital available in every community. On that note, Homer and the rest of America is truly blessed to have the health providers that it does. Until there is change on the horizon, Alaskans will just continue to do the best with what they have.

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ALASKA

10 towns can't pay insurance

DECEMBER 6, 2004

BROKE: Without state aid to pay premium, small cities risk disaster.

By JOEL GAY
Anchorage Daily News

Nearly a dozen rural communities are flirting with financial disaster after failing to pay their insurance bills and dropping out of a statewide pool of self-insured cities, boroughs and school districts.

The 10 small cities are no longer carrying workers' compensation, snowplow insurance or basic liability coverage, in large part because the state has eliminated the grants they once relied on to pay such expenses, said Kevin Smith, executive director of the Alaska Municipal League Joint Insurance Association.

Now uninsured, they could be fined for failing to meet legal requirements. They also run the risk of bankruptcy if slapped with a big lawsuit, Smith said.

INSURANCE: If town is sued, state may take hit

Continued from B-1

much to collect from a bankrupt city, Smith said.

"He can be the proud owner of an old waste-water treatment plant," he said.

It's also possible that a person could turn to the state, if a city were bankrupt, Smith said.

"You might decide the deeper pocket is to go after the state," since every city is a political subdivision of the state government, he said.

That's untested legal ground in Alaska, he added.

The cities that lost their insurance could get it back, Smith said, but it will take work. Not only must they make up the last four months, but they'll have to pay ahead several months.

They could get help if the Alaska Legislature approves a Murkowski proposal to give communities another one-time grant, with the smallest receiving \$25,000

Several small cities that last year had feared the loss of state aid said Friday that they are still financially solvent, though it has required extreme measures.

"We're still floating," and keeping up with insurance payments, said Larsen King, mayor of the Nunivak Island village of Mekoryuk.

But to save money, the city has merged with the local tribe, he said. The arrangement allows the city to tap state aid whenever it can but share the cost of administering the city's government with the tribe.

To the north, the village of Kiana did the same thing, said Dolores Tuckfield, deputy director of Kiana Traditional Council. In a move driven largely by the loss of revenue sharing, the city contracted with the council to administer city services, she said.

"It's been a lot of work" to establish the new system, which began July 1, Tuckfield said. But

so far, it's working well, she said, and the city has stayed ahead of its insurance bills.

The Southeast logging village of Coffman Cove is also meeting its financial obligations, though not without some sacrifices, said city administrator Judy Willis.

"Our (insurance) payments aren't always on time," she said. "But we haven't got a cancellation notice yet. I think they're being generous."

Insurance is a major expense in the city of 165, Willis said. Even after paring away nonessential costs, it was still more than \$20,000 a year, she said.

Coffman Cove has survived the loss of state revenue sharing so far, Willis said. But there's not much more the community can cut or raise without help from the Alaska Legislature. Willis wants to allow second-class cities such as hers to levy a flat property tax — say, \$100 an acre. Current law prohibits property

and the state may be absorbing the cities' bills anyhow, he said.

"You could make an argument that they're a political subdivision of the state, and if they're not making it (financially), the state is on the hook," he said.

Alaska's cities and boroughs received state aid for years. Some of the grants were specifically for public safety or construction. Others could be used for anything, including heating oil, city hall salaries and expenses such as insurance.

The three main sources of municipal aid dwindled over many years but finally expired when Gov. Frank Murkowski vetoed the last of them in 2003. Murkowski later used a federal grant to give municipalities a one-time check, which for the smallest communities was \$40,000.

Most cities absorbed the loss by cutting services, raising taxes and fees, or both. In small communities with fewer resources, the cuts meant reducing or shutting down popular services, such as snowplowing, teen centers and street lights.

But 10 communities, which Smith would not name, started falling behind on their monthly payments to the statewide insurance pool. This month, their insurance was canceled, he said.

The pool has "been carrying them for four months," Smith said. "I couldn't do it any longer." And another dozen or so communities are close to losing their insurance, as well, he said.

Cities are required to carry workers' compensation, and most provide it for their volunteer firefighters and emergency medical personnel, Smith said. Asked what the uninsured cities are doing now, he said, "panicking."

The Alaska Department of Labor could fine the cities for failing to insure their workers, Smith said. That would just drive the cities further into debt, he said.

If a worker got hurt or a visitor slipped on city property and successfully sued, there wouldn't be

See Page B-3, INSURANCE

taxes unless they're based on an assessment.

"If we had enough money to have everything assessed, we wouldn't need the tax," she said.

Otherwise, communities such as hers will have to rely on bake sales and raffles to raise money for expenses such as insurance and salaries, Willis said. She was going to a fund raiser Friday night for local sports teams. "Next week it's the fire department," she said.

Daily News reporter Joel Gay can be reached at 783-3333.



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Tenakee eyes solutions to its fiscal crisis

Loss of revenue sharing means trouble for dozen small towns

It's not news to residents that Tenakee Springs has had some financial problems. But Shelly Wilson, mayor of the town of 150 people, said she was frightened when she realized how serious the problems are.

When Gov. Frank Murkowski stopped sharing revenues with local governments in 2004, Tenakee Springs lost \$40,000 a year. It is facing a \$25,000 deficit. The city is applying for a \$50,000 loan.

The Tenakee Springs City Council has proposed selling some city land to increase revenues and expects to put the issue on the ballot within the next two months. Council members also contemplated increasing the sales tax from 1 percent to 2 percent.

For the first time, the city might impose a property tax.

"These are some short-term solutions," Wilson said. "We look forward to receiving some funding from the state."

The Chichagof Island town is not alone.

According to the Alaska Municipal League, 14 small towns have contacted the state about formal dissolution or entered into an agreement with a tribe to resume city responsibilities - or simply have not held local elections. Twenty towns have had their insurance canceled for lack of payment.

An Alaska Municipal League report said the crises result from massive state cuts to cities at a time of skyrocketing local costs and economic downturn. In 2004, Alaska became one of a handful of states that eliminated its local government revenues-sharing programs.

"All the communities face the same problems," said Kevin Ritchie, executive director of Alaska Municipal League. "But the smallest communities, which have the smallest tax bases, have the biggest problems."

Becky Hultberg, spokeswoman for the governor, said Murkowski stopped the local government revenue-sharing program because he doesn't believe it is the state's responsibility to give block grants to local governments.

But Hultberg said when local governments experience the difficulties such as the rise of the fuel and the increase of the public employment retirement system, the state has a role in giving the community some temporary help.

In this session, Murkowski proposed giving \$6.5 million to towns with populations of fewer than 1,200 to help them deal with the rise in fuel prices. Towns with populations between 100 and 600, such as Tenakee Springs, can receive \$50,000. The governor also proposed to offer \$37.5 million for cities and \$77 million for school districts in the next two years to help them pay for the public employment retirement system.

"This is not ongoing funding. This is only temporary help," Hultberg stressed.

And that is exactly the problem, Ritchie said.

"Cities are part of the government," Ritchie said. "The Legislature is responsible for all the state to have some public services. Revenue-sharing is the most efficient way."

Wilson said she hopes the Alaska Legislature would approve the small city fuel assistance program as soon as possible.

"I will just pray we can hold that long," Wilson said. "I know it is just a one-time deal, though."

• I-Chun Che can be reached at ichun.che@juneauempire.com.

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State needs to share the windfall with cities

Some states would be envious of Alaska even in our worst budget times, but once again financial fortune has smiled on this state and the result will be hundreds of millions of unexpected dollars into its lap.

Revenue from record-high oil prices likely will close the state's \$360 million budget gap and send an additional \$500 million to its general fund. This rare stroke of luck isn't going to last forever and state leaders therefore need to make sure the extra income isn't squandered.

Education is at the top of the list of items that need greater funding. Juneau is not the only city in the state in which teachers struggle with classrooms of more than 30 students. Key to improving education in this state is reducing class size by increasing the state's allocation to schools. Gov. Frank Murkowski already has called for a \$126 million increase in spending for K-12 education over the next two years. The Alaska Legislature needs to follow up on that and make sure that some of this fleeting wealth brings improvements in classrooms across the state.

The Murkowski administration also is looking at putting money back into social-service programs, many of which have been trimmed in recent years. The governor is proposing \$6 million for children's services, \$1.5 million for juvenile justice and \$7.1 million for preventing drug and alcohol abuse. These are all wise investments and could save the state money down the road, particularly in the criminal justice system.

With its financial windfall, the state needs to make sure that it avoids two things: using the money for pet capital projects and leaving cities to struggle on their own.

gle on their own.

Too many schools and other public buildings are in need of maintenance that has been delayed because of tight budgets in recent years. These need to be brought up to par before money is frittered away on new capital projects, which will in time need maintenance of their own.

Most importantly, though, Alaska's legislators cannot leave cities out in the cold financially. Lawmakers have failed to take real action to solve the state's long-term budget problems. Too worried about their own political careers, legislators haven't made the tough decisions that are needed on broad-based taxes, increasing revenue from the oil industry or other measures that would bring long-term financial stability. What lawmakers have done is shift the burden to cities by slashing their state funding.

As revenue sharing with cities has been cut, local governments statewide have had to increase property taxes by 33 percent and at least 30 rural communities have had to cut essential services, such as road maintenance or public safety, according to the Alaska Conference of Mayors. Ten small towns have had to drop their municipal insurance program, which covers workers' compensation, natural disasters and other costs.

With the unexpected oil revenues, the state needs to share the wealth and restore funds to its Municipal Revenue Sharing Program. Many of Alaska's small cities are desperate for a financial boost because of belt-tightening in recent years, and it's only fair that this windfall of cash should be used to bring them some relief.

HB 28 Municipal Dividend Estimates

Distribution Formula: Municipal Population X \$250 With a Minimum Entitlement of \$40,000

Borough Populations: Borough Areawide Population Less City Populations in Borough

Municipalities	2004 Population	Population X \$250	Minimum Entitlement Add-On	Municipal Dividend Payment
Adak	69	\$17,250	\$22,750	\$40,000
Akhiok	56	\$14,000	\$26,000	\$40,000
Akiak	367	\$91,750	\$0	\$91,750
Akutan	771	\$192,750	\$0	\$192,750
Alakanuk	667	\$166,750	\$0	\$166,750
Aleknagik	219	\$54,750	\$0	\$54,750
Aleutians East Borough	76	\$19,000	\$21,000	\$40,000
Allakaket	90	\$22,500	\$17,500	\$40,000
Ambler	274	\$68,500	\$0	\$68,500
Anaktuvuk Pass	300	\$75,000	\$0	\$75,000
Anchorage	277,498	\$69,374,500	\$0	\$69,374,500
Anderson	344	\$86,000	\$0	\$86,000
Angoon	481	\$120,250	\$0	\$120,250
Aniak	532	\$133,000	\$0	\$133,000
Anvik	101	\$25,250	\$14,750	\$40,000
Atka	92	\$23,000	\$17,000	\$40,000
Atkasuk	247	\$61,750	\$0	\$61,750
Barrow	4,351	\$1,087,750	\$0	\$1,087,750
Bethel	5,888	\$1,472,000	\$0	\$1,472,000
Bettles	31	\$7,750	\$32,250	\$40,000
Brevig Mission	319	\$79,750	\$0	\$79,750
Bristol Bay Borough	1,096	\$274,000	\$0	\$274,000
Buckland	437	\$109,250	\$0	\$109,250
Chefornak	439	\$109,750	\$0	\$109,750
Chevak	899	\$224,750	\$0	\$224,750
Chignik	92	\$23,000	\$17,000	\$40,000
Chuathbaluk	105	\$26,250	\$13,750	\$40,000
Clark's Point	62	\$15,500	\$24,500	\$40,000
Coffman Cove	177	\$44,250	\$0	\$44,250
Cold Bay	89	\$22,250	\$17,750	\$40,000
Cordova	2,298	\$574,500	\$0	\$574,500
Craig	1,127	\$281,750	\$0	\$281,750
Deering	145	\$36,250	\$3,750	\$40,000
Delta Junction	984	\$246,000	\$0	\$246,000
Denali Borough	1,498	\$374,500	\$0	\$374,500
Dillingham	2,422	\$605,500	\$0	\$605,500
Diomedede	141	\$35,250	\$4,750	\$40,000
Eagle	115	\$28,750	\$11,250	\$40,000
Eek	292	\$73,000	\$0	\$73,000
Egegik	76	\$19,000	\$21,000	\$40,000

HB 28 Municipal Dividend Estimates

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Borough Populations: Borough Areawide Population Less City Populations in Borough

Municipalities	2004 Population	Population X \$250	Minimum Entitlement Add-On	Municipal Dividend Payment
Ekwok	127	\$31,750	\$8,250	\$40,000
Elim	318	\$79,500	\$0	\$79,500
Emmonak	762	\$190,500	\$0	\$190,500
Fairbanks	29,954	\$7,488,500	\$0	\$7,488,500
Fairbanks North Star Borough	53,493	\$13,373,250	\$0	\$13,373,250
False Pass	62	\$15,500	\$24,500	\$40,000
Fort Yukon	594	\$148,500	\$0	\$148,500
Galena	717	\$179,250	\$0	\$179,250
Gambell	648	\$162,000	\$0	\$162,000
Golovin	160	\$40,000	\$0	\$40,000
Goodnews Bay	236	\$59,000	\$0	\$59,000
Grayling	182	\$45,500	\$0	\$45,500
Gustavus	473	\$118,250	\$0	\$118,250
Haines Borough	2,245	\$561,250	\$0	\$561,250
Holy Cross	206	\$51,500	\$0	\$51,500
Homer	5,332	\$1,333,000	\$0	\$1,333,000
Hoonah	841	\$210,250	\$0	\$210,250
Hooper Bay	1,124	\$281,000	\$0	\$281,000
Houston	1,368	\$342,000	\$0	\$342,000
Hughes	72	\$18,000	\$22,000	\$40,000
Huslia	269	\$67,250	\$0	\$67,250
Hyaaburg	349	\$87,250	\$0	\$87,250
Juneau	30,966	\$7,741,500	\$0	\$7,741,500
Kachemak	475	\$118,750	\$0	\$118,750
Kake	663	\$165,750	\$0	\$165,750
Kaktovik	284	\$71,000	\$0	\$71,000
Kaltag	211	\$52,750	\$0	\$52,750
Kasaan	60	\$15,000	\$25,000	\$40,000
Kenai	6,809	\$1,702,250	\$0	\$1,702,250
Kenai Peninsula Borough	31,794	\$7,948,500	\$0	\$7,948,500
Ketchikan	7,691	\$1,922,750	\$0	\$1,922,750
Ketchikan Gateway Borough	4,948	\$1,237,000	\$0	\$1,237,000
Kiana	394	\$98,500	\$0	\$98,500
King Cove	723	\$180,750	\$0	\$180,750
Kivalina	388	\$97,000	\$0	\$97,000
Klawock	848	\$212,000	\$0	\$212,000
Kobuk	128	\$32,000	\$8,000	\$40,000
Kodiak	6,199	\$1,549,750	\$0	\$1,549,750
Kodiak Island Borough	6,494	\$1,623,500	\$0	\$1,623,500
Kotlik	588	\$147,000	\$0	\$147,000

HB 28 Municipal Dividend Estimates

Distribution Formula: Municipal Population X \$250 With a Minimum Entitlement of \$40,000

Borough Populations: Borough Areawide Population Less City Populations in Borough

Municipalities	2004 Population	Population X \$250	Minimum Entitlement Add-On	Municipal Dividend Payment
Kotzebue	3,130	\$782,500	\$0	\$782,500
Koyuk	348	\$87,000	\$0	\$87,000
Koyukuk	109	\$27,250	\$12,750	\$40,000
Kupreanof	38	\$9,500	\$30,500	\$40,000
Kwethluk	695	\$173,750	\$0	\$173,750
Lake & Peninsula Borough	882	\$220,500	\$0	\$220,500
Larsen Bay	96	\$24,000	\$16,000	\$40,000
Lower Kalskag	262	\$65,500	\$0	\$65,500
Manokotak	405	\$101,250	\$0	\$101,250
Marshall	358	\$89,500	\$0	\$89,500
Matanuska-Susitna Borough	57,474	\$14,368,500	\$0	\$14,368,500
McGrath	367	\$91,750	\$0	\$91,750
Mekoryuk	198	\$49,500	\$0	\$49,500
Metlakatla	1,370	\$342,500	\$0	\$342,500
Mountain Village	769	\$192,250	\$0	\$192,250
Napakiak	360	\$90,000	\$0	\$90,000
Napaskiak	436	\$109,000	\$0	\$109,000
Nenana	394	\$98,500	\$0	\$98,500
New Stuyahok	477	\$119,250	\$0	\$119,250
Newhalen	183	\$45,750	\$0	\$45,750
Nightmute	232	\$58,000	\$0	\$58,000
Nikolai	121	\$30,250	\$9,750	\$40,000
Nome	3,473	\$868,250	\$0	\$868,250
Nondalton	205	\$51,250	\$0	\$51,250
Noorvik	609	\$152,250	\$0	\$152,250
North Pole	1,532	\$383,000	\$0	\$383,000
North Slope Borough	235	\$58,750	\$0	\$58,750
Northwest Arctic Borough	708	\$177,000	\$0	\$177,000
Nuiqsut	430	\$107,500	\$0	\$107,500
Nulato	320	\$80,000	\$0	\$80,000
Nunam Iqua	172	\$43,000	\$0	\$43,000
Nunapitchuk	527	\$131,750	\$0	\$131,750
Old Harbor	196	\$49,000	\$0	\$49,000
Ouzinkie	187	\$46,750	\$0	\$46,750
Palmer	5,197	\$1,299,250	\$0	\$1,299,250
Pelican	118	\$29,500	\$10,500	\$40,000
Petersburg	3,123	\$780,750	\$0	\$780,750
Pilot Point	75	\$18,750	\$21,250	\$40,000
Pilot Station	559	\$139,750	\$0	\$139,750
Platinum	39	\$9,750	\$30,250	\$40,000

HB 28 Municipal Dividend Estimates

Distribution Formula: Municipal Population X \$250 With a Minimum Entitlement of \$40,000

Borough Populations: Borough Areawide Population Less City Populations in Borough

Municipalities	2004 Population	Population X \$250	Minimum Entitlement Add-On	Municipal Dividend Payment
Point Hope	726	\$181,500	\$0	\$181,500
Port Alexander	69	\$17,250	\$22,750	\$40,000
Port Heiden	90	\$22,500	\$17,500	\$40,000
Port Lions	238	\$59,500	\$0	\$59,500
Quinhagak	612	\$153,000	\$0	\$153,000
Ruby	190	\$47,500	\$0	\$47,500
Russian Mission	331	\$82,750	\$0	\$82,750
Saint George	137	\$34,250	\$5,750	\$40,000
Saint Mary's	539	\$134,750	\$0	\$134,750
Saint Michael	409	\$102,250	\$0	\$102,250
Saint Paul	494	\$123,500	\$0	\$123,500
Sand Point	908	\$227,000	\$0	\$227,000
Savoonga	710	\$177,500	\$0	\$177,500
Saxman	391	\$97,750	\$0	\$97,750
Scammon Bay	486	\$121,500	\$0	\$121,500
Selawik	829	\$207,250	\$0	\$207,250
Seldovia	263	\$65,750	\$0	\$65,750
Seward	2,540	\$635,000	\$0	\$635,000
Shageluk	132	\$33,000	\$7,000	\$40,000
Shaktoolik	209	\$52,250	\$0	\$52,250
Shishmaref	591	\$147,750	\$0	\$147,750
Shungnak	264	\$66,000	\$0	\$66,000
Sitka	8,805	\$2,201,250	\$0	\$2,201,250
Skagway	870	\$217,500	\$0	\$217,500
Soldotna	3,767	\$941,750	\$0	\$941,750
Stebbins	586	\$146,500	\$0	\$146,500
Tanana	304	\$76,000	\$0	\$76,000
Teller	241	\$60,250	\$0	\$60,250
Tenakee Springs	105	\$26,250	\$13,750	\$40,000
Thorne Bay	497	\$124,250	\$0	\$124,250
Togiak	805	\$201,250	\$0	\$201,250
Toksook Bay	561	\$140,250	\$0	\$140,250
Unalakleet	728	\$182,000	\$0	\$182,000
Unalaska	4,366	\$1,091,500	\$0	\$1,091,500
Upper Kalskag	263	\$65,750	\$0	\$65,750
Valdez	3,749	\$937,250	\$0	\$937,250
Wainwright	531	\$132,750	\$0	\$132,750
Wales	152	\$38,000	\$2,000	\$40,000
Wasilla	6,109	\$1,527,250	\$0	\$1,527,250
White Mountain	213	\$53,250	\$0	\$53,250

HB 28 Municipal Dividend Estimates

Distribution Formula: Municipal Population X \$250 With a Minimum Entitlement of \$40,000

Borough Populations: Borough Areawide Population Less City Populations in Borough

Municipalities	2004 Population	Population X \$250	Minimum Entitlement Add-On	Municipal Dividend Payment
Whittier	172	\$43,000	\$0	\$43,000
Wrangell	2,023	\$505,750	\$0	\$505,750
Yakutat	680	\$170,000	\$0	\$170,000
Totals	637,556	\$159,389,000	\$552,500	\$159,941,500

Since Municipal Revenue Sharing Was Eliminated Last Year, Local Taxpayers and Communities Have Been Subsidizing State Government Operations through Unfunded Mandates

While the State shared revenue with its municipalities, the cost of State Unfunded Mandates on Local Taxpayers was partially offset. Now that Municipal Revenue Sharing has been eliminated, local property taxpayers absorb the cost of the two largest State Unfunded Mandates on communities:

State Senior Citizen and Disabled Veteran Property Tax Exemption

This exemption was created in 1973 with a statutory promise (see below) to reimburse local taxpayers in the state budget. The State stopped reimbursing local taxpayers completely in 1997. In 2005 this unfunded mandate will **cost local taxpayers approximately \$40 million.**

"AS 29.45.030 (g) The state shall reimburse a borough or city, as appropriate, for the real property tax revenues lost to it by the operation of (e) (\$150,000 State Senior Citizen/Disabled Veteran Property Tax Exemption) of this section."

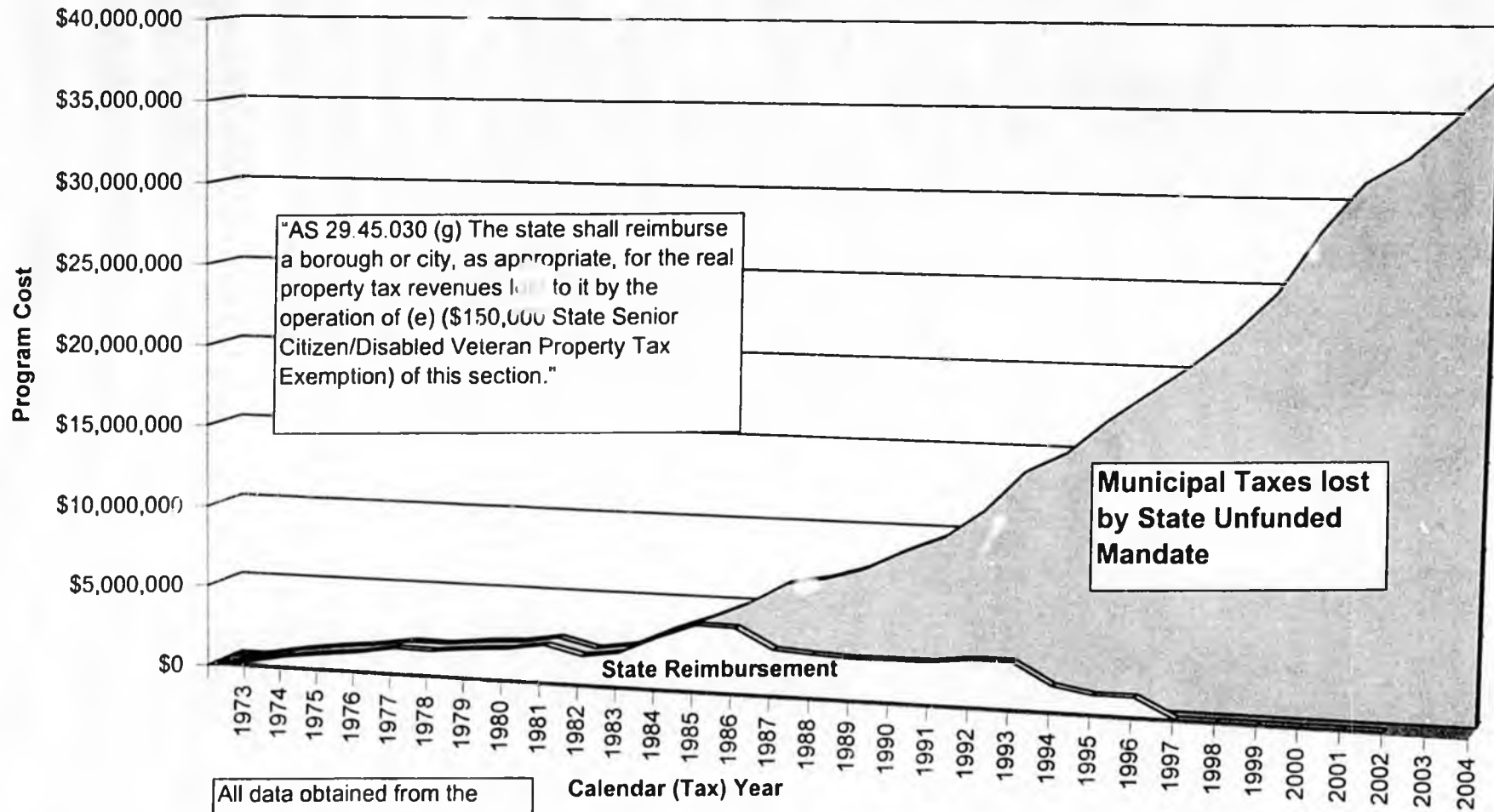
State Constitutional Exemption from Local Taxes for Local Public Services

Through this mandated state tax exemption, local taxpayers must pay for fire protection, police protection, etc. for State lands and facilities in their community.

The Constitutionally mandated property tax exemption for State property is the largest local property tax exemption. The State, like any business, consumes local public services but exempts itself from local taxes. Local Public Services consumed by the State are now subsidized by additional taxes from all local taxpayers. This exemption roughly costs local taxpayers an **estimated \$67.4 million per year.**

The Federal Government and some states, like Connecticut, have implemented a "Payment-in Lieu of Taxes" or "PILT" program to avoid having local taxpayers subsidize local public services for state or federal facilities. The State of Alaska strongly endorses and supports the PILT program on the Federal level to offset the cost of providing services to federal lands and facilities.

Senior Citizen/Disabled Veteran Property Tax Exemption Program History - 1973-2004



"AS 29.45.030 (g) The state shall reimburse a borough or city, as appropriate, for the real property tax revenues lost to it by the operation of (e) (\$150,000 State Senior Citizen/Disabled Veteran Property Tax Exemption) of this section."

Municipal Taxes lost by State Unfunded Mandate

All data obtained from the Alaska State Assessor, 1/05

COMPARISON OF LOCAL TAXES NATIONWIDE and in AK

Chapter II: Overall Tax Burdens For The Largest City In Each State

TABLE 1								
ESTIMATED BURDEN OF MAJOR TAXES FOR A FAMILY OF FOUR, 2003								
\$75,000								
RANK	CITY	ST	* TAXES *				BURDEN	
			INCOME	PROPERTY	SALES	AUTO	AMOUNT	PERCENT
1	Bridgeport	CT	2,600	8,605	1,112	890	13,272	17.7%
2	Newark	NJ	1,041	8,581	971	296	10,889	14.5%
3	New York City	NY	5,020	3,928	1,265	277	10,490	14.0%
4	Philadelphia	PA	5,242	3,197	977	341	9,757	13.0%
5	Providence	RI	1,613	6,144	1,052	918	9,727	13.0%
6	Portland	OR	4,842	4,145	0	287	9,273	12.4%
7	Baltimore	MD	3,870	3,598	1,144	311	8,923	11.9%
8	Milwaukee	WI	2,993	3,948	1,096	403	8,440	11.3%
9	Atlanta	GA	2,521	4,029	1,328	383	8,261	11.0%
10	Detroit	MI	4,292	2,570	1,006	389	8,267	11.0%
11	Louisville	KY	4,826	1,713	1,047	367	7,954	10.6%
12	Boston	MA	3,318	3,448	597	516	7,879	10.5%
13	Chicago	IL	2,010	3,574	1,584	622	7,790	10.4%
14	Portland	ME	3,083	3,258	888	560	7,789	10.4%
15	WASHINGTON	DC	3,813	2,157	1,131	392	7,594	10.1%
16	Los Angeles	CA	1,345	4,426	1,180	536	7,488	10.0%
17	Columbus	OH	3,936	2,038	1,128	333	7,434	9.9%
18	Des Moines	IA	2,978	2,617	1,197	470	7,262	9.7%
19	Salt Lake City	UT	3,348	1,904	1,341	561	7,153	9.5%
20	Omaha	NE	2,517	2,823	1,309	489	7,138	9.5%
21	Charlotte	NC	3,314	2,021	1,207	519	7,061	9.4%
22	Boise	ID	3,298	2,176	1,170	399	7,043	9.4%
23	Minneapolis	MN	2,936	2,582	997	447	6,962	9.3%
24	Indianapolis	IN	2,788	2,856	1,073	209	6,925	9.2%
25	Burlington	VT	1,640	3,971	890	305	6,807	9.1%
26	Kansas City	MO	3,368	1,595	1,325	517	6,805	9.1%
27	New Orleans	LA	2,518	2,231	1,668	382	6,798	9.1%
28	Columbia	SC	2,986	2,214	968	601	6,769	9.0%
29	Little Rock	AR	2,953	1,648	1,529	464	6,594	8.8%
30	Oklahoma City	OK	3,178	1,538	1,533	345	6,593	8.8%
31	Virginia Beach	VA	2,901	1,918	1,136	456	6,411	8.5%
32	Honolulu	HI	3,399	1,781	824	388	6,393	8.5%
33	Albuquerque	NM	2,172	2,517	1,415	265	6,369	8.5%
34	Charleston	WV	3,232	1,395	1,141	577	6,344	8.5%
35	Jackson	MS	2,060	1,971	1,421	745	6,197	8.3%
36	Birmingham	AL	3,453	988	1,344	396	6,181	8.2%
37	Wilmington	DE	3,153	2,416	0	276	5,845	7.8%
38	Wichita	KS	2,556	1,309	1,221	597	5,683	7.6%
39	Billings	MT	3,118	1,864	0	628	5,610	7.5%
40	Denver	CO	2,354	1,362	1,215	604	5,535	7.4%
41	Fargo	ND	995	3,111	996	314	5,416	7.2%
42	Manchester	NH	0	4,399	461	398	5,259	7.0%
43	Seattle	WA	0	3,114	1,415	348	4,876	6.5%
44	Phoenix	AZ	1,454	1,248	1,652	429	4,782	6.4%
45	Memphis	TN	0	2,501	1,830	376	4,708	6.3%
46	Houston	TX	0	2,861	1,426	325	4,612	6.1%
47	Sioux Falls	SD	0	2,228	1,406	296	3,930	5.2%
48	Las Vegas	NV	0	2,225	1,026	551	3,802	5.1%
49	Jacksonville	FL	0	1,744	1,158	333	3,235	4.3%
50	Anchorage	AK	0	3,058	0	150	3,209	4.3%
51	Cheyenne	WY	0	1,108	1,340	451	2,899	3.9%
AVERAGE ^{1/}			\$2,845	\$2,836	\$1,194	\$440	\$6,832	9.1%
MEDIAN			\$2,901	\$2,501	\$1,144	\$398	\$6,805	9.1%

^{1/} Based on cities actually levying tax

* Sales & Income tax are primarily a state tax in most states

Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison

ONLINE at: [HTTP://KFO.dc.gov](http://KFO.dc.gov)

Office of the Chief Financial Officer

"ALASKA TAXABLE" 2004 DCCED

PER CAPITA TAX
CITY + BOROUGH
RANK

TABLE 3A

2004 Per Capita Tax Revenues

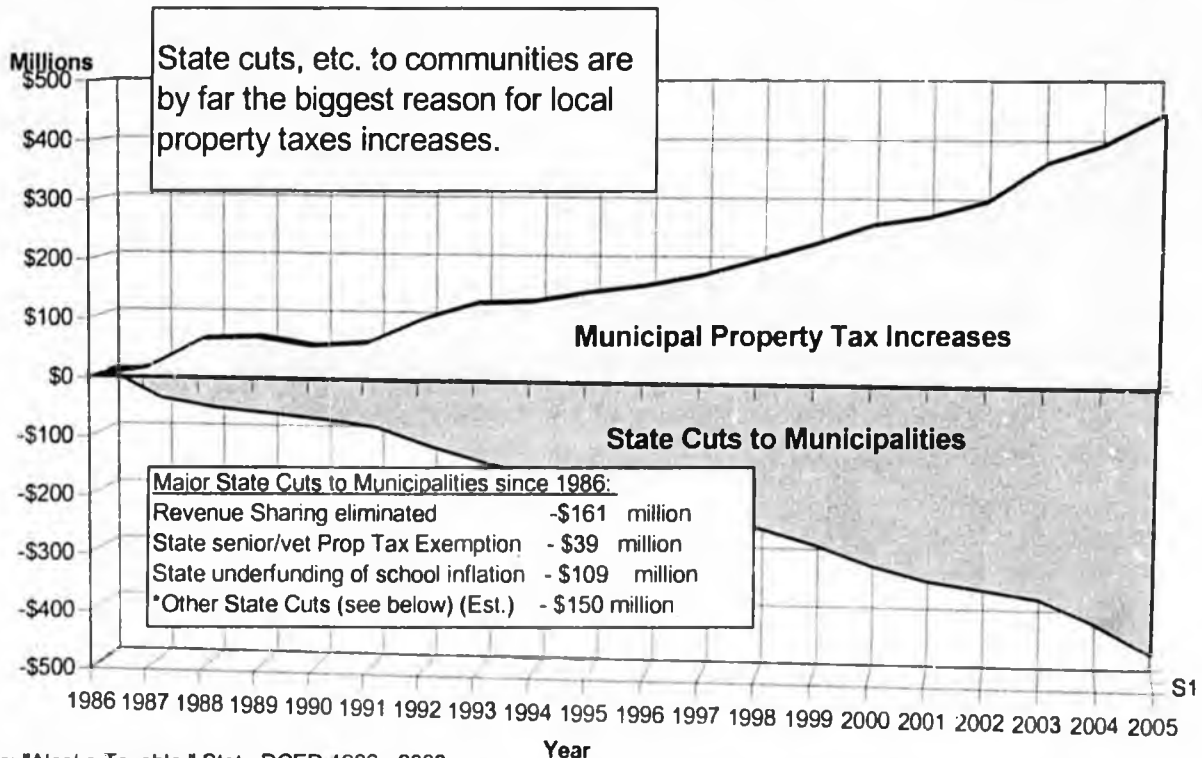
This table lists only those municipalities which levy a sales, severance, property or other type of local tax

Municipality	Property Tax (Inc. Oil & Gas)	Sales Tax	Other Taxes	Total Taxes Reported	Population	Per Capita Revenue	**Per Capita Revenue City & Boro
North Slope Borough	\$ 199,804,529	\$ -	\$ -	\$ 199,804,529	7,228	\$ 27,643	1
Valdez	\$ 21,042,101	\$ -	\$ 289,526	\$ 21,331,627	3,935	\$ 5,421	2
Skagway	\$ 1,148,146	\$ 2,531,977	\$ 91,782	\$ 3,771,906	844	\$ 4,469	3
Unalaska	\$ 4,222,843	\$ 6,350,610	\$ 4,300,788	\$ 14,874,241	4,374	\$ 3,401	4
Whittier	\$ 255,185	\$ 176,461	\$ 127,337	\$ 558,984	173	\$ 3,231	5
Egegik	\$ -	\$ -	\$ 202,571	\$ 202,571	82	\$ 2,470	8
Juneau, City & Borough of	\$ 30,125,600	\$ 30,539,500	\$ 1,796,737	\$ 62,461,837	31,246	\$ 1,999	13
Bristol Bay Borough	\$ 1,747,532	\$ -	\$ 363,737	\$ 2,111,269	1,103	\$ 1,914	16
King Cove	\$ -	\$ 434,863	\$ 895,863	\$ 1,330,725	725	\$ 1,835	17
Nome	\$ 2,410,511	\$ 3,484,362	\$ 94,741	\$ 5,989,614	3,414	\$ 1,754	18
Saint Paul	\$ 281,808	\$ -	\$ 601,253	\$ 883,061	539	\$ 1,638	19
Haines Borough	\$ 1,810,827	\$ 1,865,653	\$ 84,711	\$ 3,760,991	2,319	\$ 1,622	20
False Pass	\$ -	\$ 106,529	\$ 564	\$ 109,093	69	\$ 1,581	22
Cordova	\$ 1,474,574	\$ 2,033,859	\$ 92,539	\$ 3,600,972	2,298	\$ 1,567	23
Soldotna*	\$ 523,714	\$ 5,694,134	\$ -	\$ 6,217,847	3,992	\$ 1,558	\$ 2,603 6
Dillingham	\$ 1,339,892	\$ 2,014,814	\$ 328,551	\$ 3,683,257	2,390	\$ 1,541	24
Ketchikan, City*	\$ 3,591,070	\$ 7,933,224	\$ 301,834	\$ 11,826,128	7,989	\$ 1,480	\$ 2,095 10
North Pole*	\$ 779,080	\$ 1,563,306	\$ -	\$ 2,342,386	1,609	\$ 1,456	\$ 2,338 9
Wrangell	\$ 1,168,736	\$ 1,872,949	\$ 20,180	\$ 3,061,865	2,123	\$ 1,442	26
Yakutat, City & Borough of	\$ 301,640	\$ 575,212	\$ 75,891	\$ 952,743	690	\$ 1,381	27
Sitka, City & Borough of	\$ 4,034,622	\$ 7,527,857	\$ 306,785	\$ 11,869,264	8,897	\$ 1,334	28
Petersburg	\$ 1,897,788	\$ 2,140,917	\$ 37,920	\$ 4,076,625	3,079	\$ 1,324	29
Seward*	\$ 670,297	\$ 2,674,839	\$ 215,145	\$ 3,560,281	2,745	\$ 1,297	\$ 2,486 7
Kodiak, City*	\$ 638,092	\$ 7,130,691	\$ 110,466	\$ 7,879,249	6,113	\$ 1,289	\$ 2,070 11
* Anchorage	\$ 322,352,907	\$ -	\$ 19,681,861	\$ 342,034,768	273,565	\$ 1,250	31
Craig	\$ 439,869	\$ 1,240,569	\$ 97,785	\$ 1,778,223	1,495	\$ 1,189	
Kenai Peninsula Borough	\$ 45,698,765	\$ 14,910,977	\$ -	\$ 60,609,742	51,398	\$ 1,179	
Wasilla*	\$ 273,618	\$ 7,135,574	\$ -	\$ 7,409,193	6,387	\$ 1,160	\$ 2,046 12
Sand Point	\$ -	\$ 461,115	\$ 531,531	\$ 992,646	947	\$ 1,048	
Aleutians East Borough	\$ -	\$ -	\$ 2,807,902	\$ 2,807,902	2,688	\$ 1,045	
Homer*	\$ 1,742,434	\$ 4,353,146	\$ -	\$ 6,095,580	5,865	\$ 1,039	\$ 1,925 15
Pelican	\$ 54,204	\$ 57,253	\$ 2,528	\$ 113,985	113	\$ 1,009	
Nenana	\$ 231,997	\$ 136,808	\$ -	\$ 368,805	385	\$ 958	
Bethel	\$ -	\$ 4,880,743	\$ 684,060	\$ 5,564,803	5,886	\$ 945	
Fairbanks North Star Borough	\$ 71,382,439	\$ -	\$ 1,375,192	\$ 72,757,631	82,131	\$ 886	
Chignik	\$ -	\$ -	\$ 80,223	\$ 80,223	91	\$ 882	
Denali Borough	\$ -	\$ -	\$ 1,655,831	\$ 1,655,831	1,917	\$ 864	
Matanuska-Susitna Borough	\$ 55,571,134	\$ -	\$ 716,992	\$ 56,288,126	67,526	\$ 834	
Kotzebue	\$ -	\$ 2,423,193	\$ 61,754	\$ 2,484,947	3,070	\$ 809	
Kenai, City*	\$ 1,976,286	\$ 3,680,000	\$ -	\$ 5,656,286	7,123	\$ 794	\$ 1,954 14
Ketchikan Gateway Borough	\$ 6,456,204	\$ 4,071,818	\$ 37,365	\$ 10,565,387	13,533	\$ 781	
Palmer*	\$ 622,879	\$ 3,066,089	\$ -	\$ 3,688,968	5,267	\$ 700	\$ 1,582 21
Kodiak Island Borough	\$ 8,578,403	\$ -	\$ 855,870	\$ 9,434,273	13,797	\$ 684	
Hoonah	\$ -	\$ 522,404	\$ -	\$ 522,404	850	\$ 615	
Seldovia*	\$ 146,451	\$ 107,299	\$ -	\$ 253,750	431	\$ 589	\$ 1,475 25
Klawock	\$ -	\$ 477,389	\$ 5,844	\$ 483,232	847	\$ 571	
Cold Bay	\$ -	\$ -	\$ 50,772	\$ 50,772	95	\$ 534	
Lake & Peninsula Borough	\$ -	\$ -	\$ 731,799	\$ 731,799	1,627	\$ 450	
Fairbanks, City*	\$ 8,685,154	\$ -	\$ 3,748,522	\$ 12,433,676	29,002	\$ 429	\$ 1,311 30
Aleknagik	\$ -	\$ 93,429	\$ 618	\$ 94,047	235	\$ 400	
Unalakleet	\$ -	\$ 271,753	\$ 11,330	\$ 283,083	741	\$ 382	
Atka	\$ -	\$ -	\$ 34,497	\$ 34,497	94	\$ 367	
Thome Bay	\$ -	\$ 156,704	\$ -	\$ 156,704	481	\$ 326	
Angoon	\$ -	\$ 124,648	\$ 23,073	\$ 147,722	507	\$ 291	
Port Alexander	\$ -	\$ 14,250	\$ 1,916	\$ 16,166	70	\$ 231	
Fort Yukon	\$ -	\$ 113,899	\$ -	\$ 113,899	560	\$ 203	
St. Mary's	\$ -	\$ 107,105	\$ -	\$ 107,105	581	\$ 184	
Galena	\$ -	\$ 134,000	\$ -	\$ 134,000	744	\$ 180	

Local Government Issue Paper

Why Your Property Taxes Go Up

State Cuts to Municipalities vs Local Property Tax Increases 1986-2005



Source: "Alaska Taxable," State DCED 1986 - 2003

* "Other State cuts" include: assistance for road maintenance, libraries, fire services, public safety, community jails, alcohol/mental health treatment, child care, community schools, new administrative state fees for required state services, higher state grant matches, state retirement program increases, impact of inflation on state assistance, etc.

Issue: As the State continues to struggle to balance the State budget, it is critical to recognize that State and Local governments are literally two sides of the same coin. Any State budget cut or other action that impacts Local Government has a negative impact on local taxpayers who are also constituents of the State.

Background: States and local governments are partners. State Constitutions and State law define how municipalities (cities and boroughs) are created, what they can do, and what taxes they can use. One of the key responsibilities for any State government is to ensure that communities have adequate resources to provide basic public services to their citizens. Last year the State became one of a handful of states that eliminated their local government revenue sharing programs.

Recommendation: To most cost effectively ensure that all Alaskans have basic public services and affordable local taxes, the State must restore a local government revenue sharing program, or implement a "Community Dividend" (initiated by former Governor Hickel and supported by Governor Murkowski and the House of Representatives.)

State Budget Cuts Have Helped Push Local Taxes Most Alaskans Pay Higher Than in 35 Other States

The Administration and Legislature can no longer afford to balance the State budget by cutting traditional support and programs for municipal governments. Municipal taxes (property and sales) are now higher than those paid by families in two thirds of the other states. **High sales and property taxes have negative impacts on local businesses and families.**

There has been a misconception in Legislature that municipalities have excess "tax authority" that State government can use to balance its own budget. This has been a major component of the state budget balancing strategy for many years.

This state budget balancing strategy has been implemented by reducing municipal revenue sharing programs while asking municipalities to assume additional costly state government responsibilities. The most recent example is the elimination of municipal revenue sharing which has been a key local tax stabilization program since 1969.

History of Municipal Revenue Sharing: One of the major issues of the Alaska statehood debate was whether Alaskans could afford government services given our high cost of living and small population. The answer was to give Alaska access to natural resource revenues to offset the high cost of providing government services in Alaska. Of course, the problem of the high cost of government applies to local government as well as state government.

Since 1969 there has been a state and local government partnership, through the municipal revenue sharing program, to share natural resource revenues owned by all Alaskans. The thirty five year old municipal revenue sharing was eliminated this year while, for example, state mandated retirement program costs were increased by \$20 million for municipalities.

Analysis: The best comparison of family tax burdens is done annually by the District of Columbia - "*Tax Rates and Tax Burdens - A Nationwide Comparison*," 2002. This study is valuable because it is based on what a family actually pays at various family income levels, rather than including oil taxes, PFD's, etc. that incorrectly inflate per capita tax and spending comparisons for Alaska. The Study makes comparisons for families in the largest city in each of the 50 states and Washington, DC. Anchorage is the comparison city for Alaska. It is possible to extrapolate the comparison to other Alaskan municipalities using per capita tax comparisons from the "*Alaska Taxable, 2003*" - Alaska Department of Community and Economic Development. (The DC study is online at: <http://cfc.dc.gov/cfo> under "Tax Rates and Revenues")

Using comparisons from the DC study, **most Alaskan families and businesses now pay more in property tax than residents in 35 other states.** In Anchorage, the comparison city for the study, families pay more property tax than families in 35 other states. However, Anchorage families pay less total local tax than 31 other Alaskan cities. (Note: In Alaska, the primary local taxes are property and sales tax, while the primary municipal tax in most other states is the property tax.) According to the study, Anchorage residents pay more property tax alone than residents of 12 other states pay in local property tax plus state sales tax.)



For Additional information:
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Date: February, 2005

1. **High oil prices hurt Alaskans:** Every \$1 increase in the price of a barrel of oil =
 - ◆ \$65 million of new revenue per year for the State government,
 - ◆ But \$20 million of new costs to Alaskan cities and boroughs, schools, businesses, other organizations, and families (based on fuel usage figures for Alaska).

2. **Small cities disintegrating:**

Per State DCCED, this year out of 94 small cities:

 - 9 cities no longer functioning
 - 17 more cities in deep debt
 - 39 more cities have terminated key local services this year (e.g. police, road/utility/facility maintenance)

Per AML Joint Insurance Association:

 - 10 cities insurance canceled
 - 33 cities on month to month payments due an inability to pay

Uninsured communities place a huge liability on the State, far in excess of the cost of a municipal revenue sharing program.

3. **Rural out-migration/Impacts of increasing decline of rural public services:**
 - ◆ Out-migration of Alaska Natives from their homes in rural Alaska has accelerated over the last 30 years. In the last decade, 11,011 Alaska Natives (nearly 10% of the rural population) migrated to urban areas. (UA - ISER "Status of Alaska Natives 2004")

4. **Rural Alaska Fuels the Urban Economy**
 - ◆ An estimated 20% of the urban job base directly or indirectly depends on trade and services to other parts of Alaska. (Alaska's Economic Links – Gross and Assoc, Chase Economics, Northwest Strategies, 1998)

Status Update (3/1/05)
Municipal Governments
(DCCED Division of Community Advocacy)

There are 20 first class and 113 second class cities in Alaska. These municipal governments are responsible for providing core services to the residents in those communities. The revenue they receive to provide these services is categorized in to three classes. Locally generated revenue is a category and includes sales taxes, profits from gaming operations, user fees from services, rental of buildings and equipment and administrative fees from management of grants. Grant revenue as a second category is frequently used to provide social services, or assist in paying for governmental services such as police. A third category of funding for municipalities is state-shared revenue. This includes Payment in Lieu of Tax (PILT), Shared taxes (fish tax, telephone coop taxes), and up to the past year Revenue Sharing/Municipal Assistance/Safe Communities/Temporary Fiscal Relief Payment.

In the past few years we have seen a reduction in funds distributed to municipalities at the same time as an increase in cost through higher insurance premiums, fuel costs (and thus transportation costs), and retirement plan costs. This set of circumstances has put many municipalities in hard financial times.

In examining the financial status of municipalities we can break them out into several categories:

- Closed down or transferred operations to another entity;
- Accrued significant debt or financial problems yet to be dealt with; and,
- Struggling with financial situations or have made significant reductions to core services.

Getting situational reports that can be used to evaluate the financial health of every municipality is extremely hard. While the communities in the first and most financially distressed category are relatively easy to define, it is likely that there are additional communities in the other two categories that we are not aware of.

Closed down or transferred operations to another entity,

Currently there are 9 municipal corporations in the State of Alaska that have ceased day to day operation. These nine are Ahkiok, Kiana, Kivalina, Kupreanof, Mekoryuk, Nikolai, Platinum, Quinhagak, and Russian Mission. Two of these cities, Kiana and Quinhagak continue to maintain a shell of a municipality (no employees, but hold elections and joint council meetings) in order to maximize revenue coming into the community.

Closed down or transferred operations to another entity (9 municipalities)

Ahkiok	Kiana	Kivalina	Kupreanof
Mekoryuk	Nikolai	Platinum	Quinhagak
Russian Mission			

Accrued significant debt or financial problems yet to be dealt with.

There are 18 communities that we know about that have extreme managerial or financial problems. These problems are severe enough that they could be considered to be insolvent. The problems include:

- Not completing the basic function of municipal government including holding elections, holding regular council meetings, or adopting a yearly budget,
- Large debt to vendors, including; the IRS, fuel companies or the state for delinquent fuel loans, or insurance companies,

- Operating without workers compensation insurance,
- Having lawsuits filed against them (or unpaid judgements) and not able to afford legal council,
- Having to transfer operation of water/sewer to other entities in order to eliminate expenditures. Sanitation is considered a core service that is almost always the major capital investment made by state and federal agencies in the community. Remaining services provided by city are minimal.

Accured significant debt or financial problems yet to be dealt with (17 municipalities)

Allakaket	Buckland	Chevak	Goodnews Bay
Grayling	Holy Cross	Hydaburg	Lower Kalskag
Napaskiak	Nunam Iqua	Pilot Point	Point Hope
Saint George	Shageluk	Shishmaref	Toksook Bay
Upper Kalskag	Wales		

Struggling with financial situations or have made significant reductions to core services.

There are 39 communities that we know about that have significant financial problems. These problems could become severe enough in the next 24 months to cause closure of the city administrative offices and result in the financial insolvency of the municipality. These municipalities have already eliminated a core governmental service. The problems include:

- Eliminate core municipal services such as police protection, closure of washeteria, or elimination of road maintenance due to lack of available funds,
- Large PERS debts from terminating from the PERS program,
- Large IRS debts or default fuel loans to the Alaska Energy Authority,
- Significantly behind on payment for insurance or fuel.

The following listing of municipalities by category of distress is based upon evidence provided from various sources to the Division's Local Government Specialist staff. There is no way to completely and accurately predict the future. These are estimates of the municipalities we believe to be in various levels of financial distress.

Struggling with financial situations or have made significant reductions to core services (39 municipalities)

Akiak	Alakanuk	Ambler	Anaktuvuk Pass
Angoon	Atquasuk	Chignik	Chuathbaluk
Clark's Point	Diomedede	Eek	Emmonak
Gambell	Golovin	Hooper Bay	Kaktovik
Kobuk	Kotlik	Koyuk	Koyukuk
Mountain Village	Napakiak	Nightmute	Noorvik
Nuiqsut	Old Harbor	Pelican	Pilot Station
Port Lions	Ruby	Saint Michael	Scammon Bay
Selawik	Shaktoolik	Shungnak	Teller
Tenakee Springs	Togiak	Wainwright	

General Rural Alaska Conditions

- Extremely High Costs** e.g. Gas at \$5.15 a gallon
- Extremely High Unemployment** e.g. Unemployment at 50% or more
- Virtually No Property Tax Base** e.g. All of Ambler is assessed at \$3.5 million (i.e. low values and much non-taxable land.)
- Low revenue from sales tax** e.g. Despite the fact more cities have sales tax and many are raising it, it won't save them. Each 1% of sales tax in Ambler nets \$7500/year.
- Very Strong Stable Communities** Most rural communities have existed from hundreds to thousands of years.

Impacts of the loss of State support

- State impacts of loss of insurance** It appears that the State is the logical "deep pocket" for losses of uninsured cities in the Legislature's Unorganized Borough. One loss could exceed the cost of a revenue sharing program.
- Statewide economic impacts** Rural residents are moving to urban areas in accelerating numbers while urban jobs serving rural Alaska are declining. Currently an estimated one out of five urban jobs directly or indirectly serve other regions in Alaska. Rural communities attract a large amount of federal and foundation resources that cycle through urban economies.

Statistics to date

Per State DCCED,

- 9 cities no longer functioning
- 17 cities in deep debt that they are unlikely to be able to repay
- 39 cities have terminated key local services this year (e.g. police, road/utility/facility maintenance)

Per AML Joint Insurance Association:

- 10 cities insurance canceled
- 33 cities on month to month payment plans due an inability to pay

Conclusion

Alaska faces the loss of half its city governments. Unlike an occasional western U.S. boom town that becomes a ghost town, this represents a growing widespread loss of historically stable and culturally rich communities.

January, 2005
Local Government Issue Paper
Alaska's Small Cities in Crisis



In 2003, there were 94 cities with annual local government operating budgets under \$300,000 per year, and averaging \$164,000, to provide public services for an entire community (according to State figures, DCED). From 2003 to 2005, those 94 cities (out of a total of 146 cities in Alaska) lost an average of approximately 42% of the revenue required to provide basic public services. The crises are due to massive State cuts to cities at a time of skyrocketing local costs and economic downturns. In 2004, Alaska became one of two states that eliminated its local government revenue sharing programs. Most small rural cities operate in a cost effective manner with many part-time or volunteer positions. However, most of Alaska's small rural communities have very little local tax base due to cash poor subsistence economies.

2003 Average Operating Budget for two thirds of AK Cities	\$164,000
Examples of Approximate 2003-04 Cuts/cost increases:	-\$69,000)
2003 State Cuts to Revenue Sharing/Match Grants	-(\$10,000)
2004 State Eliminates Revenue Sharing	-(\$40,000)
Fuel/electricity/goods rise due to oil prices	-(\$7,000)
Community insurance increases	-(\$6,000)
State mandated increases (PERS)	-(\$4,000)
New state inspection fees, service transfers, etc.	-(\$2,000)

Growing Impacts of Loss of Revenue Sharing, etc.

It is difficult to know the status of small rural communities. Few that fail have the administrative capacity to take steps to formally dissolve. They simply layoff their employees, cease being able to hold elections, cancel insurance for community facilities, stop providing services, etc. In some cases tribes or other organizations take over key government services.

As of last month, the following cities have either been unresponsive to contacts by the State, have not held local elections, entered into an agreement with a tribe to assume city responsibilities, or contacted the State regarding formal dissolution: **Akhiok, Ambler, Chevak, Holy Cross, Hughes, Kiana, Kivalina, Koyukuk, Lower Kalskag, Napaskiak, Nikolai, Platinum, Russian Mission, Scammon Bay.** Additionally, 10 cities or more have had their insurance canceled for lack of payment to date, and approximately 33 more cities are on month-to-month payment plans because they can't afford the premiums currently.

While it is too early to say how many cities have ceased operations, a great number are unquestionably in peril. The loss of public safety, transportation, and other key local services is having a huge negative impact on the people of Alaska.

PERS Talking Points

Two Year PERS Early Funding Needed for Municipalities to Avoid Crushing Tax Increases and Allow for Planning

A Crushing Municipal Impact: Mandatory State PERS increases on top of revenue sharing/other losses and local economic recessions will leave many municipalities without the resources to fully fund schools, or other basic services:

- **Local Property Tax Impact:** The FY 05 mandated State PERS increase alone averages **.55 mills** for all municipalities with property tax, and an **average of 1.65 mill property tax increase over three years** for all municipalities.
- **Not a problem of municipal making:** PERS/TRS contributions are mandatory required by the State. In the past, municipalities have made all payments requested by the State. Municipalities, schools, and UA make up for 63% of the PERS/TRS system but these employers have no representation on the PERS/TRS Boards.
- **The bottom Line: Relying on local "Tax Authority" means:** Municipalities with property taxes face **1 to 6 mill property tax increases** just to pay state mandated PERS costs over the next three years (average 1.65 mills). Many municipalities have local tax caps that preclude such increases while municipalities with sales taxes must go back to voters for sales tax increases to pay for PERS.

- **Problem for Alaska and municipalities to 2028** – Per the 3/04 Mercer "Actuarial Valuation Report" for 1% employee "population" annual increase:

	<u>*PERS Employer Rate</u>	<u>*TRS Employer Rate</u>
FY 03	6.77%	11%
FY 04	11.77%	16%
FY 05	16.77%	38.5%
FY 06	21.77%	39.22%
FY 07	26.77%	40.75%
FY 08 to FY28	*27.74% to 30.22%	*41.29% to 47.62%

*These rates could increase by 10% of salary if state investment returns average one half percent less than projected. (Current projection for average investment returns is 8.25%/yr)

- **PERS/TRS Cost increases for FY 05 approved by PERS/TRS Board:**
 - State +\$39,433,486
 - Schools +\$35,789,260
 - UA +\$ 8,800,000
 - **Municipalities/Hospitals +\$19,213,000**
- **Approximate Cost to Pay PERS/TRS for FY 06 and 07 for Municipalities:**
 - FY 06 - \$21 million
 - FY 07 - \$43 million (cumulative 2 year cost)
 - **State Funding needed for Total FY 06/07 for municipalities = \$64 million**

(Information from 3/04 State PERS/TRS Actuarial Study)

Public Employees' Retirement System (PERS) Municipalities & Hospitals Only

ESTIMATED FY 05 Change in Employer Contribution

* From Division of Retirement and Benefits

** Based on "2003 Alaska Taxable" DCED

Fund	Employer	<<<PERS>>> 5.0% (D)		* FY 05	**Value of	**FY 05
		FY 05 Estimated Municipal Payroll	FY 05 Rate Incr	PERS Increase Dollars	1 "Mill" of Property Tax	Local Prop Tax Mill Rate Needed for PERS Increase!
PERS	PETERSBURG, CITY& MEDICAL CTR.	\$6,702,627	5.0%	\$335,131	\$191,012	1.75
PERS	CORDOVA, CITY & MEDICAL CENTER	\$4,427,981	5.0%	\$221,400	\$111,769	1.98
PERS	SAXMAN, CITY OF	\$415,247	5.0%	\$20,762	\$12,100	1.72
PERS	UNALASKA, CITY OF	\$9,508,993	5.0%	\$475,450	\$342,385	1.39
PERS	NENANA, CITY OF	\$373,857	5.0%	\$18,693	\$14,705	1.27
PERS	CRAIG, CITY OF	\$1,821,035	5.0%	\$91,052	\$72,297	1.26
PERS	SITKA, CITY/BOROUGH, & HOSPITAL	\$11,507,548	5.0%	\$792,470	\$639,629	1.24
PERS	WRANGELL, CITY OF	\$2,426,833	5.0%	\$121,342	\$100,285	1.21
PERS	WHITTIER, CITY OF	\$944,422	5.0%	\$47,221	\$39,389	1.20
PERS	NOME. CITY & UTILITIES	\$2,496,407	5.0%	\$173,791	\$173,516	1.00
PERS	SEWARD, CITY OF	\$3,720,505	5.0%	\$186,025	\$200,255	0.93
PERS	DILLINGHAM. CITY OF	\$2,355,455	5.0%	\$117,773	\$130,552	0.90
PERS	JUNEAU, CITY AND BOROUGH OF	\$43,232,840	5.0%	\$2,161,642	\$2,640,000	0.82
PERS	KETCHIKAN, CITY OF	\$8,020,487	5.0%	\$401,024	\$547,376	0.73
PERS	PELICAN, CITY OF	\$126,474	5.0%	\$6,324	\$8,632	0.73
PERS	KENAI, CITY OF	\$5,369,573	5.0%	\$268,479	\$366,726	0.73
PERS	KODIAK, CITY OF	\$5,663,400	5.0%	\$283,170	\$388,182	0.73
PERS	HOMER, CITY OF	\$4,738,657	5.0%	\$236,933	\$332,626	0.71
PERS	PALMER, CITY OF	\$2,563,992	5.0%	\$128,200	\$189,946	0.67
PERS	HAINES BOROUGH	\$2,037,530	5.0%	\$101,877	\$175,187	0.58
PERS	BRISTOL BAY BOROUGH	\$1,368,016	5.0%	\$68,401	\$141,500	0.48
PERS	SOLDOTNA, CITY OF	\$2,689,459	5.0%	\$134,473	\$298,700	0.45
PERS	NORTH POLE, CITY OF	\$2,073,587	5.0%	\$103,679	\$259,625	0.40
PERS	WASILLA, CITY OF	\$3,347,381	5.0%	\$167,369	\$437,138	0.38
PERS	SKAGWAY, CITY OF	\$1,398,477	5.0%	\$69,924	\$205,046	0.34
PERS	ANCHORAGE, MUNICIPALITY OF	\$127,572,934	5.0%	\$6,378,647	\$19,126,104	0.33
PERS	SELDOVIA, CITY OF	\$96,359	5.0%	\$4,818	\$19,007	0.25
PERS	VALDEZ, CITY OF	\$4,929,091	5.0%	\$246,455	\$1,049,202	0.23
PERS	FAIRBANKS, CITY OF	\$5,896,416	5.0%	\$294,821	\$1,321,750	0.22
PERS	NORTH SLOPE BOROUGH	\$47,405,369	5.0%	\$2,370,268	\$10,714,796	0.22
PERS	KETCHIKAN GATEWAY BOROUGH	\$3,978,212	5.0%	\$198,911	\$935,122	0.21
PERS	FAIRBANKS NORTH STAR BOROUGH	\$16,735,548	5.0%	\$836,777	\$4,452,200	0.19
PERS	SAXMAN SEAPORT	\$38,479	5.0%	\$1,924	\$12,100	0.16
PERS	KODIAK ISLAND BOROUGH	\$2,191,832	5.0%	\$109,592	\$770,982	0.14
PERS	KENAI PENINSULA BOROUGH	\$12,062,817	5.0%	\$603,141	\$4,277,332	0.14
PERS	MATANUSKA-SUSITNA BOROUGH	\$9,566,280	5.0%	\$478,314	\$3,612,276	0.13
PERS	KACHEMAK, CITY OF	\$59,167	5.0%	\$2,958	\$28,614	0.10
PERS	ALLAKAKET, CITY OF	\$49,434	5.0%	\$2,472	none	
PERS	BARRO'N, CITY OF	\$1,036,873	5.0%	\$51,844	none	

Fund	Employer	FY 05 Estimated Municipal Payroll	FY 05 Rate Incr	* FY 05 PERS Increase Dollars	** Value of 1 "Mill" Property Tax	**Local Prop Tax Mill Rate Needed for PERS Increase!
PERS	DELTA JUNCTION, CITY OF	\$65,919	5.0%	\$3,296	none	
PERS	HUSLIA, CITY OF	\$92,276	5.0%	\$4,614	none	
PERS	KALTAG, CITY OF	\$28,529	5.0%	\$1,426	none	
PERS	NORTHWEST ARCTIC BOROUGH	\$700,747	5.0%	\$35,037	none	
PERS	RUBY, CITY OF	\$118,657	5.0%	\$5,933	none	
PERS	SAINT GEORGE, CITY OF	\$366,136	5.0%	\$18,307	none	
PERS	AKUTAN, CITY OF	\$287,937	5.0%	\$14,397	sales tax only	
PERS	ALEUTIANS EAST BOROUGH	\$974,507	5.0%	\$48,725	sales tax only	
PERS	ANDERSON, CITY OF	\$38,730	5.0%	\$1,936	sales tax only	
PERS	ANGOON, CITY OF	\$307,662	5.0%	\$15,383	sales tax only	
PERS	ATKA, CITY OF	\$71,502	5.0%	\$3,575	sales tax only	
PERS	BETHEL, CITY OF	\$4,537,734	5.0%	\$226,887	sales tax only	
PERS	DENALI BOROUGH	\$568,543	5.0%	\$28,427	sales tax only	
PERS	EGEGIK, CITY OF	\$97,862	5.0%	\$4,893	sales tax only	
PERS	ELIM, CITY OF	\$175,041	5.0%	\$8,752	sales tax only	
PERS	FORT YUKON, CITY OF	\$295,768	5.0%	\$14,788	sales tax only	
PERS	GALENA, CITY OF	\$1,320,610	5.0%	\$66,031	sales tax only	
PERS	HOONAH, CITY OF	\$638,162	5.0%	\$31,908	sales tax only	
PERS	HOOPER BAY, CITY OF	\$592,669	5.0%	\$29,633	sales tax only	
PERS	KAKE, CITY OF	\$291,898	5.0%	\$14,595	sales tax only	
PERS	KING COVE, CITY OF	\$1,035,132	5.0%	\$51,757	sales tax only	
PERS	KLAWOCK, CITY OF	\$820,343	5.0%	\$41,017	sales tax only	
PERS	KOTZEBUE, CITY OF	\$3,138,622	5.0%	\$156,931	sales tax only	
PERS	KOYUK, CITY OF	\$21,463	5.0%	\$1,073	sales tax only	
PERS	LAKE AND PENINSULA BOROUGH	\$632,700	5.0%	\$31,635	sales tax only	
PERS	NOORVIK, CITY OF	\$351,910	5.0%	\$17,595	sales tax only	
PERS	QUINHAGAK, CITY OF	\$29,932	5.0%	\$1,497	sales tax only	
PERS	SAINT MARY'S, CITY OF	\$306,495	5.0%	\$15,325	sales tax only	
PERS	SAINT PAUL, CITY OF	\$1,366,801	5.0%	\$68,340	sales tax only	
PERS	SAND POINT, CITY OF	\$758,056	5.0%	\$37,903	sales tax only	
PERS	SELAWICK, CITY OF	\$77,442	5.0%	\$3,872	sales tax only	
PERS	TANANA, CITY OF	\$217,611	5.0%	\$10,881	sales tax only	
PERS	THORNE BAY, CITY OF	\$279,855	5.0%	\$13,993	sales tax only	
PERS	TOKSOOK BAY, CITY OF	\$16,994	5.0%	\$850	sales tax only	
PERS	UNALAKLEET, CITY OF	\$264,140	5.0%	\$13,207	sales tax only	
PERS	YAKUTAT, CITY AND BOROUGH OF	\$439,129	5.0%	\$21,956	sales tax only	
PERS	ANCHORAGE PARKING AUTHORITY	\$1,020,063	5.0%	\$51,003	see Anch	
TOTAL				\$19,430,923		