

**HCR**

**12**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CS HCR 12 (FIN)  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Legislature  
Title Relating to the Advisory Commission on BRU Legislative Council  
Local Government Component: Council and Subcommittees  
Sponsor House Community and Regional Affairs  
Requestor House Community and Regional Affairs Component No. 783

**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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

CS HCR 12 (FIN) establishes the Advisory Commission on Local Government consisting of nine members, three Senators appointed by the President of the Senate, and three Representatives appointed by the Speaker of the House, and three public members appointed jointly by the Presiding Officers. The Commission shall review and develop recommendations for Alaska's cities within the unorganized borough and deliver a report of its findings and appropriate legislative proposals for consideration to the Legislature by January 15, 2006. Committee Aides for the House and Senate Community and Regional Affairs Committees will staff the Commission. Public members of the Commission are not entitled to compensation, per diem, or reimbursement for travel or other expenses. Travel costs for members of the Legislature will be absorbed within existing budgets.

Prepared by: Karla Schofield, Deputy Director Phone 465-6626  
Division Administrative Services Date/Time 5/5/05 2:18 PM  
Approved by: Pamela Varni, Executive Director Date 5/5/2005  
Agency Legislative Affairs Agency

5-5-05

adopted

24-LS0964V

Cook  
5/3/05

M/D

**CS FOR HOUSE CONCURRENT RESOLUTION NO. 12( )**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FOURTH LEGISLATURE - FIRST SESSION**

**BY**

**Offered:**

**Referred:**

**Sponsor(s): HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE**

**A RESOLUTION**

1 **Relating to the Advisory Commission on Local Government.**

2 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **WHEREAS** the Constitution of the State of Alaska provides that the Alaska State  
4 Legislature serves as the assembly for the unorganized borough; and

5 **WHEREAS** the Alaska State Legislature exercises that responsibility to support the  
6 future economic stability of Alaska; and

7 **WHEREAS** the rural economy of the state is a significant contributor to urban  
8 economies; and

9 **WHEREAS**, in the past few years, many local communities in Alaska have either shut  
10 down, entered deeply into debt, or ceased providing basic local services as a result of lower  
11 local revenue; and

12 **WHEREAS** crafting legislative solutions that will efficaciously address both short-  
13 term and long-term sustainability issues will be dependent upon conducting an appropriate  
14 needs assessment to guide these efforts;

15 **BE IT RESOLVED** that, pursuant to the authority granted under art. II, sec. 11,  
16 Constitution of the State of Alaska to establish interim committees, the Advisory Commission

1 on Local Government is established; and be it

2 **FURTHER RESOLVED** that the Advisory Commission on Local Government shall  
3 consist of nine members, three senators appointed by the president of the senate, three  
4 representatives appointed by the speaker of the house of representatives, and three public  
5 members appointed jointly by the president of the senate and the speaker of the house of  
6 representatives; and be it

7 **FURTHER RESOLVED** that the president of the senate and the speaker of the house  
8 of representatives shall jointly appoint the chair and vice-chair of the commission; and be it

9 **FURTHER RESOLVED** that the public members may not receive compensation, per  
10 diem, or reimbursement for travel or other expenses incurred in serving on the Advisory  
11 Commission on Local Government; and be it

12 **FURTHER RESOLVED** that the House and Senate Community and Regional  
13 Affairs Committees shall assign committee staff to provide support services for the  
14 commission; and be it

15 **FURTHER RESOLVED** that the duties of the Advisory Commission on Local  
16 Government include

17 (1) studying the specific reasons for the hardships that communities in Alaska  
18 have experienced and developing proposals to continue the evolution of local government;

19 (2) defining the role of state government in the financing of local public  
20 services;

21 (3) recommending specific means by which local governments, when desired,  
22 can move towards borough formation;

23 (4) reviewing findings of previous local government studies and incorporating  
24 useful information in its report; and

25 (5) exploring the potential to utilize taxation of natural resource extraction  
26 activities in the unorganized borough; and be it

27 **FURTHER RESOLVED** that the Advisory Commission on Local Government shall  
28 develop recommendations for Alaska's cities within the unorganized borough as a critical  
29 element of the state's economic future; and be it

30 **FURTHER RESOLVED** that the Advisory Commission on Local Government shall  
31 deliver a report of its finding to the legislature by January 15, 2006, together with appropriate

1 legislative proposals for consideration during the Second Regular Session of the Twenty-  
2 Fourth Alaska Legislature; and be it

3       **FURTHER RESOLVED** that the Advisory Commission on Local Government may  
4 meet during and between legislative sessions and that the commission is terminated on  
5 February 1, 2006.

# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSHCR 12(CRA)  
(H) Publish Date: 4/29/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Legislature  
Title Relating to the Joint Rural Assessment BRU Legislative Council  
Task Force Component: Council and Subcommittees  
Sponsor House C&RA Component No. 783  
Requestor House C&RA

**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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	14.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>14.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ( )	0.0	0.0	0.0	0.0	0.0	0.0
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	14.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>14.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** This Legislation establishes an eight member Joint Rural Assessment Task Force. It is anticipated the Task Force will be staffed by House C&RA committee aides. The Senate President will appoint three members, the House Speaker will appoint three members, and the First Alaskans Institute and the Alaska Municipal League will each appoint a designee to the Task Force. For the purposes of this fiscal note, the six members appointed by the Presiding Officers are assumed to be members of the Alaska Legislature. The Task Force will travel to four communities to hold hearings on rural issues, and consider the findings and recommendations of the needs assessment prepared by AML and the First Alaskans Institute, the Denali Commission's Five-Year Strategic Plan, and the Rural Energy Action Council's Finding and Action Recommendations. They will submit a report to the Legislature by January 15, 2006, including proposals to address rural needs. The fiscal note includes travel costs for the Senate members of the Task Force. Travel for the House members of the Task Force will be absorbed within existing budgets. We are advised the public members will be responsible for their own travel costs.

Prepared by: Karla Schufeldt, Deputy Director Phone 465-6626  
Division: Administrative Services Date/Time 4/27/05 1:26 PM  
Approved by: Pamela Varni, Executive Director Date 4/27/2005  
Agency: Legislative Affairs Agency

# Alaska State Legislature

Rep. Gabrielle LeDoux  
Rep. Pete Kott  
Rep. Mark Neuman  
Rep. Sharon Cissna  
Rep. Woodie Salmon



State Capitol, Room 124  
Juneau, AK 99801-1182  
Co-Chairs  
Rep Kurt Olson  
(907) 465-2693 FAX 465-3835  
Rep. Bill Thomas  
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## COMMUNITY & REGIONAL AFFAIRS COMMITTEE

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### HCR 12 RELATING TO THE JOINT RURAL ASSESSMENT TASK FORCE SPONSOR STATEMENT

Dozens of communities in Alaska are shutting down, going into debt, and/or terminating local services because of inadequate state and federal funding and the lack of sustainable local economies that could generate the revenue necessary to fund local services.

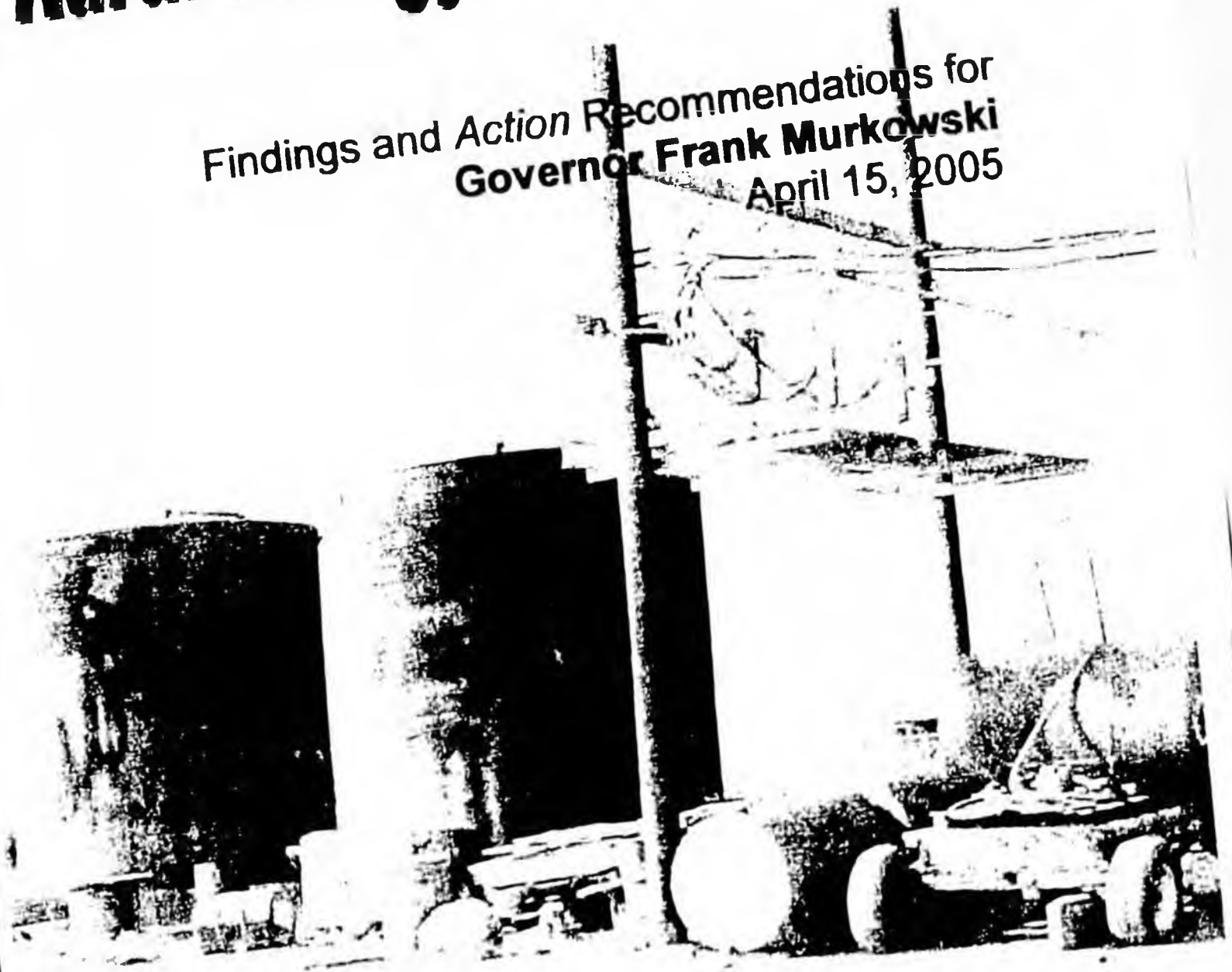
As state leaders debate the sustainability of rural communities, the Legislature would benefit from a clear picture as to the current state of Alaska's rural communities. This concurrent resolution calls on the Legislature to establish a Joint Rural Assessment Task Force. The Task Force, which will consist of six legislators, one designee of the Alaska Municipal League, one designee of the First Alaskans Institute, and one public member will be charged with conducting an assessment of the needs of rural communities and reporting its findings to the Legislature by January 15, 2006.

It is anticipated that the Task Force will draw on the work of several organizations to conduct its assessment and develop its findings, including recommendations made by Governor Murkowski's Rural Energy Action Council, the Denali Commission's Five-Year Strategic Plan, and the report on a community needs assessment to be completed by the Alaska Municipal League and the First Alaskans Institute by September 1, 2005. It is further anticipated that the Task Force will conduct hearings in three to five communities across Alaska to assist them in developing their findings.

THE  
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DOCUMENT(S)  
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# Rural Energy Action Council

Findings and Action Recommendations for  
Governor Frank Murkowski  
April 15, 2005



Rural Energy Action Council (REAC)  
Created by Governor Frank H. Murkowski

Headquartered at:  
AIDEA / Alaska Energy Authority  
813 W. Northern Lights Boulevard  
Anchorage, Alaska 99503

## Executive Summary of Actions

REAC believes the following areas offer the best strategies and instruments to achieve short term success in lowering the cost of energy in rural Alaska. For each, more detailed background, findings and recommendations follow.

For the purposes of this report, short-term is defined as within one year, i.e., before April 15, 2006.

1. Fully fund the Power Cost Equalization (PCE) program.
2. Front-load the PCE endowment.
3. Create a bulk fuel operator technical assistance program.
4. Including downstream tanks and pipes into upgrades.
5. Support the creation of regional bulk fuel cooperatives.
6. Enable single and cooperative applicants to receive higher loan limits for the bulk fuel revolving loan program.
7. Improve power plant operational efficiencies and remote capabilities.
8. Increase support for alternative energy systems, such as coal, in-stream, wind and gas projects.
9. Accelerate renewable energy programs and implement energy conservation measures.
10. Continue Low Income Home Energy Assistance Program (LIHEAP) funding and programs.
11. Create a new line-item for energy funding for school districts.
12. Suggest ways to get affordable insurance coverage in rural Alaska.

Items of interest that came up during deliberations, but require a longer term, are listed:

- Economic study of impacts of high cost of fuel in rural Alaska on net migration to urban Alaska
- Set up regional energy centers on rural campuses
- Fund feasibility study to examine links with the Railbelt Energy Grid
- Set up a fuel price reporting system for "non-PCE" communities
- Divest the State of rural energy infrastructure
- Transportation and distribution systems.

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**Rural energy council seeks relief****PRICES: Panel calls cheaper power the key to economic growth in Bush.**By MATT VOLZ  
The Associated Press*(Published: April 21, 2005)*

JUNEAU -- When the warm weather unlocks winter's hold on the Yukon River, the first barges of spring will bring new supplies of fuel to Bush Alaska. That's when the villages will feel the effects of the steep increase in gas prices since the river froze last fall.

The price of fuel in rural Alaska can be more than twice that in cities after adding the cost of transportation, loan interest, maintenance and other fees.

Those high prices have crippled rural communities, say rural lawmakers.

"We've had many people in the Legislature since I've been here tell us time and time again that rural Alaska has to pay its own way," said Sen. Albert Kookesh, D-Angoon. "And you know what? We're willing to do that. But the first step has to be affordable energy."

The seven members of the Rural Energy Action Council say they know where to start. The council Wednesday released 12 recommendations on how to lower energy costs in rural Alaska.

"I know you understand there will be no economic development in rural Alaska unless we have low-cost energy," said council co-chairman Nels Anderson Jr. of Dillingham.

Members of the council, appointed by Gov. Frank Murkowski in February, said some of the suggestions could be implemented right away, such as fully funding the state's power cost equalization program and forming cooperatives in rural Alaska to buy fuel in bulk.

"Some may be more challenging," said council member Edgar Blatchford.

Murkowski called the recommendations sound solutions to bring down the high cost of rural fuel.

Gas that costs \$2 per gallon in Seattle can be sold for \$4.54 per gallon in Bush Alaska once transportation, operation and maintenance costs, loan interest, repair and replacement costs and a profit margin are added in, according to the council's report.

Council member Andy Baker of Kotzebue said other things that drive up costs are communities with bad credit that pay high interest rates, adding up to an additional 52 cents per gallon. Also, insurance can add up to 35 cents per gallon, he said.

The report and recommendations were presented at a news conference Wednesday attended by



SEN. ALBERT KOOKESH D-ANGOON

State Sen. Albert Kookesh, D-Angoon, is pushing for affordable energy in the Bush. The price for a gallon of gas, already going up, is often twice as high in villages as it is in cities. ( )

several lawmakers from rural Alaska who gave their support to the council's findings.

"My belief is that if we can get one of these proposals adopted, one of these proposals pushed to the finish line, we will have made real progress," Kookesh said.

Rep. Reggie Joule, D-Kotzebue, called the recommendations a long-term approach that lays the groundwork for sustainable communities.

Rep. Mary Kapsner, D-Bethel, said the report was a big step in the right direction:

"I hope this is an indication of the tide turning ... that we do need rural energy assistance."

Kapsner said she hopes the power cost equalization program can receive full funding in this year's legislative session.

The program subsidizes power rates in rural communities that have not received government-subsidized power projects or grids.

The state House has included \$18.7 million for the program in its operating budget proposal for next year. The rest of the \$21.5 million recommended by the council could come from other measures, Kapsner said.

Forming eight fuel cooperatives would cost about \$400,000, according to the council. The cooperatives would save money -- from 20 to 70 cents per gallon, Baker said -- by buying the fuel in large quantities.

Murkowski said putting together those cooperatives could be one of the more immediate items from the list to be addressed.

Other recommendations by the council include:

- Set higher limits for the state's bulk fuel revolving loan program. The cost to implement the recommendation was not known by the council.
- Improve power plant efficiency and capabilities, at a cost of \$2.8 million.
- Create a bulk fuel operator technical assistance program, at a minimum cost of \$300,000.
- Increase support for alternative energy systems, using existing resources, private resources at an unknown cost and up to \$5 million to install wind-diesel systems.
- Speed up renewable energy and conservation programs, at a minimum cost of \$11 million for eight programs.
- Continue energy assistance funding for low-income homes, at a cost up to \$250,000.
- Pay for energy funding for school districts, cost unknown.
- In addition to fully funding the power cost equalization program, fund the power cost equalization endowment, which would require \$15 million a year for seven years.
- Upgrade residential fuel storage, tanks and pipes, costing \$1 million.

- Establish rural energy centers at the University of Alaska's rural campuses, cost unknown.

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**Issue:** Distressed Community Criteria 2004 Update

**Date:** May 2004

**Background:**

In an effort to ensure Federal funding provided by the Denali Commission is being distributed to communities with the most need compared to other areas of Alaska and the United States, the Denali Commission adopted a Distressed Community Criteria as part of its Code. Concurrently, Congressional intent language, providing a mechanism for the Denali Commission to construct community health facilities in rural Alaska, directed the Commission to provide funding not to exceed 50% for communities not designated as distressed and to provide funding not to exceed 80% for communities designated as distressed.

The Commission's Distressed Community Criteria is:

1. Per capita market income no greater than 67% of the U.S. Average.
2. 150% of the U.S. Average or greater of Poverty Rate.
3. 3 year unemployment rate at 150 percent of the U.S. average or greater.

*Or have twice the U.S. poverty rate and qualify on one other indicator.*

**Surrogate Standard Background**

The last update to the Denali Commission Distressed Community Criteria was in 2002. The 2002 update used community level data that was collected as part of the 2000 Census. This community level Census data which was collected in 1999-2000 will not be updated until the next decennial census in 2010 and therefore is not deemed current for the 2004 update.

Therefore the Denali Commission adopted an alternate method of determining community eligibility when community level Census data is not available. This alternative method is called the "Surrogate Standard". The Surrogate Standard considers additional data and methodology using community level information that is available annually from the State of Alaska Department of Labor and Workforce Development, Research and Analysis (DOL&WD/R&A). For this 2004 Distressed Community Criteria update, The DOL&WD/R&A compiled the data required to implement the Surrogate Standard and determine community classifications.

### Surrogate Standard Data Sources

Three sources of data were used for the 2004 update:

- 2003 Permanent Fund Dividend Application (PFD) - includes applicant's age, social security number, and zip code.
- Calendar year 2002 Unemployment Insurance (UI) wage records - includes wage and earning information reported from all private, state and local employers (does not include the federal government).
- Calendar year 2002 Commercial Fisheries Entry Commissions (CFEC) - included Total Fish Value for each community.

All 2003 Permanent Fund Dividend (PFD) applicants aged 16 or older in 2002 were assigned to an Alaska census area/borough and community by zip code of place of residence.

PFD data is available only by zip code, so data will not be available for communities with a zip code that did not appear on any PFD application or for small communities that receive mail through a larger community's zip code. For example, PFD data is not available for Atmautluak, Kongiganak, Napaskiak, and Newtok because they receive mail through the Bethel zip code. Therefore, Bethel's 2004 distressed/non-distressed determination will be used for those communities.

Wage information from UI records was cross-referenced to PFD applicants by social security number. Earnings from UI were calculated by community and CFEC 2002 Total Fish Value earnings by community were added to compute average market income.

### 2004 Update Surrogate Standard

A community that meets two of the following three surrogate standard criteria is considered distressed:

#### Criteria 1 Average market income is less than \$14,872

$$\text{Average market income} = \frac{\text{Community UI Earnings} + \text{Community CFEC Earnings}}{\text{Number Community Residents 16 and Over}}$$

$$\$14,872 = \text{Minimum Wage } (\$7.15/\text{hour} \times 2,080 \text{ hours/year})$$

Any community with an average market income of less than \$14,872 meets this criteria.

#### Criteria 2 More than 70% of residents 16 and over earned less than \$14,872 in 2002.

$$\text{Percent Residents w/Emgs < than } \$14,872 = 100 \times \frac{\text{Number Residents w/Emgs < than } \$14,872}{\text{Number Residents 16 and Over}}$$

Any community with more than 70% of its residents earning less than \$14,872 in 2002 meet this criteria.

Criteria 3 *Less than 30% of residents 16 and over worked all four quarters of 2002.*

$$\text{Percent Residents Employed All 4 Qtrs} = 100 \times \frac{\text{Number Residents Employed All 4 Qtrs}}{\text{Number Residents 16 and Over}}$$

Any community with less than 30% of its residents employed all four quarters of 2002 meets this criteria.

**Note:**

- Fort Wainwright is a military base. Its inclusion on this list is probably a quirk in the data series and may not be an accurate indicator of meeting the criteria.
- Juneau - Rural (zip code 99850) includes Cube Cove, Excursion Inlet and Funter Bay
- Ketchikan - Rural (zip code 99950) includes Neets Bay, Naukati Bay, Port Protection, Edna Bay, Whale Pass, and part of Kasaan.
- 2003 data were either incomplete or not available for some communities included in the 2002 update. These include Fort Greely, Eielson AFB, US Coast Guard stations at Attu Station and Port Clarence, Flat, and Kenaitze (ANVSA).

**Updates and Appeals**

The data used for determining the Surrogate Standard distressed criteria will be updated annually by DOL&WD/R&A.

Any community that believes a classification was determined in error may appeal to the Denali Commission Chief of Staff in writing. Communities that wish to appeal the Denali Commission's classification must provide information that proves the classification is in error.

**Attachments**

Attached is:

1. List of Distressed Communities and Non-distressed Communities by 2004 Surrogate Standard
2. A list of Alaska communities with employment and earnings information used to determine their distressed community status
3. Maps by economic region that show locations of communities that meet the distressed criteria

**Distressed Communities as Defined by 2004 Surrogate Standard**

The following is a list of communities that meet the surrogate standard for distressed communities.

**Communities that meet 2004 Distressed Criteria**

AKIACHAK  
AKIAK  
ALAKANUK  
ALATNA - see ALLAKAKET  
ALCAN BORDER - see NORTHWAY  
ALEKNAGIK  
ALEXANDER CREEK - POINT MACKENZIE - see ALEXANDER CREEK  
ALEXANDER CREEK (includes BELUGA)  
ALLAKAKET  
ANCHOR POINT  
ANDERSON  
ANGOON  
ANVIK  
ARCTIC VILLAGE  
BEAVER  
BELUGA - see ALEXANDER CREEK  
BIG DELTA - see DELTA JUNCTION  
BILL MOORE'S - see KOTLIK  
BIRCH CREEK - see FORT YUKON  
CANTWELL  
CENTRAL  
CHALKYITSIK  
CHASE - see TALKEETNA  
CHEFORNAK  
CHICKEN  
CHILKAT - see HAINES  
CHILKOOT - see HAINES  
CHISTOCHINA - see GAKONA  
CHITINA  
CIRCLE  
CIRCLE HOT SPRINGS - see CENTRAL  
CLAM GULCH  
COFFMAN COVE  
COOPER LANDING  
COPPER CENTER  
COPPERVILLE - see GLENNALLEN  
COVENANT LIFE - see HAINES  
CROOKED CREEK  
CUBE COVE - see JUNEAURURAL  
DELTA JUNCTION  
DELTANA - see DELTA JUNCTION  
DENALI NATIONAL PARK (McKinley Park in 2002)

**Communities that meet 2004 Distressed Criteria**

DOT LAKE - see DELTA JUNCTION  
DOT LAKE VILLAGE - see DELTA JUNCTION  
DRY CREEK - see DELTA JUNCTION  
EAGLE  
EAGLE VILLAGE - see EAGLE  
EDNA BAY - see KETCHIKAN RURAL  
EEK  
EKWOK  
ELFIN COVE  
ELIM  
EXCURSION INLET - see JUNEAU RURAL  
FORT WAINWRIGHT<sup>1</sup>  
FORT YUKON  
GAKONA (includes NABESNA, GULKANA, SLANA)  
GAMBELL  
GLENNALLEN  
GOODNEWS BAY  
GRAYLING  
GULKANA - see GAKONA  
GUSTAVUS  
HAINES  
HAMILTON - see KOTLIK  
HAPPY VALLEY - see ANCHOR POINT, NINILCHIK  
HARDING-BIRCH LAKES - see SALCHA  
HOLY CROSS  
HOOPER BAY  
HOPE  
HUGHES  
HUSLIA  
HYDABURG  
HYDER  
ILIAMNA - see NEWHALEN  
IVANOF BAY - see PERRYVILLE  
JAKOLOF BAY - see SELDOVIA  
JUNEAU-RURAL (includes CUBE COVE, EXCURSION INLET)  
KALSKAG  
KALTAG  
KARLUK  
KASAAN - see KETCHIKAN RURAL  
KASIGLUK  
KENNY LAKE - see COPPER CENTER  
  
KETCHIKAN-RURAL (includes Naukati Bay, Port Protection, Edna Bay, Whale Pass, and part of Kasaan  
KIPNUK  
KLUKWAN - see HAINES  
KOKHANOK - see NEWHALEN

**Communities that meet 2004 Distressed Criteria**

KOTLIK  
KOYUK  
KOYUKUK  
KWETHLUK  
KWIGILLINGOK  
KWINHAGAK - see QUINHAGAK  
LAKE LOUISE - see GLENNALLEN  
LAKE MINCHUMINA  
LEVELOCK  
LOWER KALSKAG  
LUTAK - see HAINES  
MANLEY HOT SPRINGS  
MANOKOTAK  
MARSHALL  
MARY'S IGLOO - see TELLER  
MCCARTHY - see GLENNALLEN  
MCKINLEY PARK - see DENALI NATIONAL PARK  
MEKORYUK  
MENDELTON - see GLENNALLEN  
MEYERS CHUCK  
MINTO  
MOOSE PASS  
MOSQUITO LAKE - see HAINES  
MOUNTAIN VILLAGE  
MUD BAY - see HAINES  
NAPAIMUTE - see KALSKAG  
NAPAKIAK  
NAUKATI BAY - see KETCHIKANRURAL  
NELCHINA - see GLENNALLEN  
NEW ALLAKAKET - see ALLAKAKET  
NEW STUYAHOK  
NEWHALEN (includes ILIAMNA, KOKHANOK)  
NIGHTMUTE  
NIKOLAEVSK - see ANCHOR POINT  
NIKOLAI  
NIKOLSKI  
NINILCHIK  
NONDALTON  
NORTHWAY  
NORTHWAY JUNCTION - see NORTHWAY  
NORTHWAY VILLAGE - see NORTHWAY  
NULATO  
NUNAM IQUA - see SHELDON POINT(NUNAM IQUA)  
NUNAPITCHUK  
OHOGAMIUT - see MARSHALL  
OLD HARBOR

**Communities that meet 2004 Distressed Criteria**

OUZINKIE  
PAIMIUT - see HOOPER BAY  
PAXSON - see DELTA JUNCTION  
PELICAN  
PERRYVILLE  
PETERSVILLE - see TRAPPER CREEK  
PILOT STATION  
PLATINUM  
POINT BAKER  
POPE-VANNOY LANDING - see NEWHALEN  
PORT ALEXANDER  
PORT ALSWORTH  
PORT LIONS  
PORT PROTECTION - see KETCHIKANRURAL  
QUINHAGAK  
RAMPART  
RED DEVIL  
RUBY  
RUSSIAN MISSION  
SALCHA  
SAVOONGA  
SCAMMON BAY  
SELAWIK  
SELDOVIA  
SELDOVIA VILLAGE - see SELDOVIA  
SHAGELUK  
SHELDON POINT  
SILVER SPRINGS - see GLENNALLEN, COPPER CENTER  
SKWENTNA  
SLANA - see GAKONA  
SLEETMUTE  
SOUTH NAKNEK  
STEBBINS  
STEVENS VILLAGE  
SUNRISE - see HOPE  
TALKEETNA  
TANACROSS  
TATITLEK  
TAZLINA - see COPPER CENTER, GLENNALLEN  
TELLER  
TENAKEE SPRINGS  
TETLIN  
THORNE BAY  
TOGIK  
TOKSOOK BAY  
TOLSONA - see GLENNALLEN

**Communities that meet 2004 Distressed Criteria**

TONSINA - see COPPER CENTER  
TRAPPER CREEK  
TULUKSAK  
TUNTUTULIAK  
TUNUNAK  
TYONEK  
UPPER KALSKAG - see KALSKAG  
VENETIE  
WHALE PASS - see KETCHIKAN RURAL  
WHITE MOUNTAIN  
WILLOW  
WILLOW CREEK - see COPPER CENTER  
Y - see TALKEETNA , WILLOW

<sup>1</sup>Fort Wainwright is a military base. Its inclusion on this list is probably a quirk in the data series and may not be an accurate indicator that Fort Wainwright meets the criteria.

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Anchorage Daily News

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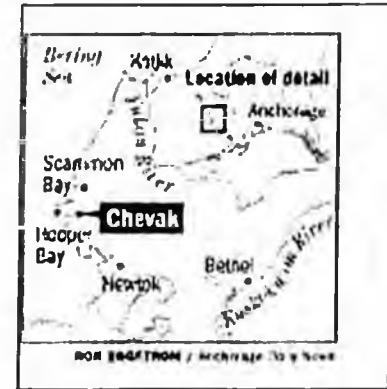
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**Chevak village skips payments; several residents lose power****PARTIAL OUTAGE:** More than \$100,000 in electric bills prompts utility to pull plug on several homes.By JOEL GAY  
Anchorage Daily News*(Published: February 4, 2005)*

Detailing a long record of inept management, state officials say the Western Alaska village of Chevak has tumbled deep into debt, including spiraling electric bills that total more than \$100,000.

The electric utility responded to the rising unpaid bill Wednesday by shutting off power to a dozen homes.

Though most of the village of 900 still has electricity, Mayor William Vaudrin and other city officials elected last fall are scrambling to find a way out of Chevak's financial hole. State officials say the village owes \$500,000 or more in back taxes and bills.



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Click on photo to enlarge

"We're trying to do what we can," Vaudrin said. "But with no administrator and no one to guide us, we don't know who to turn to. We're calling all our creditors and apologizing, trying to get things straightened out."

It's not uncommon for small rural communities to fall behind on their financial obligations, though rarely do they fall as quickly or as far as Chevak has, said Scott Ruby of the state Division of Community Advocacy.

But Chevak's situation offers insight into the challenges of governing a village where costs are high, revenues are low, state and federal oversight is minimal, and a few families can dominate decision-making, Ruby said.

"I'd say most rural communities are struggling with a lot of these same issues," he said.

Chevak is a Cup'ik Eskimo subsistence hunting and fishing community about 17 miles inland from the Bering Sea coast, one of the largest villages on the Yukon-Kuskokwim Delta.

The city employs about 20 people. Two years ago its budget was about \$280,000 a year, Ruby said.

His agency offers financial and management advice to villages like Chevak, with expensive new water and sewer systems that require steady tending to ensure longevity. Installation of the village's \$26 million sanitation system was completed about two years ago.

Chevak had struggled financially in the late 1990s, then got its act together, said Mike Black, head of the division. Four or five years ago, it was a model of financial health, he said.

Then things started going downhill. Reports stopped coming. Requests for budgets and audits were

ignored. When the division sent specialists to the village, they found certain Chevak residents didn't have to pay their bills, he said.

"For a long time we've been advising the city it needed to be doing things differently regarding finances," Black said. "That advice fell on deaf ears, for various reasons. They told us to take a hike."

Ruby watched the situation deteriorate as the administration changed hands in 2002, he said. A Chevak resident was hired as city administrator, but the mayor wanted to replace him within a year, Ruby said.

When the city council refused to hire a replacement, the mayor quit. He was replaced by the vice mayor -- who was the administrator's brother, Ruby said.

"We see that quite often," he said. "In small communities it's very easy for one family to take over and control things." It can work out well or poorly, and sometimes the family will include both excellent employees and slackers, he said.

During that period, Chevak's finances started slipping. It stopped paying IRS payroll taxes in 2002, Ruby said. Between back taxes, penalties and interest, the city now owes \$200,000 or more, he said.

The village also owes the state Department of Labor \$15,000 or more, Ruby said, and is having a hard time paying its employees on time.

City officials applied for a low-interest state loan to purchase \$145,000 worth of fuel this summer. The fuel was delivered. But when the city couldn't pay 10 percent of the cost, the state refused to complete the loan, leaving the fuel company unpaid.

The city fell behind in its electric bills more than a year ago, said Meera Kohler of the Alaska Village Electric Cooperative. The co-op, which includes more than 50 villages, carried Chevak's share as it swelled to more than \$100,000.

Half the overdue bill came from a single meter at Chevak's old school. After a new \$29 million school was completed two years ago, the city inherited the old facility, plus all the teachers' housing, which it began renting out.

Joe Symbol was among the tenants, moving into a two-bedroom apartment in the complex with his wife and three children. At \$550 a month, including heat, electric, water and sewer, it seemed like a good deal, he said.

But a year ago, the oil heat went out, and tenants had to provide their own small oil heaters or electric space heaters, Symbol said. Last fall, the water and sewer service was shut off because pipes started freezing.

"Each time there was a drop in the service, they dropped the rent," Symbol said. In December, he and the remaining tenants started getting notices from AVEC that the power would be shut off because the bills weren't paid.

Rather than disconnect the whole city, AVEC chose to shut down only the service to the old school, which cost the city \$5,000 a month.

AVEC issued a series of shut-off warnings starting at 30 days.

"Disconnection is always a last resort," Kohler said, "but in a situation like this, you've got to do something."

Wednesday, a lineman flipped the switch. While most of the city still has power, the outage was a double whammy for Symbol. With no other place to go, he moved his family into his business, the Hillside Grill. Now it's too crowded to cook in, he said.

"In one day I lost my home and my business," Symbol said.

He's not happy that AVEC shut off the power, but he's furious with the city. Rental money that should have paid the electric bill was spent elsewhere, he said. The city also failed to make good on its promise to buy stove oil after soliciting money from the tenants, Symbol said.

Throughout the last year, "The city would tell us not to worry, we've got this under control," he said. "We've been lied to constantly, over and over."

Ruby agreed the city has been mismanaged. "Whether it gets into the realm of malfeasance or criminality is a question the current city council is looking into. They told us if they find enough evidence for criminal charges, they'll file them."

One explanation for the city's out-of-balance books may be that Chevak's income has tumbled in the last few years. About 20 percent of its revenue once came from pull-tabs and bingo receipts. The city lost its gaming license after failing to send in the proper reports, Ruby said.

And like all other Alaska municipalities, Chevak lost tens of thousand of dollars in revenue sharing as the state eliminated those programs.

"Where did all this money go," Ruby asked. "That's the big question."

Contrary to rumors floating around Chevak, the Alaska State Troopers are not investigating the former administration, spokesman Greg Wilkinson said.

City voters cleaned house in the October elections. Vaudrin was part of a new slate and in mid-January was selected mayor by the council.

"We had heard horror stories" about the city's finances, he said. "We wanted to get things straightened out and see what we could do."

Vaudrin was reluctant to detail the problems uncovered so far, in part because he and other council members are still exploring financial records that had been denied them. The former administrator has been suspended, he said.

Climbing out of debt will be a challenge, Ruby said. It may require the city to cut back on services such as police and to lay off employees. User fees may have to rise, and the city may have to shut down the old school and its expensive electric service.

City officials have considered asking the Chevak tribal council to take over the water and sewer system. Resuming bingo and pull-tabs could be an important source of revenue, he said.

"I think they might be able to do it," Ruby said. "It's a little bigger debt load than other communities have faced, but I don't think it's insurmountable."

Daily News reporter Joel Gay can be reached at [jgay@adn.com](mailto:jgay@adn.com) or at 257-4310.

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 Murrin, 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, Murrin 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 your residents will support," Black said. "Insurance is one of those costs that doesn't immediately provide the local residents a demonstrated product. It's not 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](mailto:jgay@adn.com) or at 257-4310.*

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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](mailto:ichun.che@juneauempire.com).

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## Ten communities drop city insurance

Municipal League anticipates another dozen to follow

December 2, 2004

By **TIMOTHY INKLEBARGER**  
**JUNEAU EMPIRE**

Ten small communities across the state have recently discontinued their municipal insurance due to a decline in assistance from the state and rising insurance and fuel costs.

Another dozen could follow within the next few months, according to 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. Juneau expects to pay roughly \$12 million in various forms of insurance in 2005, according to Juneau Finance Director Craig Duncan.

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, which had helped many communities pay insurance costs in the past. 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.

"These communities have experienced higher energy costs than the rest of Alaska and they have no tax base and insufficient commerce to support a sales tax," Murkowski said in a statement released in October.

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 Alaska 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.

Wasserman, the former mayor of the Southeast coastal community of Pelican, said some communities drop their insurance before cutting other costs because citizens often are not informed.

"The mayor and councilmen have to react to their communities," she said. "If the roads aren't plowed, you'll get calls every day. They're not going to call you about the lack of insurance because it's not going to touch them."

Insurance costs have increased substantially, according to Mike Black, director of the state's Division of Community Advocacy, who also said the loss of insurance is often not visible to the public.

He said communities without insurance would have to appeal to the Legislature, Alaska's congressional delegation or some other state or federal agency for assistance. Black said he's 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."

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## Ten small Alaska communities drop city insurance

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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 lather," 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 wore out," 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

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## Empire editorial

# 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, \$15 million for juvenile justice and \$71 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.

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.

# 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

Several small cities that last year had feared the loss of state aid said Friday that they are still financially so vent, 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 end up paying 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

## INSURANCE JOURNAL

# 30% Commission

### West News

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## Ten Small Alaska Communities Drop City Insurance

December 8, 2004

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"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."

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**Kevin Smith**

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## Editorial

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### 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.

Annie Melvain

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**Longtime VPSO commits suicide****RUSSIAN MISSION: Simeon Askoak, 50, was found dead Friday.**By LISA DEMER  
Anchorage Daily News*(Published: April 10, 2005)*

A respected, longtime village public safety officer in Russian Mission killed himself Friday evening, Alaska State Troopers said.

Simeon Askoak, 50, was from the village and for the last 13 years served as its public safety officer, earning the rank of sergeant. He was highly trained and very capable, one of the very best village public safety officers, Alaska State Troopers said.

"It's a huge loss to law enforcement in the state of Alaska to lose someone like Simeon, and it's an even bigger loss to lose him as a friend," trooper Karl Main said from St. Marys, the trooper post that oversaw Askoak's work.

Authorities are certain that Askoak committed suicide but did not want to discuss any information that might explain why he took such a desperate path, troopers spokesman Greg Wilkinson said Saturday.

Between 5 p.m. and 7:30 p.m. Friday, Askoak took his handgun, went about 100 yards from his home and shot himself once in the chest, according to initial findings from troopers.

Troopers in Bethel were notified around 8 p.m. that he had been found dead. Troopers from Aniak investigated the death, Main said. Askoak left a note saying that he was proud of and loved his family, Wilkinson said.

Askoak was married and had children, according to Main.

Trooper Lt. Pete Mlynarik and Sgt. Perry Barr traveled from Bethel to Russian Mission on Saturday to help the family, Wilkinson said. The Association of Village Council Presidents' VPSO coordinator also went to provide support.

"It's just a shame," Wilkinson said.

Village public safety officers are often the first to respond to trouble in villages without trooper posts. They aren't paid as much as troopers and don't carry firearms, but they can stabilize volatile situations and investigate minor crimes and even some felonies, with trooper oversight.

Russian Mission is a Yup'ik village of about 300 people on the Yukon River, about 70 miles northeast of Bethel.



Russian Mission Village Public Safety Officer Simeon Askoak killed himself Friday night, troopers say. *(Photo by Marc Lester / Anchorage Daily News archive 2004)*

Main had worked with Askoak since transferring to the St. Marys post in January 2004.

"He was the most approachable, one of the most hardworking VPSOs I've ever had the pleasure of meeting," Main said.

Askoak was friendly, liked to joke around and looked on the positive side of things, Main said. When troopers were in town, Askoak and his wife would bring them dinner.

But it was a hard job. Askoak recently had to investigate an immediate family member. He was supposed to calm down intoxicated people, stepping alone into volatile situations that urban police go into armed with backup.

In March, with Main bogged down on other cases, Askoak took the lead investigating a rash of burglaries in the Russian Mission area. When Main got to town, Askoak had made diagrams of the crime scenes and conducted preliminary interviews.

"The only thing I had to do was talk to the suspect, who he had already been able to identify," Main said.

Every case was like that, Main said. Askoak would meet troopers at the airport, drive them where they needed to go and let them know who would be helpful to talk to, Main said.

Lately, Askoak paid for the office heating fuel, long distance phone calls and faxes out of his own pocket because of local budget troubles, Main said.

"That was how serious he took the job," the trooper said.

Around 3 a.m. Friday, Askoak asked troopers for help with a combative, drunken man. But they couldn't get out there right away, and soon he called back and said the man's family had managed the situation.

"Simeon was someone who never ran away from it. He did what he needed to do," Main said.

In 1994, Askoak helped to organize a project intended to help curb teen suicide, alcoholism and pregnancy. The village received an \$11,500 suicide prevention grant that year.

With his suicide, "it's obvious something was going on that some of us may not have been aware of," Main said.

Daily News reporter Lisa Demer can be reached at [ldemer@adn.com](mailto:ldemer@adn.com) and 257-4390.

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## Mayors: Cities on verge of disaster

### Pending legislation may give towns relief

More than 50 Alaska mayors and city officials flew to Juneau this week to deliver the message to lawmakers that, thanks to lack of financial support from the state, cities are "disintegrating."

Members of the Alaska Conference of Mayors reported that nine cities have shut down, 18 are deep in debt and 39 cities are terminating key local services, such as police protection or road, utility and facility maintenance.

"It's like we are going up the creek without a paddle," said New Stuyahok city administrator Mitch Chocknok.

Hydaburg was listed as dangerously close to going bankrupt. Angoon, Pelican and Tenakee Springs have made significant reductions to core services.

One cost handicapping most of Alaska's 162 municipalities is paying for the public employee and teacher retirement systems, commonly referred to as PERS and TRS.

Poor performance in the stock market, underestimating future costs of health care and the rising number of retirees have created a \$5.7 billion hole in the state system.

Cities are expected to make up the difference by paying increased rates every year.

Skagway will pay a \$72,000 increase this year and \$150,000 more in 2006. More populated areas, such as the Matanuska-Susitna Borough will pay an extra \$800,000.

Some municipalities have used property taxes to account for the increases.

The conference of mayors is supporting a handful of bills they believe will give cities relief.

The Senate recently passed a bill that will at least stop the retirement system deficit from growing beyond \$5.7 billion.

Among several changes, Senate Bill 141 asks employees to pay an additional 0.5 percent of their paychecks for the pension. Current state law requires teachers to contribute 8.65 percent for retirement benefits, firefighters and peace officers to pay 7.5 percent, and other employees to pay 6.75.

"It defines a new level of benefits that cities, boroughs and school districts can afford," said Kevin Ritchie, executive director of the Alaska Municipal League, a nonprofit, nonpartisan organization that lobbies for cities.

The Democrats criticized SB 141 as an "income tax" on a selective group of Alaskans. It could be challenged in court because many employees have set rates in their contracts. And some opponents fear cities will have to increase salaries to retain employees.

The city officials also said conditions have become worse since Gov. Frank Murkowski slashed a revenue sharing program cities depended on. The administration defended that cut in 2003 by saying the state needed to save money and the municipalities should do their part.

Municipalities lost money they used to pay bills and salaries. Today, some rural communities cannot afford to run water and sewer systems.

In 1985, the state was giving local governments \$141 million. That amount was whittled down to \$29.6 million when the program stopped in 2003. This year, no dollars were given to cities in the form of revenue sharing.

Reportedly, the governor was attempting to balance the budget when he cut the funding.

"There are no enemies here," said Ritchie. "Just bad advise given to politicians."

This year the governor encouraged the Legislature to fully fund the ongoing Power Cost Equalization program, which subsidizes fuel costs so rural areas pay a price similar to urban centers. So far, the House of Representatives approved \$18.75 million, an increase over years before but not the \$21.5 million requested.

At the conference, city officials speculated gas would rise above \$5 a gallon in remote areas.

High fuel costs and the expense of living apart from major highways and railroads outweigh money collected from sales tax, Ritchie said.

Mayors are also counting on two other bills to pass that will either give cities grants or pay for maintenance needs.

House Bill 49 is similar to the previous state revenue sharing programs, giving municipalities grants of \$50,000 per year.

By using earnings from the Alaska Permanent Fund, Senate bill 155 pays for all requests on the state school deferred maintenance lists and constructs new buildings where needed.

• Andrew Petty can be reached at [andrew.petty@juneauempire.com](mailto:andrew.petty@juneauempire.com)

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## Plea for funding VPSO program preceded officer's suicide

By SIMEON ASKOAK

(Published: April 24, 2005)

My name is Simeon Askoak, and I'm the VPSO in Russian Mission. I've been the Village Public Safety Officer in Russian Mission for 13 years now and of my 13 years that I've been a VPSO, we've been struggling every year to get our VPSO funding from the state to be continued on to another new year.

VPSO funding is very limited. Our fiscal year '05 operating budget from the state was not approved until November '04 of last year, and the program was about to be closed, shut down, until fiscal year 2005 and was finally approved by the governor.

At this time the village of Russian Mission, the City Council of Russian Mission, has no funding. The small communities like the Village of Russian Mission are broke right now and because of that, starting in the month of November of 2004, I began purchasing my own heating fuel for the public safety office, fuel for the vehicle that I use. Also, I pay for the fax and phone bill that I use.

I'm still paying for all these expenses. I pay for certified mail of my reports to the Alaska State Troopers, to the district attorneys, out of my own pocket.

When I was asked why I was doing that, I told them that the city government can no longer afford to pay for these expenses.

And, last month sometime, on the 23rd of March, I could no longer afford to pay for those expenses, so the city and the police department ran out of heating fuel. The water line froze and then the water utilities company came by and said, "We're shutting down your water and sewer because you haven't been paying for them in the last few months."

And that's my dilemma at this time.

We need adequate, full funding for the VPSO program and we need to have it guaranteed that we'll always get the funding yearly from the state.

We're constantly facing this dilemma that the VPSO program will no longer be here. Last year we were almost shut down, and the VPSO fiscal year contract was extended through September 2005 of this year. And after 2005 I do not know what is going to be happening.



Simeon Askoak and his wife, Barbara, pose for a photo with their grandsons (left to right): Donovan Jacobs, Clinton Howard and Shane Hunter. (Photo courtesy of the Askoak family)



Simeon Askoak, Russian Mission VPSO (Photo courtesy of the Askoak family)

The VPSO program's motto is, "First Responders; Last Frontier."

We are the first responders, we are the only law enforcement out in most of the villages that we have and there are only 24 VPSO positions funded at this time by the state.

In the rural communities, we are the only law enforcement agencies available. We enforce state laws, for instance drug and alcohol importation cases. We secure and investigate burglaries. Sometime last month, in the course of two days, I did the same exact thing when our store was burglarized in the village.

What I did was, I secured the scene, I gathered evidence and I investigated, until I found the suspect. This is called doing the "legwork" for the state troopers.

And that "legwork" that I do and other VPSOs do, that is the backbone of the investigation. Without that, without that crucial intervention in the first few hours of the investigation, all the evidence would be destroyed and there would not be, we would not be able to apprehend the perpetrator later on.

We have been constantly seeking to obtain our basic police certification from the Alaska Police Standards Council for years, but we still haven't obtained that. I know we are unarmed. We still respond to "gun" calls, we still conduct "legwork investigations," for the troopers, and why haven't we been certified, even the basic police certifications?

Also, when a veteran VPSO retires, he has to go out and find another job in order to continue supporting his family. We are not in the state retirement system. The PERS (Public Employee Retirement System), we are not receiving that. If we do have to, we will have to buy into the PERS program, we would have to buy so many years and it's expensive to get it started.

And we'd buy that out of our own pockets.

The Russian Mission Public Safety Police Department has been closed as of March 23, 2005. That's due to lack of funding for heating fuel, water and sewer. The water and sewer bill has not been paid, and also I'm afraid that the light and power will be shut down pretty soon.

The idea of fund raising to help the Russian Mission Public Safety came up, and I think this is pathetic to our program. It's degrading me as a VPSO. There should always be funding available from somewhere, like from the state, to keep it going.

And we just don't have the options or any other source of funding right now for the village of Russian Mission.

Simeon Askoak's Bethel speech was transcribed by The Tundra Drums.

Print Page

Close Window

**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) <<mailto:cityofamblerak@yahoo.com>>

*\* in Niv Arctic Bill  
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*

*\*AMBLER JUNEAU*

*\$26*

*\$196*

*PER CAPITA*

*Revenue each 1%*

*\$7500/yr*

*\$6,105,000/yr*

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

*Assessed value*

*\$3.5 million*

*\$3 Billion*

To: Senate Finance Committee,

*Per Capita AV*

*\$12,159*

*\$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.

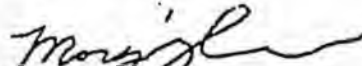
We need a dependable fuel supply. Our local fuel project runs out every 3-4 weeks and we have had to borrow fuel from AVEC from our other buildings and heavy equipment, and haul fuel from other villages to keep our water plant heated. We have 2200 gallon tanks to help us through the scarce times but 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.

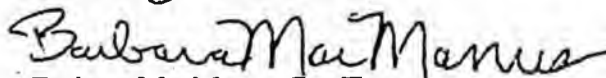
Additional revenue at this time would be a God send to our village and would be a huge help to get us thru this difficult time while we figure out other possible options for dealing with our rising expenses.

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](mailto: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 B02*  
*\$30*     *\$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  
Bobby Andrew, Aleknagik Natives Limited President

ATTEST: Nina Tinker  
Nina Tinker, Secretary, Aleknagik Natives Limited

SIGNED: Gusty Chythlook  
Gusty Chythlook, Aleknagik Traditional Council Chair

ATTEST: Kay Gorman  
Kay Gorman, Secretary, Aleknagik Traditional Council

SIGNED: Berna Andrews  
Berna Andrews, City of Aleknagik Mayor

ATTEST: Patty Heyano  
Patty Heyano, City of Aleknagik Acting City Clerk

**City of Aniak**  
*P.O. Box 189*  
*Aniak, Alaska 99557*  
*(907)-675-4481*  
*Fax (907)-675-4486*

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March 3, 2005

Senate Finance Committee  
Juneau, AK 99811

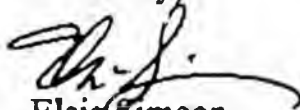
In regards to the Governor's Supplemental and Capitol Appropriations Bill, Small City Energy Assistance of \$50,000.00 to Aniak. We really could use this funding to help pay for community expenses relating to higher fuel costs, high insurance costs, equipment maintenance, and higher shipping costs.

We have not received any funding since we used to get Revenue Sharing and Safe Communities Funding from the State of Alaska to help pay for services for our community.

We had to cut back in operating hours just to keep our local government going.

We do have a 2% Sales tax, but this does not help pay for all expenses that the City of Aniak has.

Sincerely,

  
Elsie Simeon,  
City Manager



## City of Brevig Mission

North 'Futu 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 black ink 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:**

<b>City of Deering W. State Revenue</b>	<b>Current w/o State Rev</b>
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.

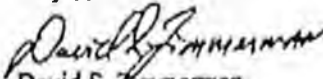
Health insurance costs for a single person increase 15.53% in FY 2004 and up again 10.25% in FY 2005. Family insurance coverage increases 15.52% in FY 2004 and was up 14.20% in FY 2005.

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:

*Gloria Keyes For*  
TERESA JACKSON, MAYOR

*Signed by Elias Keyes  
Vice Mayor*



CITY OF ELIM  
ELIM CITY COUNCIL  
P.O. BOX 39009  
ELIM, ALASKA 99739  
PH: (907)890-3441  
FAX: (907)890-3811

April 11, 2005

To: Kevin Ritchie, Executive Director AML

From: Paul T. Nagaruk, Mayor

RE: State Operating Budget

With the Senate Finance Committee public hearing going on, on the Operating Budget We feel it is very important to get some answers now.

Our City has not been able to get back into the Public Employee Retirement System due to the increased cost in the Retirement Program and cutback on Revenue Sharing. The Municipal Governments of Rural Alaska are probably the ones suffering the most as we do not have the tax base and economic development to boost our economy.

The cost of fuel and electricity will surely make matters worse. The Hubs of Rural Alaska are now taking bigger bites out of our share of operating funds.

On the matter of our Alaska State Troopers we have a lot of unanswered calls that were made just from our village. We continue to experience drug problems and many boot-leggers into our dry villages. The problems are not being answered and are continuing to get out of hand.

We lack good people to work or stay on the job because of funding problems. Our Municipal Governments receive no special training in operating and staffing municipal offices. We have brought these issues up with some of our Commissioners and Directors of our State Government. Unless we get serious about training in our villages we will have to depend on the State and Federal Government to do the jobs for us.

Why are we complaining or should we complain anymore! We are aware of the problems the State is facing with Billions in the Banks. We elect new Legislatures each year to fix the problem. We in Rural Alaska are becoming a serious problem for Alaskans.

The City Council of the City of Elim would like this directed to the State Operating Budget Committee and the Senate Finance Committee and any legislature who is willing to listen.

# CITY OF FORT YUKON

INCORPORATED 1959

Post Office Box 269

INCORPORATED 1959

Telephone (907) 662-2479 or 2379

Fort Yukon, Alaska 99740

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

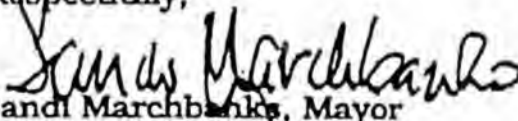
Distinguished Members,

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 KWETHLUK  
P.O.B. 50  
KWETHLUK, AK 99621

April 21, 2005

Honorable Governor Frank Murkowski  
State Capitol, Third Floor  
Juneau, Alaska 99801

Dear Governor Murkowski,

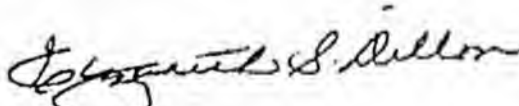
I am writing this letter as a last resort. Kwethluk City Council members have done everything in their power to keep our community together. We have run out of money and now we have run out of hope. The City had to lay off all the city employees. As Mayor, I am the only one left to do City business, as I am not a paid employee. In order to even go down to the City office, I must use my own money to put into the tank (which runs \$3.31 a gallon plus tax) as the city buildings been out of fuel for some time, as well as out of money to pay for the fuel.

We have been paying our insurance on an "installment" basis. Now, our last payment of \$7,000 has had to be put on hold. We received a CDBG grant with which to build a much-needed Public Safety building. We also were eager for this job to take place as it would mean jobs for members of our community. Now we have learned that if we do not have our liability insurance paid up, we will not be able to build our Public Safety building.

Our operating budget is gone. Members of our community cannot afford to pay their electric bills, as jobs are scarce. We owe IRS in back taxes, as uncomfortable choices must be made when a community is out of money, yet loyal employees have worked until the end.

We have lost revenue sharing, capital matching grants and seen all our expenses rise considerably. We hear how well Alaska is doing because of high oil prices, but we are not doing well. We have helped pay those high oil prices, but we do not receive any benefit from them? What do YOU think we should do? I would appreciate a reply as to what you or the legislators think we should do.

Sincerely,



Elizabeth S. Dillon  
Mayor, City of Kwethluk  
Kwethluk City Council

John W. Andrew-Vice Mayor *John W. Andrew*  
Elizabeth G. Michael-Secretary *Elizabeth G. Michael*  
Richard L. Long-Treasurer *Richard L. Long*  
Arthur Alexie, Sr.-Member  
Annie S. Andrew-Member *Annie S. Andrew*  
Martin Andrew-Member

Cc: Alaska State Legislature



## City of Marshall

P.O. BOX 09 • MARSHALL, ALASKA 96585 • (907) 679-6215/8415

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](mailto:cityadmin@mcgrathalaska.net)

February 15, 2005

### 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 McGRATH, ALASKA

RESOLUTION 05-11

A RESOLUTION CALLING FOR THE CREATION OF  
A STATE OF ALASKA COMMUNITY DIVIDEND/TAX RELIEF PROGRAM(S)  
DURING THE CURRENT FISCAL YEAR.

WHEREAS, the City of McGrath, Alaska is the governing municipal body of McGrath, Alaska, and as such is bound by Alaska Statute Title 29; and

WHEREAS, during fiscal year 2003, the City of McGrath received \$30,041.00 from the State of Alaska's Revenue Sharing program and \$8927.00 from the State of Alaska's Safe Communities program, and;

WHEREAS, during the fiscal year 2004, the State of Alaska eliminated the Revenue Sharing and Safe communities programs; and

WHEREAS, during the fiscal year 2004, the City of McGrath received \$40,000.00 from the State of Alaska's Temporary Fiscal Relief program; and

WHEREAS, during the fiscal year 2005, the State of Alaska has eliminated all revenue sharing-type funding to communities; and

WHEREAS, small rural communities, including McGrath, with a small tax base, require State assistance to support basic community services; and

NOW THEREFORE BE IT RESOLVED; the McGrath City Council calls for the creation of a State of Alaska Community Dividend/Tax Relief program(s) during the current fiscal year.

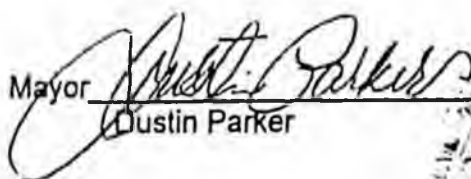
This RESOLUTION shall be effective upon enactment.

THIS RESOLUTION PASSED and APPROVED by the McGRATH CITY COUNCIL THIS 15<sup>TH</sup> DAY OF MARCH 2005 BY A VOTE OF AYES AND NAYS.

Attest:

  
City Clerk-Treasurer Phillip Graham

Mayor

  
Dustin Parker



**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 2<sup>nd</sup> 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

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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.

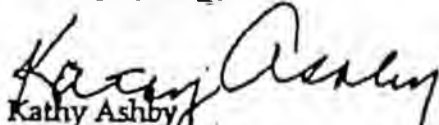
Alaska is indeed blessed with resource largesse of which many locales can only dream. Alaska's resources provide healthy economic activity and enviable lifestyles in metropolitan areas of the state. Those resources, as you well know, are located, explored, developed, and extracted in areas of the state 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  
3<sup>rd</sup> & 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 Bookofsky - Member  
Danny M. Clarion Sr. - Member  
Katherine Panameroff - 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 than 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,

A handwritten signature in cursive script that reads "Zack Chichenoff".

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



## CITY OF UNALAKLEET

BOX 28  
UNALAKLEET, ALASKA  
99884  
(907) 624-3531  
FAX (907) 624-3130

April 11, 2005

The Honorable Donald Olson  
Alaska State Legislature  
State Capitol  
Mailstop: 3100  
Juneau, Alaska 99801-1182

Re: City of Unalakleet Financial

Dear Senator Olson,

In the next few days, the Senate Finance Committee will be holding hearings on the FY06 State Operating Budget. I know as you begin deliberations on the final version of the budget, there are going to be many requests for items to be included before the final passage and adoption.

However, before you make any decisions regarding PERS/TRS and revenue sharing, I thought I would explain to you exactly where we are in Unalakleet and where we will be in two years at the most.

I just finished the City's proposed FY06 Budget for introduction at our most recent City Council meeting. With the next two years being major construction seasons in the City, the City will realize a windfall from equipment rentals during this period of time. The equipment rental will account for nearly twenty (20%) percent of the General Fund budget that supports Police, Fire, Public Works, Library and Administration. For FY08, I foresee the need to downsize the City staff dramatically and still maintain the mandated personnel for sewer and water and solid waste. We will also need police personnel since there are no State Troopers stationed in our community.

The higher fuel costs for delivery in June, has resulted in a fifty- (50%) percent increase over last year for the same amount of heating oil and gasoline. This year, FY06, the increased cost is softened by the recently passed aid to communities for fuel purchase. Yet this grant will only cover 67% of our fuel purchase for FY06. And then the increased cost of electricity due to the lower amount of PCE available just adds to our burden.

Then we have been required to increase our employer share of the PERS contribution by another five (5%) percent this year, and then, an additional 5% for FY06 and FY07 which is a known at this juncture. Maybe the new actuarial study will result in a more favorable contribution rate and then it may show the contribution rate needs a higher contribution rate.

To top things off, our 5% sales tax collection rate has been nearly flat for the past five years. In our annual audit, we do audit private businesses in the community and usually they have been fairly uniform in their collections and remittances. No unusually large amount of back taxes has been required of the businesses audited. Even being innovative, there just is no real means to increase the city's income.

The solid waste fund and sewer and water fund stand alone by the revenue generated for their services and do not receive any funding from the General Fund or any other source, which is unusual in rural Alaska. At present our monthly collection rate is over 75% but with the increased costs for heating and food, this may diminish. It should be noted that we are not bashful to discontinue service for non-payment and no bill goes unpaid for over 90 days.

Quietly during this period of time, the City's insurance costs have increased from approximately \$41,000.00 per year to now over \$65,000.00 per year with no new facilities being added to the coverage. As has been pointed out in recent testimony, the cost for providing the mandatory worker compensation coverage has just compounded the cost of our ability to keep our head above water with the loss of revenue sharing and municipal assistance.

It is a \$1,000.00 here and couple thousand there and a few hundred there and before you know it, we are scratching to see where the money is to meet the next payroll. The City only has six full time employees today and retains 2 to 4 casual employees during the summer months to assist the Public Works in their tasks and preventative maintenance schedule.

At the same time, the City of Unalakleet has been very unique for the past five years in their ability to provide a quality professional administration utilizing a part-time City Administrator. While there is desire to have a full-time administrator on the part of many, the Mayor provides part-time administrative services in the absence of the City Administrator. This saves the City a complete fringe benefits package except for FICA/MedFICA and ESC. With fringe benefit package for a full-time employee is in the 50% range depending upon the years of employment, this is an immense savings to the City in salary and fringe benefits in having a part-time City Administrator. The basic agreement is that if there is work to be done or grants to write, and then the City Administrator is there to work since it is per day and not per hour. A normal day is 10 to 12 hours at this point. If there is no work that needs to be accomplished, then the City Administrator is free to go home and return the following month. The City Administrator is on call while they are home, but the need for assistance is minimal.

As you can see Senator, the City of Unalakleet has already started to downsize in anticipation of decreased revenues. We can only downsize so much and then we become a burden upon the State to provide services that were provided on a local level through assistance from the State in the form of Municipal Assistance and Revenue Sharing.

As you begin your deliberations in the FY06 Operating Budget, I cannot urge you strongly enough to include financial assistance to the communities. For the past 15 years, all the communities have sacrificed to help the State get through its financial problems. Now we are in the situation that the State found itself just a few years back and we are the ones in need of assistance. We do not have a back-up reserve position as we have been eating hand to mouth for the past several years.

The City of Unalakleet is not the only community in your district that is or about to experience extreme financial problems within the next couple years at the latest. Many are in a present dire need for financial assistance and we are about to join this membership. I urge you in behalf of the City of Unalakleet and all the rural communities especially to provide us with financial relief we so much desire and need. The financial situation is a concern to all the communities in the State, large and small.

Should you have any questions, please feel free to contact me.

Yours truly,

---

David L. Soulak  
City Administrator

**City of Ruby**

PO Box 90

Ruby AK 99768

907.488.4401

Fax: 907.488.444

March 22, 2005

State of Alaska  
Attn: Rep. Woodie Salmon  
Juneau, Alaska

Dear Mr. Salmon:

In March 2003 the City of Ruby voluntarily withdrew from the State of Alaska-PERS program. We took this action to reduce expenditures, because of State funding cuts to rural Alaskan municipalities. Before we made the decision to withdraw from the PERS program our City Clerk at that time was in contact with Mr. Kevin Worley. Mr. Worley did advise our Clerk that we would be penalized for withdrawing from the program, but we were never given an amount. There is no written statement to this effect, because both parties only discussed our options verbally over the telephone.

The State of Alaska-PERS program recently mailed a billing statement in the amount of \$241,854.00 to the City of Ruby, with no option of a payment plan. We were also informed that we would be charged an 8.25% Interest fee beginning with March 1, 2005. Even though we are no longer in the PERS program we are still faced with the same kind of debt as those communities who are still in the program. We feel that this is not fair to us and the other communities who have withdrawn due to financial stress. We are in dire need of State assistance in paying this debt off. As such we request that any Proposal by the State of Alaska to help communities deal with PERS debt should include the City of Ruby, since we all share the same burden of PERS debt together.

Since May 2003 the City of Ruby has had a high turnover rate in the City Clerk's position. We have been trying to keep up financially, especially with reduced State funding. We continue to provide services to our residents, and like many other Alaskan communities we face financial difficulties in providing sustainable programs. The amount that we owe will completely destroy our efforts to continue to provide services to our community. The Interest alone will wipe us out financially, and we will have no option but to discontinue to provide municipal services to the Ruby residents.

Respectfully,

  
Jay A. deLima Mayor

**Rep. Woodie Salmon**

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**From:** connie.m.walker@att.net  
**Sent:** Tuesday, April 26, 2005 11:47 AM  
**To:** Rep. Woodie Salmon  
**Subject:** City Closing!!!

Good Morning Representative Salmon,

This is City Clerk Connie Walker. I wanted to write you and inform you of the status of our community. I sent you a couple of emails but I'm not sure if they made it through for some reason or another.

Anyway, for the past couple of weeks I have been going through our situation here at the City. We currently do not have any Workers Comp Insurance and none of our City buildings have any liability insurance not even to mention PERS as we do not have any money to pay for those luxeries. We do have some monies coming from a grant which is about \$20,000.00 as well as a reimbursement request of fuel purchased this past July 2004 for \$6118.50. Those two figures are the only revenue that the City is looking at right now. With those monies the City will have to pay up past due bills, payroll, and taxes to the end of May and possibly we may have enough to stay open to the end of June. After that we are very seriously looking at shutting down here at the City of Holy Cross.

Like I said earlier we do not have any insurance. What do we do, purchase that insurance with these reimbursment monies coming and then end up having to close the City down afterwards? You know, I just don't see any way out of joining the countless Small Communities which have already shut down.

It doesn't seem like there is much anybody will or can do about this dire situation that we rural villages are in.

Thank you for your time and attention in this serious matter. A reply will be much appreciated.

Respectfully,  
Holy Cross City Clerk, Connie M. Walker

P.S. By the way, I voted for you because you come from a small community yourself and because of your Grandfather. Keep up the good work and representation. Thank you.

CITY OF KWETHLUK  
P.O.B. 50  
KWETHLUK, AK 99621

April 21, 2005

Honorable Governor Frank Murkowski  
State Capitol, Third Floor  
Juneau, Alaska 99801

Dear Governor Murkowski,

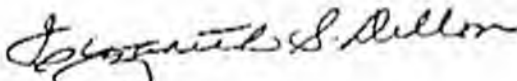
I am writing this letter as a last resort. Kwethluk City Council members have done everything in their power to keep our community together. We have run out of money and now we have run out of hope. The City had to lay off all the city employees. As Mayor, I am the only one left to do City business, as I am not a paid employee. In order to even go down to the City office, I must use my own money to put into the tank (which runs \$3.31 a gallon plus tax) as the city buildings been out of fuel for some time, as well as out of money to pay for the fuel.

We have been paying our insurance on an "installment" basis. Now, our last payment of \$7,000 has had to be put on hold. We received a CDBG grant with which to build a much-needed Public Safety building. We also were eager for this job to take place as it would mean jobs for members of our community. Now we have learned that if we do not have our liability insurance paid up, we will not be able to build our Public Safety building.

Our operating budget is gone. Members of our community cannot afford to pay their electric bills, as jobs are scarce. We owe IRS in back taxes, as uncomfortable choices must be made when a community is out of money, yet loyal employees have worked until the end.

We have lost revenue sharing, capital matching grants and seen all our expenses rise considerably. We hear how well Alaska is doing because of high oil prices, but we are not doing well. We have helped pay those high oil prices, but we do not receive any benefit from them? What do YOU think we should do? I would appreciate a reply as to what you or the legislators think we should do.

Sincerely,



Elizabeth S. Dillon  
Mayor, City of Kwethluk  
Kwethluk City Council

John W. Andrew-Vice Mayor *John W. Andrew*  
Elizabeth G. Michael-Secretary *Elizabeth G. Michael*  
Richard L. Long-Treasurer *Richard L. Long*  
Arthur Alexie, Sr.-Member  
Annie S. Andrew-Member *Annie S. Andrew*  
Martin Andrew-Member

Cc: Alaska State Legislature